2013 Westpac Lost Super Report

1. Background and Methodology

Background & Methodology

Research

In April 2013, Westpac commissioned an independent piece of research to better understand Australians' behaviour with regards to their superannuation, with a particular focus on lost super.

The research comprises of two different methods:
- Research data modelling to provide a predictive estimate based on certain assumptions of the amount of lost super across Australia (national, state, area, suburb, gender and generation). Findings have also been validated against data from a large Australian super fund regarding characteristics of dormant and active members.
- Quantitative primary research via a survey of 2,013 Australians about their sentiments on superannuation

The sample uses both methods described above and is a nationally representative sample. This document outlines the findings of both these methods of research.

Research Modelling.

The Approach Taken

- Due to the manner in which information is collected in Australia and partly because of privacy legislation, no single source of information for lost super exists in Australia – even the Australian Tax Office which has been collecting dormant super information for two years does not possess a complete picture of the size of the issue in Australia.

- Consequently, past attempts to model how lost super is split in Australia by region (usually postcode) and employment type have relied on a simple approach which takes the amount of lost super and divides it by the number of working Australians residing in the particular geographic area in question.

- Clearly this simple approach is not likely to derive an accurate picture of lost super in Australia given that it assumes the amount of super that is lost is evenly distributed across all working adults.

- To overcome such issues, CoreData developed a model that takes into account the factors that drive or influence the likelihood of lost super, and used these elements to build a series of drivers to enable the construction of a much more accurate picture of where super is being lost in Australia and who is losing it. Several assumptions were used to generate this data, applying a different assumption or methodology may result in a different outcome.

- The total lost super figure in Australia was extracted from an Australian Taxation Office (ATO) Internal Data as at 31 December 2012, at $18.1 billion. This figure was used as the basis of the modelling of lost super across Australia.

Determining Likelihood of Lost Super

Number of employers

Number of super funds

Lost Super

Part time work

Unclaimed Super

For a more detailed explanation of the model, please refer to the appendix.

To understand lost super in Australia CoreData took a database of Australians known to have lost super and build a model of the characteristics common to these individuals.

This research revealed that having part time work, a larger than average number of superfunds, a larger than average number of employers and acknowledging that you had unclaimed super meant you were likely to have also lost super.

When these factors all occur together it means that you are even more likely to have lost super.

Using information from these four drivers we were able to build a model of which Australians were statistically likely to have lost super and build an algorithm to model any area in the country with enough population density to make the numbers meaningful.

Once built, CoreData tested this model. By working with one of Australia's largest super funds, CoreData examined the profile of their "live super accounts" (i.e. those that were being paid into) and "lost super accounts" (i.e. those that hadn't received any deposits for the past 36 months, or no contributions or rollovers have been added in the last five years or the super fund never had an address for the member mail has been returned unclaimed)

CoreData then conducted a survey of more than 10,000 employed Australians to generate a dataset of those which know they have lost super. Given the proven reliability of the model, from 2012, in May 2013, the exercise was repeated with a smaller sample and revised ABS census geographical areas to produce the most current findings. ABS' revised statistical boundaries are available here - http://www.abs.gov.au/websitedbs/D3310114.nsf/home/Australian+Statistical+Geography+Standard+%28ASGS%29

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Quantitative primary research

Approach taken

Quantitative Primary Research was run by the Westpac Group in the form of an online survey during April 2013. The survey was eight minutes in length and delved into a number of issues relating to superannuation, with a particular focus on lost super.

