



Media release

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Plum: Market downturn presents super opportunities

With the sharemarket trading at reduced levels, and an uncertain economic outlook, now may be a good time to reassess your savings strategy and consider investing into superannuation, according to Plum's regional manager Graeme Humphrys.

Speaking at the Australia Super Funds Summit 2008 last week, Mr Humphrys talked about Plum's latest superannuation savings program the *Escalator Program* (See *Escalator Program* quick facts below) and the advantages it presented in uncertain economic times.

'While no one can predict what the markets are going to do, in times like these incremental superannuation savings programs like *Escalator* have many advantages. This program allows members to contribute small amounts of money to their superannuation on a regular basis and spreads their investment risk over time.'

'In addition, with *Escalator* members' contributions increase in-line with their remuneration reviews so most members won't even notice the additional payments coming out of their take home pay.'

The *Escalator Program*, some variations of which are based on soft compulsion concepts, can be modified to meet individual corporate client needs and is offered on both an 'opt in' or 'opt out' basis, or a combination of these.

'The *Escalator Program*, was first implemented by Plum in response to industry data showing that many people would not have an adequate retirement income and although they knew this, they were still not taking steps to save more,' Mr Humphrys said.

'We know that although education continues to be imperative to help members save more, there is a segment of our members who are not being engaged by education alone. *Escalator* fills this gap and encourages all of our members to save.'

Escalator is the first of its kind in Australia. To date, results from corporate clients have exceeded expectations with around 25% of Plum's corporate clients implementing a variation of *Escalator*.

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We've found the key to *Escalator* is combining it with an extensive education campaign. As a result, we've had some really impressive take up rates by members in both 'opt in' and 'opt out' variations of *Escalator*,' Mr Humphrys said.

'For example, one of our clients, Inghams, found an initial take-up rate by members offered *Escalator* was 17%. An additional 47% of members already contributing to their superannuation increased their contributions. This tells us that educating people about superannuation so they can better understand how it works, often will result in more people investing in it.'

According to Vanguard in the US, 'opt in' programs typically attract a 6% take up rate.

'At Plum, we would like to see other super funds offer such programs to their clients,' Mr Humphrys said.

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Further information:

For more information on Plum, Mr Humphrys' presentation, photos or an interview with Graeme Humphrys 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 approximately \$9 billion of committed assets for 82 clients and approximately 132,000 members. More information about Plum is available at www.plum.com.au.

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Escalator Program quick facts

- The *Escalator 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 *Escalator* 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

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