



Media release

2 April 2007

Plum challenges age-old wisdom on financial education at CMSF

The Conference of Major Superannuation Funds (CMSF) held last week saw Plum's Senior Education Development Consultant Michelle Brown tackle the question of the importance of education versus financial literacy... outlining Plum's industry-leading approach to education.

According to Plum's Managing Director Mike Fitzsimons, Plum's innovative approach to financial literacy and education for its members has had proven results, with member feedback and Plum's annual Super Fitness Survey showing its effectiveness.

'At Plum, we believe, through education, we can encourage our members to take control of their finances and therefore they will be more likely to be comfortable in retirement. The challenge has been, how do we communicate and get through to all of our different members?' Mr Fitzsimons said.

'For years people have talked about educating members and making them financially literate in terms of the demographics of their members. With our approach we've applied the latest behavioural finance principles that tells us member's learning needs vary according to their behaviours and values, not because of how old or how educated they are.

'As a result our education program caters to these differing money 'attitudes'. Those members who want to learn more are easy to cater to. However our research tells us that no matter what you offer members in terms of educational materials, a stubborn 40% of members won't plan for retirement. Rather than rail against this, or worse just speak to the 60% that do listen, we have come up with a program that caters to these individuals as well to help them save.'

Plum's Escalator Program, which has an 'opt out' element is one example of how Plum can work with a member's inertia to help them save. Providing a range of investment options, that take account of member investor profiles, is another.

'Increasingly the financial industry will need to rethink its approach to member education to target that 40% of members that are falling under the radar,' Mr Fitzsimons said.

'In fact, the Association of Superannuation Funds of Australia (ASFA)*recent pre-budget submission calling on the Federal Government to make it compulsory for employers to implement programs similar to Plum's Escalator Program, shows the increasing recognition in the super industry that we need to do more to help prepare our members for retirement.'

At the CMSF conference Michelle Brown was asked to address the following proposition: 'Do members need to be financially literate to appreciate the education they receive, or does that education start them on the journey to financial literacy?'

Ms Brown explained that **behaviour** and **values** – attitudes to money matters – are the key factors influencing the way members received financial education, challenging the accepted wisdom that says education material need only take into account a person's age, family situation, level of financial knowledge or exposure to education campaigns.

more

Plum Financial Services Limited
(Administrator)
ABN 35 081 812 731 **AFSL** 243356

PFS Nominees Pty Ltd
Trustee of the Plum Superannuation Fund
ABN 16 082 026 480 **AFSL** 243357
RSE L0002912 R1056945

Level 9, 90 Collins Street
Melbourne Vic 3000
GPO Box 63
Melbourne Vic 3001

Telephone 03 9222 4500
Facsimile 03 9222 4902
Email service@plum.com.au
www.plum.com.au



Ms Brown talked about the importance of framing messages to suit different member segments based on their attitude to money. Using behavioural finance theory, Plum has segmented its members into five common attitudes ranging from 'successful planners' to 'live for today avoiders'.

She argued it's too easy to fall into the trap of delivering regular, sophisticated messages to members who fall into the planner profile, with high levels of financial literacy and motivation. This comes at the cost of those who do not.

Regardless of what super institutions say or do, Michelle reminded the audience 40% of the population don't plan for retirement and that education programs must cater to a broader range of people.

'Too often financial institutions wrongly believe their audience is motivated and interested in what they have to say. Based on this behavioural finance data, at least half of our audience has a low level of interest in the topics we provide to them,' Ms Brown said.

'Successful financial education is not just about knowing your member's demographics, but also understanding their attitude to money, what they need, and knowing how and what to communicate to them.

'Education must help all types of members, regardless of their age, background or interest in superannuation and investments.'

*A copy of ASFA's submission can be found on its website at <http://www.superannuation.asn.au/Submissions/default.aspx> under its January 2007 submissions and is titled "Pre-Budget Submission for the 2007- 08 Federal Budget".

ends

Further information:

For more information, photos or an interview with Mike Fitzsimons please contact:

Dana Baynes

Public Relations Manager

Plum Financial Services

Tel: 03 9222 4605 Mob: 0438 017 616

E: dana.baynes@plum.com.au

About Plum

Plum Financial Services Limited ABN 35 081 812 731 AFSL 243356, a wholly owned subsidiary of MLC Limited, provides integrated superannuation solutions for medium to large Australian corporations. Purpose-built for the era of member investment choice, Plum's philosophy is about providing members with a meaningful education experience to help build their knowledge and understanding of superannuation so that they are empowered to manage their financial future.

One of Australia's fastest growing corporate superannuation providers, Plum now administers more than \$8 billion of committed assets for 82 clients and approximately 125,000 members. More information about Plum is available at www.plum.com.au.

