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INFORMATION PACK: KEY INDUSTRY FACTS

IFSA represents over 140 member companies who collectively manage, at some level, \$1,169bn on behalf of more than 10 million Australians¹. Financial services comprise 8.1% of Australia's GDP² or 15% of Australians' personal wealth³ and IFSA's members make a large and valuable contribution to the output of the sector.

The chart below illustrates how IFSA's 85 full members cut across and represent the integral sectors of the industry.

CHART 1: IFSA member breakdown by sector at 30th July 2009

	Companies with singles lines of business	Companies operating Wholesale/Retail businesses	Companies operating Wholesale/Retail/Life Insurance businesses
Retail	46	8	10
Wholesale	15		
Life Insurance	6		

IFSA membership correct at 30th July 2009

This information pack draws from a range of sources to provide an easy reference guide that demonstrates the role the industry plays in supporting Australian investors. Feedback, comment or additional information is welcomed, as it is IFSA's aim to update this document on a regular basis as new and updated information comes to light.

The document has been broken down into a range of sections which aims to inform readers in the following areas:

1. The industry in a global context
2. Superannuation – a key driver of the industry's growth
3. The industry in the community

Please contact Emma Grainge or Bronwyn Jones on 02 9299 3022 if you have any questions about this Information Pack or the information provided within it.

¹ ABS, *Labour-force Australia*, June 2009, Cat. No. 6202.0

² Austrade, *Benchmark Report 2009*

³ ABS, *Yearbook Australia 2008*, Cat. No. 1301.0

1. The industry in a global context

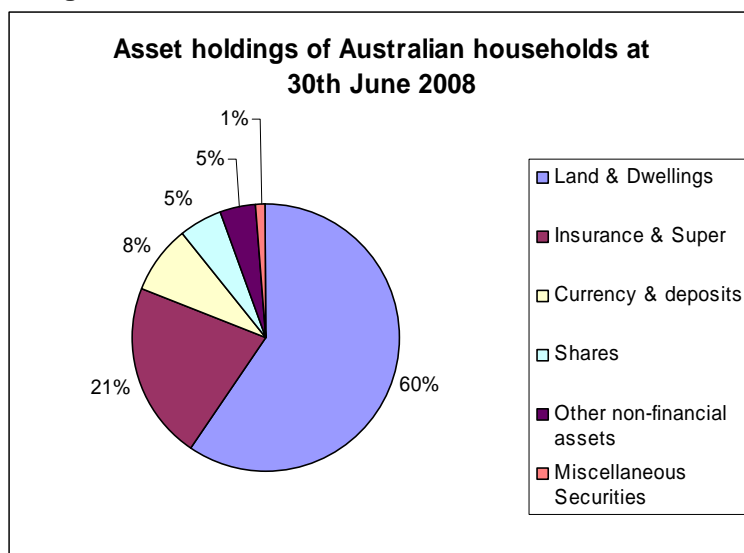
Despite being relatively small in terms of population, Australia is one of the world's wealthiest nations – a fact that is of benefit to all Australians.

With a total working population of 10.8m⁴, Australia ranks 53rd in the world in terms of population size⁵, but 19th in gross national income per capita⁶.

The Australian Bureau of Statistics (ABS) estimates that the nation's total household assets at 30 June 2008 were \$6,325bn⁷.

While a majority of household wealth is in land and dwellings, the next greatest share of wealth is within insurance and superannuation. A much smaller share of wealth is invested directly in shares (5%) or placed in deposit accounts (5%).

CHART 2: Asset holdings of Australian households at 30th June 2008⁸



Whether through the provision of custodial services, wholesale funds management services, retail funds management services, superannuation services or life insurance, at some level IFSA's members collectively have responsibility for one fifth (21%)⁹ of the nation's total household assets and 60% of household financial assets¹⁰. This represents \$1,169bn invested in managed funds either via superannuation or outside superannuation.

Australians hold more assets in managed funds on a per capita basis than most comparable nations. Analysis by AFG Global Funds Management Index reveals that in June 2008 Australians had an average of A\$62, 632 per person invested in managed funds. This compares to per capita figures for USA of A\$39, 947, France - A\$32,179, Canada - A\$21,600 and Sweden - A\$20,255.