The overall random sample of 2013 participants is nationally representative of the population of Australia and was used to examine:
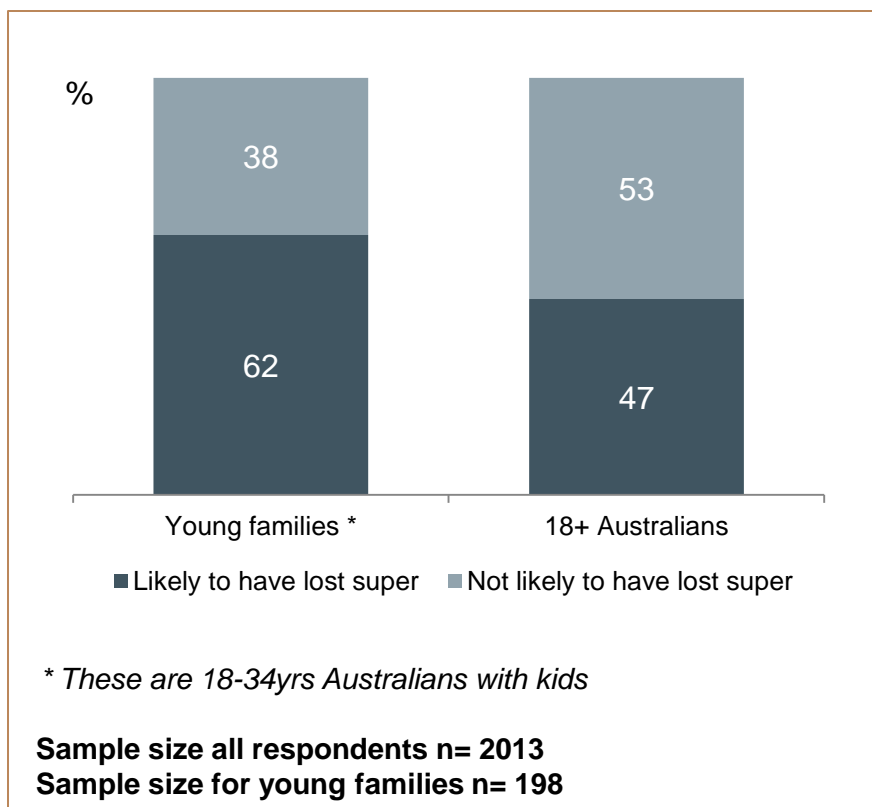
- National sentiments
- Gender specific issues
- Analysis by generation
  - *Note definitions used in Generations analysis:*
    - Pre-boomers (Before 1946)are over 67yrs old
    - Baby Boomers (1946-1964) are 49 to 67yrs
    - Gen X (1965-1982) 31 to 48yrs
    - Gen Y (1983-1998)18 to 30yrs

Key Findings.

Key Findings: Lost Superannuation

From the CoreData predictive model, taking into account these key variables (number of employers, part-time work, unclaimed super, number of super funds) and based on the national $18.1 billion lost super figure, it is estimated that:
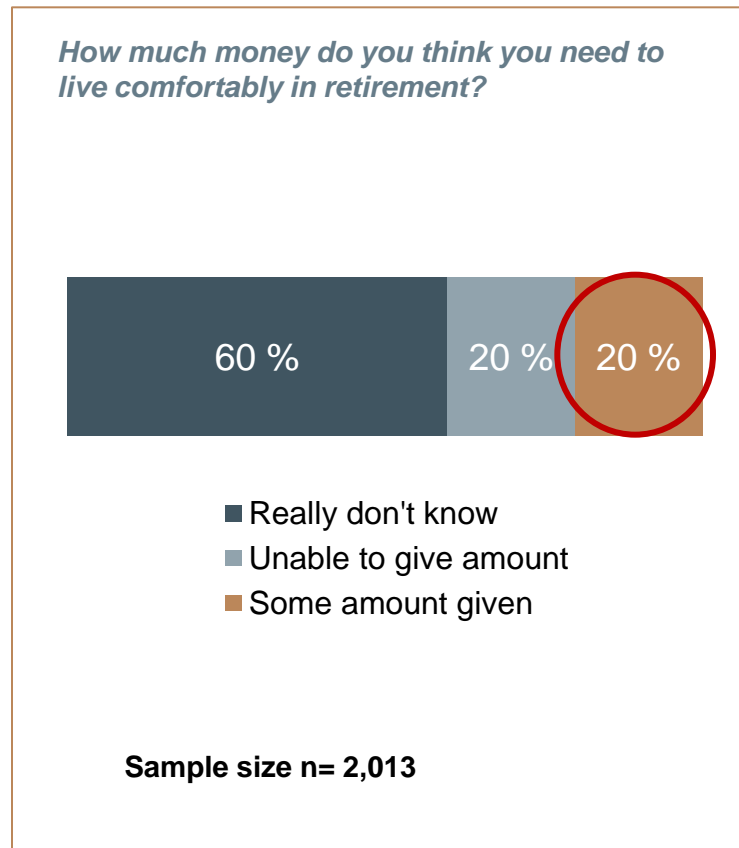
▸ 62% of young families are likely to have lost super
▸ Almost 1 in 2 (47%) Australians are likely to have lost super

