



## Media release

26 July 2006

### **Plum to lead the way with an innovative, simple and fresh approach to increasing members' super**

Amidst recent industry and parliamentary debate<sup>1</sup> regarding schemes designed to automatically boost superannuation contributions, Plum Financial Services (Plum) is poised to launch an innovative offer to members.

In coming weeks, Plum will launch a ground-breaking program, which aims to take into account the varying needs and behaviour of members.

This unique program uses an 'opt-in' approach, which will help participating members actively achieve a better retirement income by automatically increasing additional superannuation contributions in line with annual salary increases.

Mike Fitzsimons, Plum's Managing Director said, 'We are really excited about the potential of this concept as it helps bridge the retirement savings gap in a practical manner by making it really easy for members to save and addresses some of the typical objections people have as to why they can't save more.

'Finding a way to encourage Australians to save enough for retirement needed a fresh approach. Our new offer represents a big step towards helping our members reach a comfortable fully-funded retirement. It may well revolutionise retirement planning in Australia'.

Plum designed the program using behavioural finance theory, which combines psychology and economics, to overcome inertia and procrastination in financial decision making. The aim is to help people make effective financial decisions, regardless of their level of interest in financial matters.

Plum is the first Australian superannuation provider to use behavioural finance research in this way and piloted the program over the last six months to test and analyse all aspects of the program.

'It's simple – members commit to increase their super contributions, by small steps for most people, automatically each year until they reach their target contribution level, which for many people would be 12 per cent or more. Annual increases can be set as a proportion of annual wage rises, so members do not experience a sudden drop in their income,' adds Mike Fitzsimons.

Together with Professor Richard Thaler of the University of Chicago, Professor Shlomo Benartzi, of UCLA in America, pioneered the approach in a programme called Saving More for Tomorrow (SMarT). In trials of SMarT, people who normally shy away from making financial decisions, 'avoiders', increased their rate of savings fourfold over a five year period.

This was double the increase of the 'planners', the group traditionally most likely to contribute at a higher rate by taking an active involvement in planning their own super. There was no change in the control group.

Professor Benartzi, who is widely regarded as the world's leading authority on behavioural finance research, will speak about SMarT at the official launch of Plum's new program in late August at events in Sydney and Melbourne.

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### Further information:

Plum will announce further details about this new program to Plum clients and the media at events in Sydney and Melbourne. Professor Shlomo Benartzi will be a guest speaker at both events.

- **Sydney** - 24 August, 5.30pm at the **Target Theatre** at the **Powerhouse Museum**.
- **Melbourne** - 31 August, 6.00pm at **Experimedia** at the **State Library of Victoria**.

To reserve a place at one of the above events or for further details about the media release above, please contact:

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#### Footnote:

1 Under proposals put forward by the House of Representatives Standing Committee on Economics in a report named 'Improving the superannuation savings of people under 40', the default super contribution would be 12%, made up of the 9% SG and an additional contribution of 3%. Members could opt-out of the additional 3% if they choose.

The proposal assumes that the majority of people would not opt-out. It also suggests that contributions of 12% are required to secure a realistic retirement income for most people.

The Financial Services Institute of Australia (Finsia) commissioned an analysis by Access Economics of three policy options aimed at encouraging front end savings for retirement. The analysis found that an additional 3 % superannuation contribution would greatly improve retirement benefits for participants, save the public purse and reduce dependency on the age pension.

#### 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 \$7.2 billion of committed assets for 80 clients and approximately 115,000 members. More information about Plum is available at [www.plum.com.au](http://www.plum.com.au).

#### Disclaimer

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