⁴ ABS, *Labour-force Australia*, June 2009, Cat. No. 6202.0

⁵ Central Intelligence Agency, *The World Factbook*, ISSN 1553-8133, July 2009

⁶ Organisation for Economic Co-operation and Development, *OECD Factbook 2009: Economic, Environmental and Social Statistics*, ISBN 978-92-64-05604-6, July 2009

⁷ ABS, *Australian System of National Accounts 2007-08*, Cat. No. 5204.0

⁸ ABS, *Australian System of National Accounts 2007-08* Cat No. 5204.0

⁹ ABS, *Managed Funds Australia, Table 1, Time Series Workbook*, Cat. No. 5655.0; Austrade, July 2009,

¹⁰ ABS, *Managed Funds Australia, Table 1, Time Series Workbook*, Cat. No. 5655.0; Austrade, July 2009

The effect of this is that Australia has the fourth largest funds management industry in the world and largest in the region¹¹.

TABLE 1: Value of assets in managed investments at year end (AUD)¹².

Country	2003	2008	Compound Annual Growth Rate (%)
USA	9,058,579	11,732,568.81	5.31
France	1,403,318	1,941,307.65	6.71
Luxembourg	1,349,145	2,204,463.91	10.32
Australia	633,504	1,026,474.73	10.13
UK	484,556	643,070.77	5.82
Hong Kong	312,642	N/A	-
India	36,420	76,643.94	16.05
Japan	426,714	702,125.43	10.47
Korea	148,695	270,917.63	12.75
Taiwan	93,133	56,269.11	-9.59

The original table was illustrated in US Dollars. The difference between \$1,169 and \$1,026 as stated above can be explained by the different reporting days and the application of the exchange rate from Australian Dollars to US Dollars and then back. Values exchanged USD-AUD on 24th July 2009 - Exchange Rate 0.8156 (source: RBA)

As the chart below demonstrates, the managed fund industry has more than doubled in size in the last decade, with superannuation assets being the greatest driver of that growth. Superannuation assets have trebled in the last decade.

TABLE 2: Managed Funds by Type of Institution, July 2009¹³

	Total	Super Funds	Life Insurance Offices	Public Units Trusts	Other
March 1989	167.5	63.5	65.2	22.9	15.9
March 1994	281.5	117.3	111.3	33.2	19.7
March 1999	502.8	214.6	159.8	88.7	39.7
March 2004	732.8	361.7	169.8	157.7	43.5
March 2009	1169.0	704.8	157.50	250.7	56.1

Total may not add up due to rounding.

Life Insurance Offices figures include superannuation funds held in statutory funds.

'Other' represents the combined assets of cash management trusts, common funds and friendly societies.

2. Superannuation – a key driver of the industry's growth

Based on analysis of growth superannuation funds conducted by Chant West at the end of the December quarter 2008, it can be said that approximately a third of monies invested into growth superannuation funds were invested directly in the Australian share market¹⁴. This means that Australians are directly contributing to and benefiting from growth in Australian listed companies.

The weight of money in Australia's equity market makes it the largest in Asia (excluding Japan) and the eighth largest in the world¹⁵. This measure is based on free-floating capitalisation, a measure which reflects the true market size available to investors.

¹¹ Austrade, *Australia: a Global Financial Services Centre – Benchmark Report 2009*

¹² Investment Company Institute, *2009 Investment Company Fact Book 49th Edition*, Data Section 7: Worldwide Mutual Fund Totals