These are 18-34yrs Australians with kids

Sample size all respondents n= 2013
Sample size for young families n= 198

Key Findings: Preparedness for Retirement

Based on a national representative survey of Australians about their sentiments on superannuation, it can be concluded that:
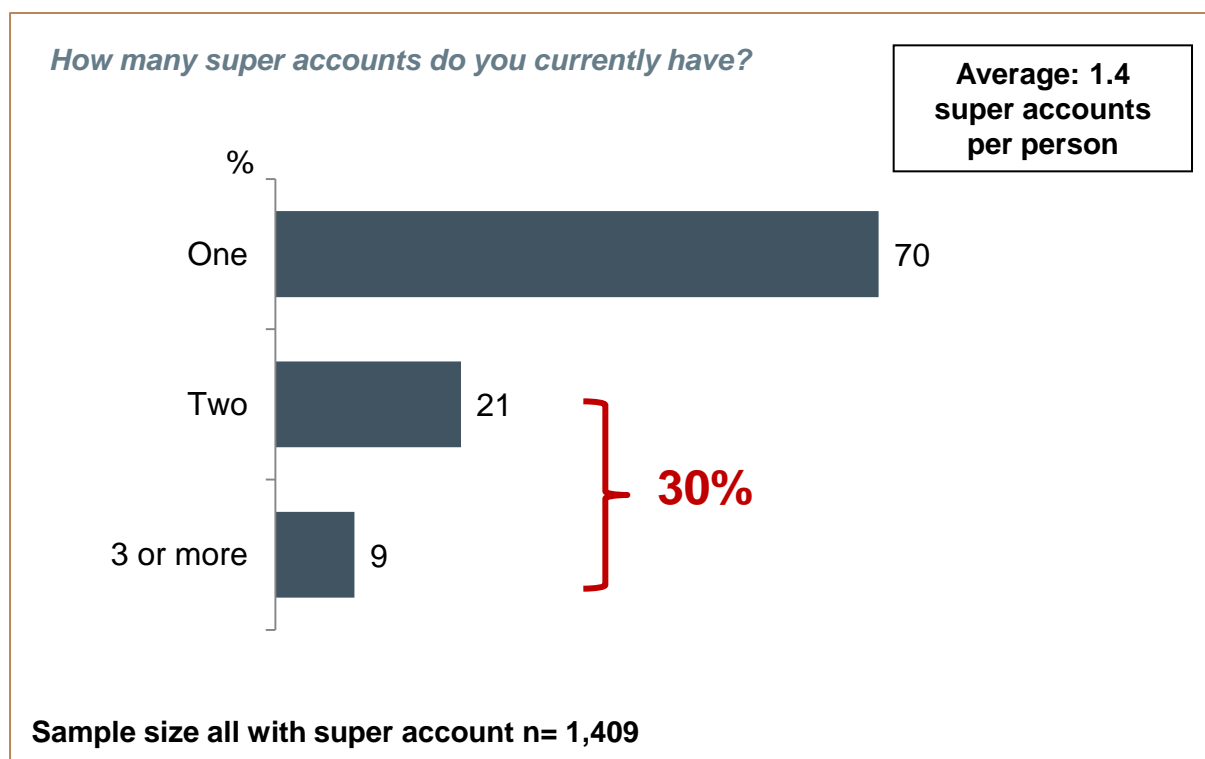
▶ Only 1 in 5 Australians are able to accurately estimate the amount of super they will need to live comfortably in retirement

How much money do you think you need to live comfortably in retirement?

| 60 % | 20 % | 20 % |

■ Really don't know
■ Unable to give amount
■ Some amount given

Sample size n= 2,013

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Key Findings: Number of Accounts

Based on a national representative survey of Australians about their sentiments on superannuation, it can be concluded that:

▶ Almost a third (30%) of Australians with superannuation have more than one super account

How many super accounts do you currently have?

