



## Media release

September 2007

### Plum revolutionises members' savings

Plum Financial Services Limited (Plum) is revolutionising the super savings behaviour of its corporate members with its award winning *Escalator Program*.

The initial results are in for one of Plum's long standing corporate clients, with 85% of employees now voluntarily contributing five per cent or more to their super, following the implementation of a version of Plum's *Escalator Program* within the company.

Launched just last year, Plum has been in the process of implementing varying versions of the *Escalator Program*, to suit the needs of each client, over the past few months. The Program also won an Excellence Award for member marketing and the distinguished 'Alchemist Award' for innovation at the recent Association of Superannuation Funds of Australia (ASFA) 2007 Communications Awards.

The Program can be offered on an 'opt out' basis, which uses behavioural finance theories to encourage members who are unlikely to take action for themselves to save more, an 'opt in' basis, or a combination of these. (see *Escalator Program* Quick Facts below)

According to Plum's Managing Director Mike Fitzsimons the results from Plum's first client to implement a version of *Escalator* on an 'opt out' basis, have blown Plum's expectations out of the water.

'In conjunction with our client Hastings Deering, we facilitated rolling out a program to assist those members of their employee base who weren't already making voluntary super contributions (around 40% of members). The program highlighted that voluntary contributions would be increased to 5% unless the employee instructed otherwise, Mr Fitzsimons said.

'Hastings Deering now has 85% of its entire member base making voluntary contributions of 5% or more to their super! This is a fantastic result and industry ground breaking.'

Hastings Deering chose to implement the program on an 'opt out' basis, meaning employees were asked to choose only if they did not want to participate in the program. New employees will automatically join the program unless they specify otherwise.

'We knew when we started *Escalator* that the 'opt out' version of the program was likely to be more effective to help members save, than the 'opt in' version, based on the US experience of a similar program called SmarT. We also knew the behavioural finance theories on which it is based are sound,' Mr Fitzsimons said.

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'Having only piloted an 'opt in' version in Australia, we knew we would have to wait and see whether the 'opt out' version would have the same results in Australia... we know now it can help put our members in a much better position to have an adequate income in retirement.

Hastings Deering Managing Director Scott Cameron said the company had implemented the Program, in conjunction with Plum, to encourage and support employees to save and prepare for their retirement.

'We wanted to help our employees avoid being put in the position of not being able to retire on an adequate income,' Mr Cameron said. 'We are very supportive of saving through super, so that our employees can enjoy their retirement years.'

'Implementing initiatives such as this savings program will help make our employees retirement lifestyles above the average, and improve our standing as a caring employer.'

Mr Cameron said Hastings Deerings chose a full 5% voluntary contribution program to get staff closer to the 15% that the super industry and the government are saying will be required for people to have a comfortable retirement.

'Employees were a little hesitant at first but after attending education sessions they obtained an understanding of the program and the need for people to save more, they were then more comfortable with putting more contributions into super. In fact some members commented "thanks for making this decision for me as I can see the benefits it will have on my retirement",' Mr Cameron said.

New Hastings Deerings employees will also automatically go onto the program.

### **Overall results**

Already 19 of Plum's clients are in the process of adopting a version of *Escalator*. Another six have implemented their own version and Plum has had discussions with around another 16 clients who have indicated they are receptive to the concept.

This means that 50% of Plum's clients are taking up, or have indicated they are keen to consider taking up, a version of the *Escalator Program*. Plum's first results of those clients who have adopted the program on an 'opt in' version will be released shortly.

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### **Further information:**

For more information on the Escalator Program, photos or an interview with Mike Fitzsimons please contact:

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### **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 \$9 billion of committed assets for 82 clients and approximately 125,000 members. More information about Plum is available at [www.plum.com.au](http://www.plum.com.au).

**Note:** An interest in the Plum Superannuation Fund (Fund) RSE R1056945 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 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 September 2007. Any changes in law or policy have not been incorporated.

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<b>Hastings Deerings quick facts</b>	
<b>Company breakdown</b>	<ul style="list-style-type: none"><li>• Caterpillar Equipment Dealer</li><li>• Approximately 540 Plum members</li><li>• 60% of members already making voluntary contributions</li></ul>
<b>Version of Escalator offered</b>	<ul style="list-style-type: none"><li>• Program facilitated by Plum and offered on an 'opt out' basis.</li><li>• Set up as a one-off automatic increase of contributions by 5%</li><li>• Offered to all members</li></ul>
<b>Results</b>	<ul style="list-style-type: none"><li>• 85% of members are now making voluntary contributions of 5% or more</li></ul>

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## 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 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 the range of communication mediums is able to reach all employees and that members are in no doubt that participation in the Program is not mandatory and they can cancel their participation at any time.

## 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](http://www.anderson.ucla.edu/x5515.xml)

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