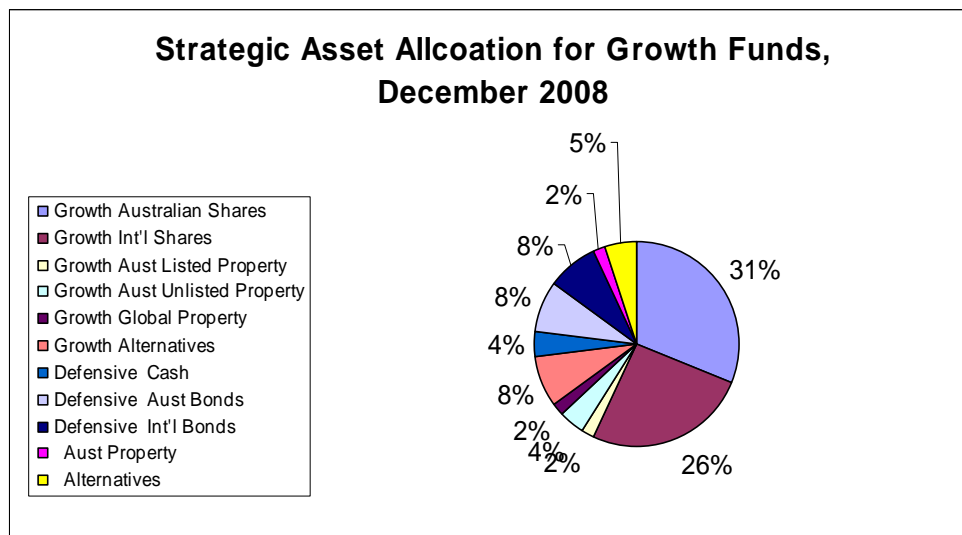
¹³ ABS, *Managed Funds Australia, Table 1, Time Series Workbook*, Cat.No. 5655.0; Austrade, July 2009

¹⁴ Chant West, *Strategic Asset Allocation Report*, December 2008

¹⁵ Austrade, *Australia: a Global Financial Services Centre – Benchmark Report 2009*

The same analysis from Chant West suggests that 8% of monies in growth funds are invested in listed and unlisted Australian property and 3% are invested in infrastructure¹⁶. This means that Australians are helping to fund and are benefiting from infrastructure and development projects here in Australia.

CHART 3: Chant West aggregated strategic asset allocation of growth funds¹⁷



Since the introduction of the superannuation guarantee legislation in 1992, superannuation coverage has increased year on year. Analysis from the ABS in 2007 shows that 88% of 25-34 year olds, 87% of 35-44 year olds, 86% of 45-54 year olds and 75% of 55 – 64 year old were actively investing in super at the time of the research¹⁸

Retirement savings incentives are effective:

While the ABS has shown that in 2007 only 22% of adult Australians were accumulating superannuation by either salary sacrifice or post tax contributions beyond the 9% Super Guarantee¹⁹, the Australian Taxation Office figures revealed that over 1.2 million individuals had taken advantage of the government’s co-contributions scheme in the 2006-07 financial year²⁰. Since 2007, making additional contributions appears to have become more common.

AMP’s 2009 Superannuation Adequacy Report (July – December 2008) used data from over 322,000 member accounts to reveal that the average contribution rate was 12.5% of salary, with those approaching retirement more likely to make additional contributions than those in the younger age groups²¹.