Average: 1.4 super accounts per person

%

One — 70

Two — 21

3 or more — 9

30%

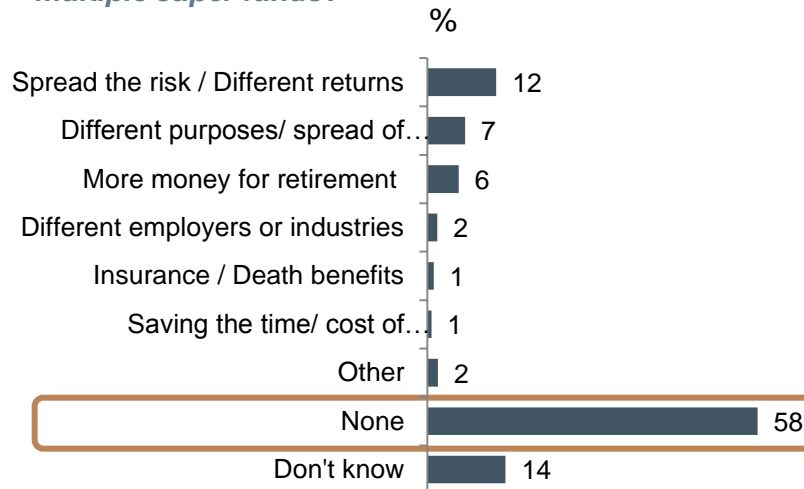**Sample size all with super account n= 1,409**

Key Findings: Perception of having multiple accounts

Based on a national representative survey of Australians about their sentiments on superannuation, it can be concluded that:
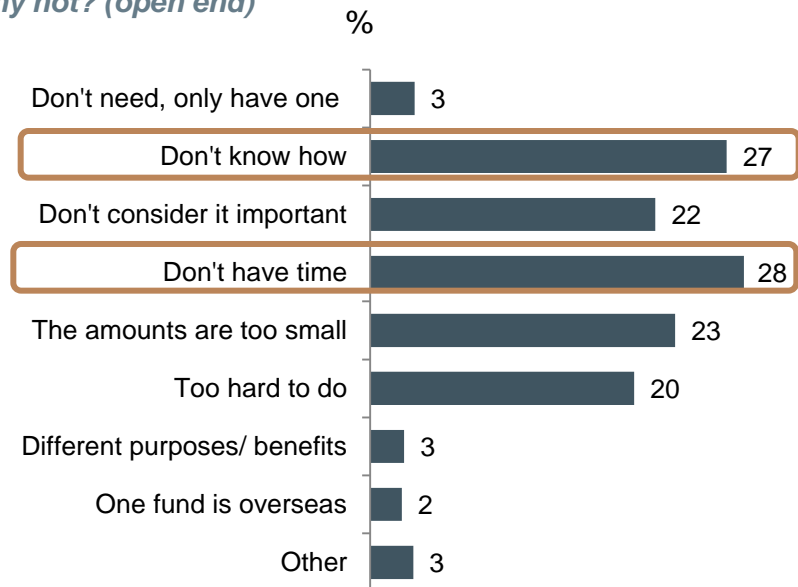
▶ 58% of Australians do not believe there is any benefit in having multiple superannuation accounts
▶ Of those with two accounts or more, who have not yet tried to consolidate, the top two reasons for not consolidating multiple accounts are:
  ▶ Don't have the time (28%)
  ▶ Don't know how to (27%)

What do you believe is the main benefit of having multiple super funds?