Plum Financial Services Limited
(Administrator)
ABN 35 081 812 731 AFSL 243356

PFS Nominees Pty Ltd
Trustee of the Plum Superannuation Fund
ABN 16 082 026 480 AFSL 243357
RSE L0002912 R1056945

Level 9, 90 Collins Street
Melbourne Vic 3000
GPO Box 63
Melbourne Vic 3001

Telephone 03 9222 4500
Facsimile 03 9222 4902
Email service@plum.com.au
www.plum.com.au



Note: An interest in the Plum Superannuation Fund (Fund) RSE R1056938 is issued by the PFS Nominees Pty Ltd (Trustee) ABN 16 082 026 480, AFSL 243357 RSE L0002912. The Fund administrator is Plum Financial Services Limited (Plum) ABN 35 081 812 731 AFSL 243356. This material has been prepared by Plum and it contains information that is general in nature. The information does not take into account your objectives, financial situation or needs. Before acting on the information you should consider whether it is appropriate having regard to your personal circumstances. Plum recommends that you consider the Fund's Product Disclosure Statement (PDS) before you make any decisions about your superannuation. If you need help in making a decision Plum recommends that you seek advice from a qualified financial planner. Neither Plum, the Trustee, nor any other company in the National Australia Bank Group accepts liability whatsoever for any decision that is made on the basis of or in reliance of the information contained in this material. To obtain a copy of the Fund's PDS please call a Plum Member Services Consultant on **1300 55 7586**. Please note that the information contained in this material is current as at March 2007. Any changes in law or policy have not been incorporated.

Plum Financial Services Limited
(Administrator)
ABN 35 081 812 731 **AFSL** 243356

PFS Nominees Pty Ltd
Trustee of the Plum Superannuation Fund
ABN 16 082 026 480 **AFSL** 243357
RSE L0002912 R1056945

Level 9, 90 Collins Street
Melbourne Vic 3000
GPO Box 63
Melbourne Vic 3001

Telephone 03 9222 4500
Facsimile 03 9222 4902
Email service@plum.com.au
www.plum.com.au



Escalator Program quick facts

- The Program is based on a proven initiative called SmarT (Save More for Tomorrow) designed in the US by behavioural finance researchers Professor Shlomo Benartzi from UCLA and Professor Richard Thaler from the University of Chicago. The Program is also offered by Vanguard in the US and is called 'One Step Save'.
- Employers can choose an 'opt in' arrangement – where employees must request to sign up to the program, or an 'opt out' arrangement, where all employees are automatically signed up to the program but can withdraw or 'opt out' from the program.
- Plum trials used an 'opt in' arrangement, however US trials have shown an 'opt out' arrangement are typically more successful in encouraging increased contributions through overcoming the inertia of the employees.
- Under both "opt-in" and "opt-out" arrangements, Plum works with employers to develop the program's details such as the date contributions will be increased each year, the most appropriate communication strategy and how the payroll data will be updated.
- Employee contributions are usually increased annually in-line with each employer's remuneration review.
- Employees can choose to increase their contributions in increments of 1%, 2% or 3% of salary each year.
- Contribution increases will continue until they reach 15% of the employees' wage, including the Super Guarantee. That means, depending on the employer contribution levels, an employee will only ever contribute an additional 6% under the program.
- If an employer offers the 'opt out' facility, Plum will work with the employer to design a communications program that provides regular contact with all employees. This would ensure that a range of communication media can be utilised to reach all employees to convey the message that participation in the Program is not mandatory and that members can cancel their participation at any time.

more

Plum Financial Services Limited
(Administrator)
ABN 35 081 812 731 AFSL 243356

PFS Nominees Pty Ltd
Trustee of the Plum Superannuation Fund
ABN 16 082 026 480 AFSL 243357
RSE L0002912 R1056945

Level 9, 90 Collins Street
Melbourne Vic 3000
GPO Box 63
Melbourne Vic 3001

Telephone 03 9222 4500
Facsimile 03 9222 4902
Email service@plum.com.au
www.plum.com.au



Further information about behavioural finance

Further information about behavioural finance and the principles upon which The Escalator Program is based, can be accessed from Professor Shlomo Benartzi's page on the UCLA website. This provides access to a number of papers published by Professor Benartzi. The address is www.anderson.ucla.edu/x5515.xml

Plum Financial Services Limited
(Administrator)
ABN 35 081 812 731 **AFSL** 243356

PFS Nominees Pty Ltd
Trustee of the Plum Superannuation Fund
ABN 16 082 026 480 **AFSL** 243357
RSE L0002912 R1056945

Level 9, 90 Collins Street
Melbourne Vic 3000
GPO Box 63
Melbourne Vic 3001

Telephone 03 9222 4500
Facsimile 03 9222 4902
Email service@plum.com.au
www.plum.com.au