¹⁶ Chant West, *Strategic Asset Allocation Report*, December 2008

¹⁷ Chant West, *Strategic Asset Allocation Report*, December 2008

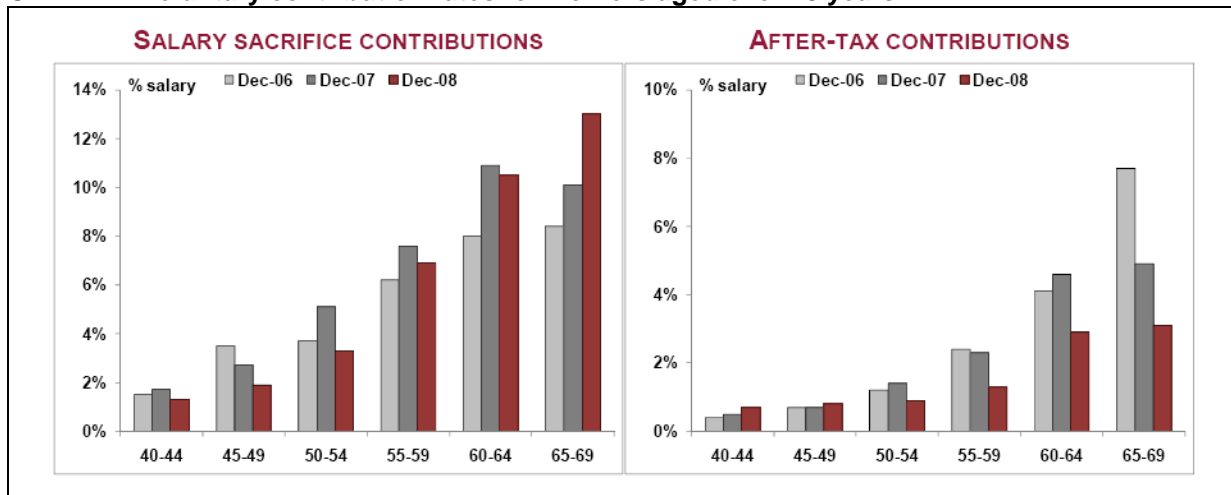
¹⁸ ABS *Australian Social Trends* Cat No.4102.0 2009 Page 42

¹⁹ ABS *Australian Social Trends* Cat No. 4102.0 2009 Page 43

²⁰ Australian Taxation Office, *Super Co-Contributions Annual Report*, 1 July 2006- 30 June 2007

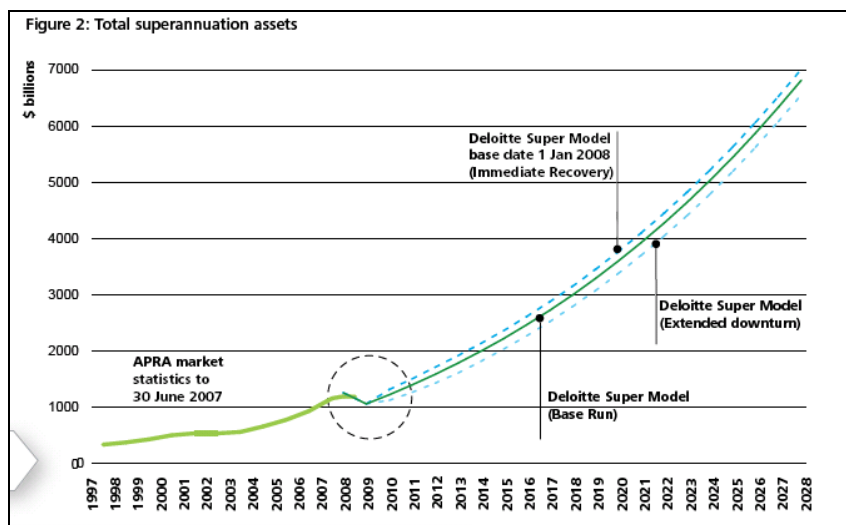
²¹ AMP Superannuation Adequacy Index, July – December 2008, Page 3

CHART 4: Voluntary contribution rates for workers aged over 40 years²²



Every salaried working Australian saves 9% of their salary into a superannuation fund. An increasing number of Australian does contribute in excess of the 9% Super Guarantee, which continues to drive growth in funds under management. Analysis from Deloitte suggests that the total of superannuation assets will rise from just under \$1,000bn today to \$2,000bn by 2014, \$3,000bn by 2018 and approach \$7,000bn by 2028²³. Inevitably this will be reflected in the pool of post retirement assets, which currently represents just one fifth of total superannuation assets as at 2008²⁴.