%

Spread the risk / Different returns	12
Different purposes/ spread of…	7
More money for retirement	6
Different employers or industries	2
Insurance / Death benefits	1
Saving the time/ cost of…	1
Other	2
None	58
Don't know	14

Sample size n= 2,013

Have you ever tried to consolidate your super? If no, why not? (open end)

%

Don't need, only have one	3
Don't know how	27
Don't consider it important	22
Don't have time	28
The amounts are too small	23
Too hard to do	20
Different purposes/ benefits	3
One fund is overseas	2
Other	3

Sample size all respondents with 2 accounts or more who did not try to consolidate n= 194
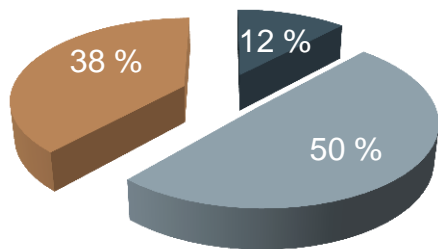
Knowledge and engagement.

Knowledge and engagement: Lost Super

Based on a national representative survey of Australians about their sentiments on superannuation, it can be concluded that:

▸ Almost 2 in 5 (38%) Australians do not know if they have any lost super
▸ Almost 3 in 5 (57%) Australians have never tried to look for any lost super

Lost super is any superannuation contributions you have accumulated over time you may have lost track of if you changed residential address and omitted to update your address with the relevant superannuation fund(s).
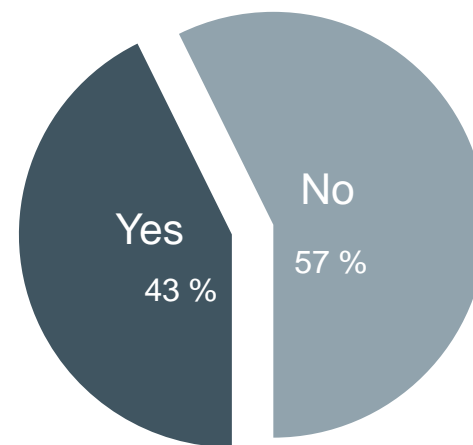
Do you know if you have any lost superannuation?

- ■ Yes I know/think I have lost super
- ■ Yes, I know I don't have any lost super
- ■ No, I don't know if I have any

Sample size n=2,013

Have you ever tried to look for any lost super?

Sample size n=2013

Knowledge and engagement: Unprompted knowledge of what lost super is

Based on a national representative survey of Australians about their sentiments on superannuation, it can be concluded that:

▸ A quarter of Australians (25%) are a little confused about what lost super actually is
▸ A further 19% don't know what lost super is at all

Please tell us what "lost super" means to you?

accounts address aware away changed claimed company contact contributions
details different dont due employers fees forget forgot
forgotten fund gone government idea jobs keep longer lose loss
lost means money moved nothing paid past people period
previous retirement rolled sitting someone super superannuation sure
track unaware unclaimed used work years