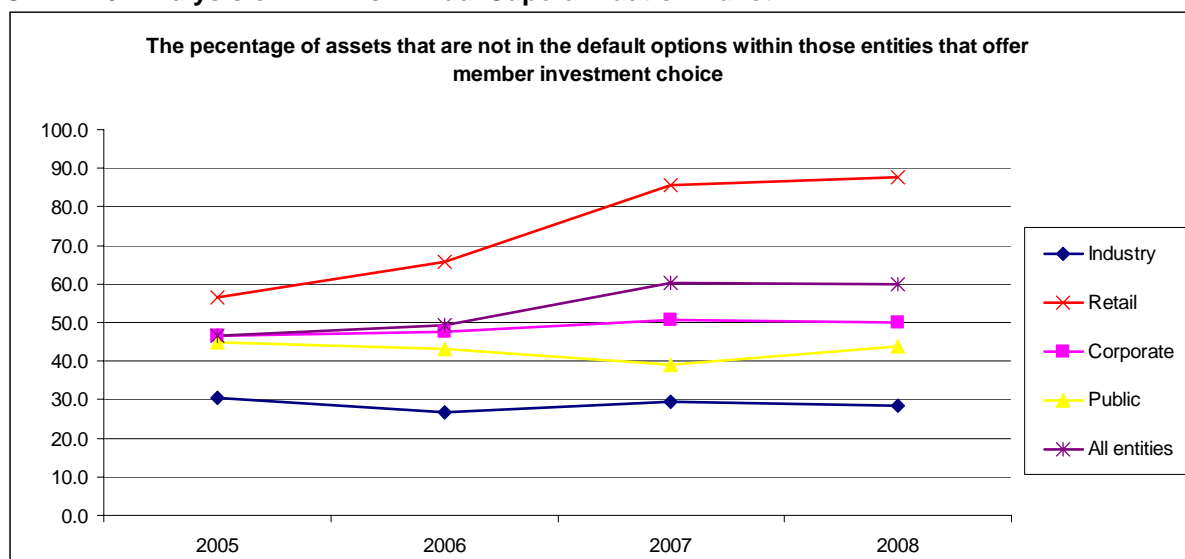
CHART 5: Projected Total Superannuation Assets



As the weight of monies invested via superannuation grow, super will represent an ever increasing proportion of Australia's national savings. It is therefore crucial that we cultivate the right policy and industry framework. Over the years, policy changes have allowed Australians a greater level of Choice about which investment option and super fund to invest in. Analysis of APRA's Annual Superannuation Bulletin suggests that Australians are becoming more comfortable exercising that choice.

²² AMP Superannuation Adequacy Index, July – December 2008, Page 8
²³ Deloitte, Dynamics of the Australian Superannuation System, July 2009
²⁴ Deloitte, Dynamics of the Australian Superannuation System, July 2009

CHART 6: Analysis of APRA's Annual Superannuation Bulletin



IFSA analysis using APRA's Insight Issue 2, 2007 and APRA's Annual Superannuation Bulletins June 2007 and June 2008. Years 2004 – 2006 use data which consists of entities that have at least \$100m in assets, 2007 - 2008 is for entities regardless of size. Retail sector excludes Eligible Rollover Funds. All entities includes Retail (excluding ERFs), Industry, Corporate and Public Sector Funds. Funds may have more than one default strategy, in which instance the largest default strategy is generally provided.

The weight of money in super, ever improving transparency regarding the options available to Australians and the fact that Australians are exercising choice has supported competition within the industry. To date, this competition has been effective in putting downward pressure on superannuation fees.

Rice Warner Actuaries has published the Superannuation Fees Report since 2002; their June 2008 report showed that superannuation fees averaged 1.21% as a percentage of assets under management, compared to 1.26% in 2006 and 1.37% in 2002.

TABLE 3: Expense Rates 2002-2008, Rice Warner Actuaries Superannuation Fees Report, June 2008²⁵