Sample size n=2013
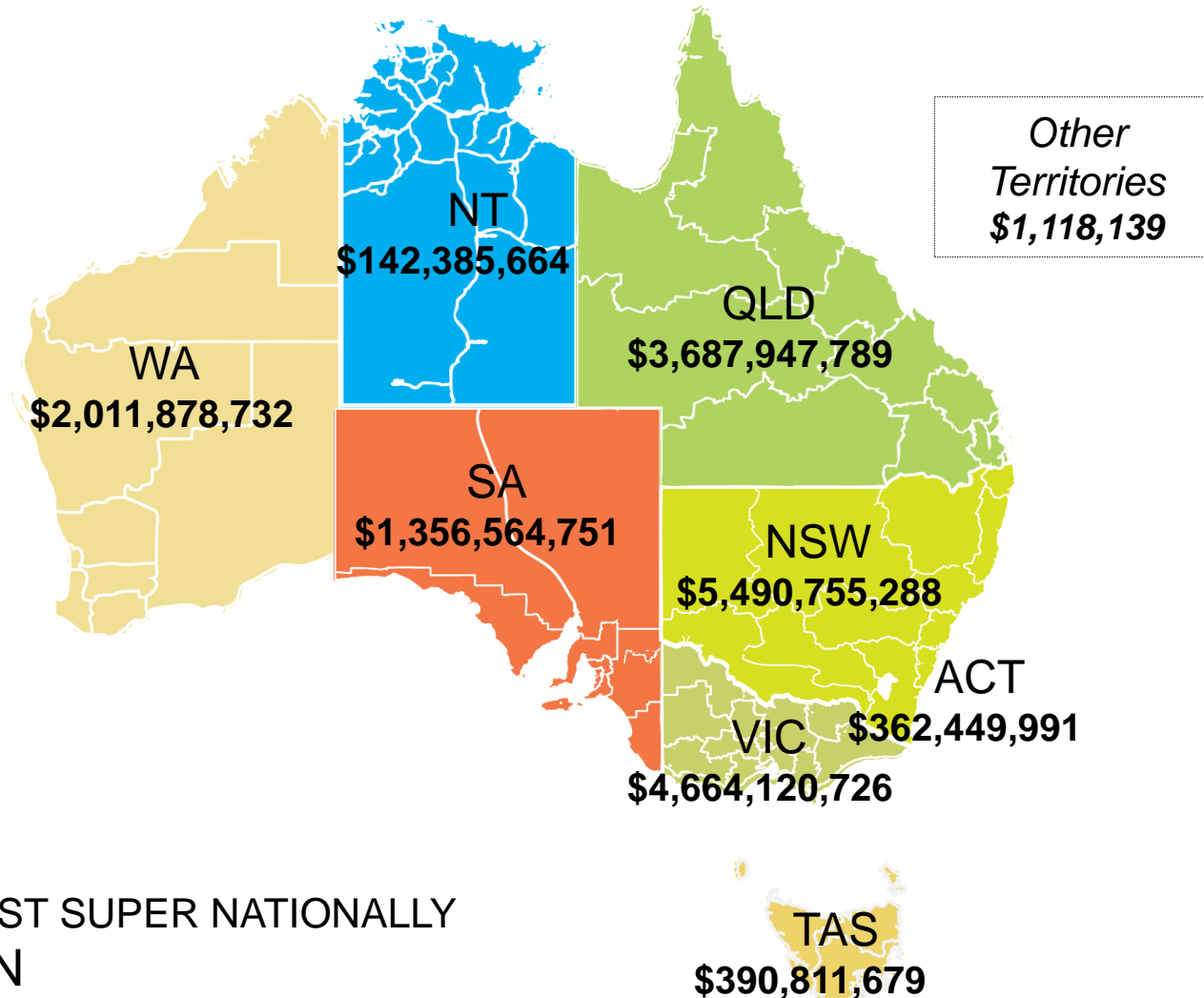
	%
NET GOOD UNDERSTANDING	**54**
Super funds that have been forgotten	19
Super that has not been claimed/ collected / owner unaware of	14
Super funds that people have not kept track of	10
Super funds not moved when change employer	11
Contact with fund ost due to change of details (e.g. address)	4
Money you need to find	2
NET CONFUSION	**(25)**
Taken / held by the government/ATO	3
Inactive super fund / no contributions going in / put in holding account	6
Lost money / Not retrievable	10
Super funds eroded by fees / with low balances /reduced by poor fund performance/ management	5
Super funds that haven't been rolled over/ not in main account	1
Superannuation not paid/ taken by employer	1
NET OTHER	**9**
Less money for retirement	3
Other	2
I don't have lost super	4
Don't know / Nothing / Lost super (non-specific)	**(19)**

Sample size n=2013

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16.

Geographical Breakdown.

National Breakdown
Likely amount of lost super per State

Other Territories $1,118,139

NT $142,385,664

QLD $3,687,947,789

WA $2,011,878,732

SA $1,356,564,751

NSW $5,490,755,288

ACT $362,449,991

VIC $4,664,120,726

TAS $390,811,679

AMOUNT OF LOST SUPER NATIONALLY
$18.1 BILLION

Refer to appendix for detailed explanation of Bayesian analysis run by Core Data to understand how these dollar breakdowns have been calculated.

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18.

State-by-state breakdown.