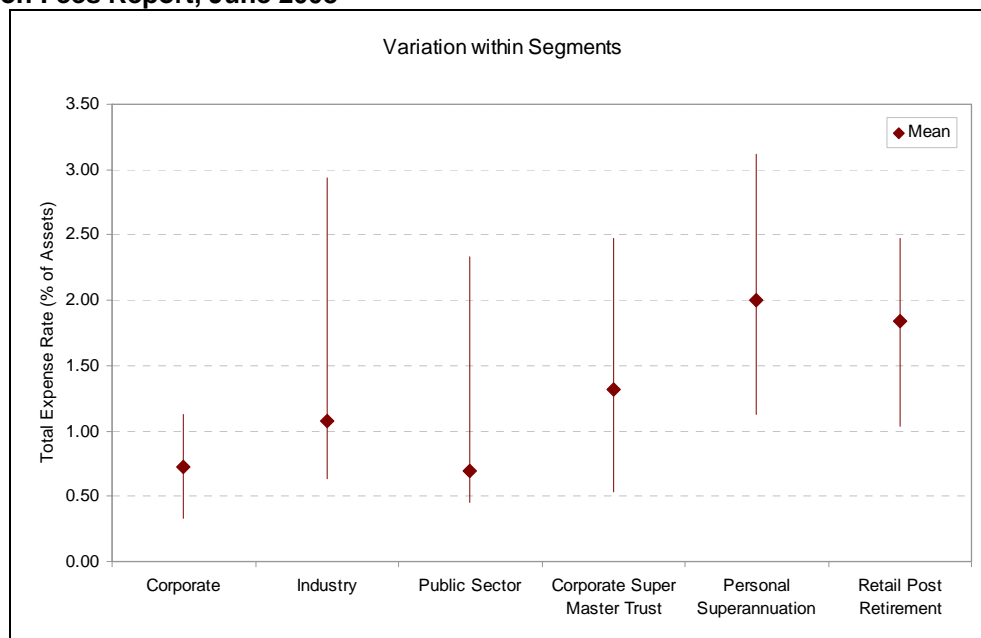
Expenses Rate By Superannuation Segment					
Sector	Segment	Expense Rate % 2008	Expense Rate % 2006	Expense Rate % 2004	Expense Rate % 2002
Wholesale	Corporate	0.73	0.78	0.75	0.86
	Corporate Super Master Trust (large)	0.79	0.81	1.14	1.24
	Industry	1.07	1.13	1.18	1.23
	Public Sector	0.69	0.70	0.66	0.63
Retail	Corporate Super Master Trust (small)	2.12	2.01	2.11	2.36
	Personal Superannuation	2.00	2.12	2.30	2.41
	Post Retirement	1.84	1.79	2.04	2.02
	Retirement Savings Accounts	2.30	2.30	2.30	2.30
	Eligible Rollover Funds	2.49	2.53	2.53	2.53
Small Funds	Self Managed Super Funds	0.98	0.87	1.01	1.08
TOTAL (%)		1.21	1.26	1.30*	1.37*

*Expressed as a % of average assets over the year to 30 June 2008.

²⁵ Rice Warner Actuaries, Superannuation Fees Report, December 2008

The reduction in average fees varies across the sectors largely due to scale, the cost associated with legacy business and the cost of advice. However, it is important to recognise that the actual fees payable in the sectors can vary significantly as the chart below shows.

CHART 7: Variations of Expense Rates between segments in 2008, Rice Warner Actuaries Superannuation Fees Report, June 2008²⁶



For example in the corporate superannuation sector the pricing for a fund will depend on many factors, including complexity of benefits and insurance, number of members and size of assets, employee turnover, individual employer requirements and asset structure. The table below illustrates the effect of competition in the corporate super tenders in 2008.

TABLE 4: The benefit of competition in corporate master trust tenders in 2008²⁷

Approximate of Employees	Average fee payable per member
150	0.96%
140	0.84%
1200	0.75%
1400	0.58%
8500	0.83%

3. The industry in the community

A critical benefit of superannuation is that most funds offer their members access to a default level of life insurance cover at a low cost. Despite the fact that almost every working Australian has a level of life insurance cover within their superannuation, Australia has proven to be one of the most underinsured nations in the developed world²⁸.

²⁶ Rice Warner Actuaries, Superannuation Fees Report, December 2008

²⁷ Data collected by IFSA from a range of sources in January 2009

²⁸ ASFA/Westpac Retirement Income Report, December 2008

The low levels of cover mean that if they need to claim, Australians may find the benefit they receive to be insufficient to their needs. A survey of claims paid in 2008 revealed that the industry paid out over \$2.3 billion in claims on nearly 35,000 policies²⁹. In total, 13,000 Australian families received an average payout of just \$91,000 on the death of a partner in 2008³⁰.