State Breakdown
Likely amount of lost super per person per state

▸ The average amount of lost super per person in Australia is estimated at **$2,592**
▸ The ACT is estimated to have the most amount of lost super per person at **$2,912**

RANK	STATE	FACTOR ESTIMATED LOST SUPER AMOUNT PER AREA	ESTIMATED LOST SUPER AMOUNT PER PERSON IN AN AREA
1.	Australian Capital Territory	$362,449,911	$2,912
2.	Northern Territory	$142,385,664	$2,845
3.	Western Australia	$2,011,878,732	$2,731
4.	Queensland	$3,687,947,789	$2,662
5.	Victoria	$4,664,120,726	$2,584
6.	New South Wales	$5,490,755,288	$2,523
7.	South Australia	$1,356,564,751	$2,499
8.	Tasmania	$390,811,679	$2,412
9.	Total Other Territories	$1,118,139	$1,994
	TOTAL AUSTRALIA	**$18,100,000,000**	**$2,592**

Refer to appendix for detailed explanation of Bayesian analysis run by Core Data to understand how these dollar breakdowns have been calculated.

State breakdown – likely amount of lost super
New South Wales

RANK	LEAD SUBURB - NSW	FACTOR ESTIMATED LOST SUPER AMOUNT PER AREA	ESTIMATED LOST SUPER AMOUNT PER PERSON IN AN AREA
1.	Erskineville - Alexandria	$16,306,003	$3,439
2.	Darlinghurst	$11,951,516	$3,313
3.	Bondi Beach - North Bondi	$21,949,539	$3,172
4.	St Leonards - Naremburn	$9,516,243	$3,165
5.	Crows Nest - Waverton	$18,506,895	$3,162
6.	Potts Point - Woolloomooloo	$18,762,379	$3,160
7.	Newtown - Camperdown - Darlington	$28,469,794	$3,150
8.	Paddington - Moore Park	$15,913,292	$3,146
9.	Surry Hills	$16,356,564	$3,118
10.	Mount Annan - Currans Hill	$21,902,783	$3,118

Refer to appendix for detailed explanation of Bayesian analysis run by Core Data to understand how these dollar breakdowns have been calculated.

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State breakdown – likely amount of lost super
Queensland

RANK	LEAD SUBURB - QLD	FACTOR ESTIMATED LOST SUPER AMOUNT PER AREA	ESTIMATED LOST SUPER AMOUNT PER PERSON IN AN AREA
1.	Newstead - Bowen Hills	$8,401,516	$3,342
2.	Fortitude Valley	$5,816,339	$3,302
3.	Norman Park	$7,482,881	$3,248
4.	Wakerley	$8,014,657	$3,234
5.	Springfield Lakes	$9,059,985	$3,228
6.	Eatons Hill	$9,648,429	$3,203
7.	Red Hill (Qld)	$7,461,798	$3,202
8.	Paddington - Milton	$13,129,617	$3,189
9.	Cashmere	$16,949,253	$3,164
10.	Hawthorne	$5,392,626	$3,145

Refer to appendix for detailed explanation of Bayesian analysis run by Core Data to understand how these dollar breakdowns have been calculated.

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State breakdown – likely amount of lost super
South Australia

RANK	LEAD SUBURB – SOUTH AUSTRALIA	FACTOR ESTIMATED LOST SUPER AMOUNT PER AREA	ESTIMATED LOST SUPER AMOUNT PER PERSON IN AN AREA
1.	Sheidow Park - Trott Park	$11,645,979	$3,088
2.	Coromandel Valley	$5,563,621	$3,003
3.	Nairne	$4,836,361	$2,990
4.	Munno Para West - Angle Vale	$7,125,233	$2,973
5.	Greenwith	$9,515,472	$2,962
6.	Mount Barker Region	$7,186,785	$2,924
7.	Hallett Cove	$14,302,778	$2,879
8.	Clarendon	$3,450,627	$2,879
9.	Flagstaff Hill	$12,189,336	$2,871
10.	Aberfoyle Park	$13,686,610	$2,869

Refer to appendix for detailed explanation of Bayesian analysis run by Core Data to understand how these dollar breakdowns have been calculated.

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State breakdown – likely amount of lost super
Victoria

RANK	LEAD SUBURB - VICTORIA	FACTOR ESTIMATED LOST SUPER AMOUNT PER AREA	ESTIMATED LOST SUPER AMOUNT PER PERSON IN AN AREA
1.	Elwood	$18,001,089	$3,299
2.	St Kilda	$26,120,210	$3,197
3.	St Kilda East	$19,612,193	$3,149
4.	Docklands	$5,749,190	$3,118
5.	East Melbourne	$5,925,441	$3,107
6.	Point Cook	$29,084,623	$3,098
7.	Skye – Sandhurst	$10,367,523	$3,091
8.	Kensington	$10,451,288	$3,088
9.	South Morang	$36,397,043	$3,074
10.	Lysterfield	$7,801,387	$3,063

Refer to appendix for detailed explanation of Bayesian analysis run by Core Data to understand how these dollar breakdowns have been calculated.

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State breakdown – likely amount of lost super
Western Australia

RANK	LEAD SUBURB – WESTERN AUSTRALIA	FACTOR ESTIMATED LOST SUPER AMOUNT PER AREA	ESTIMATED LOST SUPER AMOUNT PER PERSON IN AN AREA
1.	Forrestdale - Harrisdale - Piara Waters	$7,856,310	$3,291
2.	Banjup	$15,421,948	$3,208
3.	Success - Hammond Park	$10,725,017	$3,134
4.	Bertram - Wellard (West)	$7,009,007	$3,134
5.	Carramar	$11,694,620	$3,105
6.	Scarborough	$16,048,472	$3,078
7.	Perth City	$26,795,309	$3,077
8.	Iluka - Burns Beach	$7,641,454	$3,067
9.	Beeliar	$5,788,612	$3,057
10.	Mount Hawthorn - Leederville	$11,905,945	$3,054

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Lost Super Modelling
Bayesian Analysis

The CoreData lost super modelling uses a statistical technique called Bayesian Analysis, a statistical procedure which is used to estimate parameters of an underlying distribution based on the observed distribution.

To start with, you begin with a known sample (or prior distribution) – in this case the number of people that are known to have lost super in Australia. We used two sets of data. One set from two large industry funds where we know the lost super numbers and one from our own data (three years of inactivity required as a base) and then built a model of the related factors to having lost super.

The Variables that we mapped as most likely to generate lost super (key drivers) were:
Number of employers (r=.92)
Frequency of part time work (r=.90)
Claiming that they had lost super (r=.87)
The number of Super Funds (r=.85)

This model was then run across of the CoreData database to create a scoring of all the working individuals in Australia and an algorithm for generating a likelihood of lost super was developed using our proprietary inputs. The Higher the score – the more likelihood there is to have lost super.

In May 2012, CoreData conducted a survey of more than 10,000 employed Australians to generate a dataset of those which know lost super, and developing the clustering set of key drivers above. The model was then validated against the large industry fund data set we have to ensure optimal accuracy of estimates.

Given the proven reliability of our model (following validation in 2012), in May 2013 we repeated the exercise with a smaller sample (primary data collected amongst national representative sample of Australians) to see if there had been any significant shift in the data set. It was clear from the results of the 2013 survey that nothing had changed in either sample drivers or the confidence intervals and we were able to run the model again using the updated inputs. Applying the model to 2013 data set allows us to reliably estimate for 2013 the proportion of Australians likely to have lost super.

There were changes in $ amount of lost super in the areas (due to population variance), changes in area name and location – due to the redrawing of statistical boundaries driven by the ABS. (http://www.abs.gov.au/websitedbs/D3310114.nsf/home/Australian+Statistical+Geography+Standard+%28AS GS%29).

Similar Fact Evidence:
It's worth noting that both the total amount of Lost Super and the frequency of lost super, does not vary statistically from the total amount of Lost Super claimed by Federal Treasury or from the total number of Australians with Lost Super.

What this tool does which is unique is to allow you to accurately apportion the lost super over geographical areas, where there is sufficient population density to model the outcome.

All samples have a probability interval of greater than 0.88. The closer the interval gets to 1, the more likely an event is to be true.

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Visit the following link to access the full report:

www.westpac.com.au/about-westpac/media/