Given that Australian families with children under the age of five have a median amount of household debt of \$167,000³¹, the average claims pay out underscores the underinsurance problem. Rice Warner Actuaries estimates that underinsurance among families with dependent children costs Australian tax payers more than \$250 million a year³² through the social security system.

Under the banner of Lifewise, Australia's life insurers and over 80 supporting organisations (including eight community groups) have come together to help Australians better understand the risks they face in life and how to protect themselves financially from those risks.

As major shareholders on behalf of Australians, IFSA's members have an important role to play in promoting good corporate governance. IFSA's members are encouraged to engage companies in all sectors on any significant environmental and social issues that have the potential to impact on that company's perception and performance. They are also encouraged to ask companies in which they invest, how they identify and manage their significant environmental and social risks.

The United Nations Principles for Responsible Investment (UNPRI) provide a solid framework for such engagement. While the uptake of the UNPRI is strong within Australia, 56% of companies responding to a recent Investment Trends pilot survey of IFSA members said that they were signatories to the UNPRI³³.

When considering their own corporate governance, eight out of ten respondents to the recent Investment Trends survey of IFSA members said they had Corporate Social Responsibility policies in place, over half of which said they had been in place for more than five years³⁴.

These policies include commitments to customers, the environment and the community. A phone poll of 5 of IFSA's largest companies³⁵, found that over that last financial year they have donated up to \$35.3 million to charity.

Most of IFSA's members have programmes designed to support a range community groups. This support takes the form of donations, fund raising and volunteering. Examples of some of the programmes are listed below:

²⁹ Lifewise media release, 30th April 2009, www.lifewise.org.au

³⁰ Lifewise media release, 30th April 2009, www.lifewise.org.au

³¹ ABS, *Australian Social Trends, Household Debt*, Cat. No. 4102.0, 2009

³² Rice Walker, *Cost of underinsurance project – analysis of life insurance needs*, May 2005

³³ Investment Trends pilot survey of IFSA Members conducted July 2009, 36 respondents

³⁴ Investment Trends pilot survey of IFSA Members conducted July 2009, 36 respondents

³⁵ IFSA charity phone poll survey of members: Macquarie, Suncorp, ING, CFS and AMP. Friday 31 July 2009

ING's Foundation: In 2008 the staff contributed 4588hrs work on their annual Staff Volunteer Day. Charitable donations came to a sum of \$198,207, charitable sponsorships/partnerships with non-profit organisations were \$581,103 and staff donations came to \$95,706. Activities supported: Partnerships with UNICEF, Barnardos, The Spastic Centre & Red Kite (involves business financial contribution, volunteering, fundraising & workplace giving) and a corporate volunteering program facilitated through United Way.

Suncorp's volunteer day: In 2008, 4,831 employees volunteered to help 57 charities and contributed \$1,135,285, in non-monetary support.
In the year to 31 March 2009, the Foundation and Macquarie staff contributed in excess of \$A25 million to more than 900 community organisations across the globe

The AMP Foundation: Formed in 1992, the foundation became the main body through which AMP invested in the community. Grants made by the AMP Foundation in 2008 totalled \$7,367,907. More than 1,300 employees took part in the volunteering program in 2008. AMP's financial planners were also involved in helping organise events that raised more than \$7 million for charities across Australia.

Aviva's support for Camp Quality: Aviva's corporate support combined with staff donations resulted in \$94,000 donated in a one month period. Aviva gives away 10% of its profits to charitable and benevolent organisations each year.

IFSA's charitable contribution to the community:

IFSA is one of the only national Industry Associations with a highly active community partnership programme. To this end, IFSA and its members has raised more than \$1.5 million for the Inspire Foundation and the Schizophrenia Research Institute.

In addition, IFSA has actively engaged with consumer groups in improving the experience of Australians that have had difficulty accessing products provided by its members. Just one example is the signing of the world class Memorandum of Understanding with the mental health community which has led to a significant increase in the number of Australians that can access life insurance products at normal prices.

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