



MEDIA RELEASE

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New research shows Australia's savings higher through compulsory superannuation

New research for the Murray Inquiry into the Financial System from the Financial Services Council shows that compulsory superannuation is adding to national savings and will reduce our dependence on net foreign capital inflows.

This is one of four key findings of research conducted by Professor Rodney Maddock from Monash University on behalf of the FSC. The research is titled *Superannuation asset allocation and growth projections*.

John Brogden, CEO of the FSC said: "The research provides significant new insights into the impact of superannuation on the Australian economy and the future of superannuation asset allocation to 2030."

"Critically, it confirms that Australia's compulsory superannuation system is making a major contribution to real savings for Australians."

"Australia's national savings are higher with compulsory superannuation than they would have been without it."

"This means in the longer term we will see a lower reliance on foreign capital and higher levels of domestic ownership. This may reduce foreign ownership of Australian assets and boost local investment," Mr Brogden said.

"Less reliance on foreign investment inflows will also increase the resilience of our economy. In a time of crisis, this is crucial."

"In addition to finding that superannuation is providing new savings for Australians, Professor Maddock has made three other significant observations about the future of superannuation and asset allocation to 2030. These include:

1. As superannuation grows, demand for domestic non-listed equity increases. This demand is likely to drive the supply of securitised assets thereby providing alternative funding for mortgages.
2. A large amount of superannuation assets are rerouted to the banking system. This occurs through equity and fixed income investments and cash holdings. For example, the superannuation sector had \$215 billion in deposits at banks by September 2013. That constitutes 14.2 per cent of the funds in the superannuation system.
3. Funds will also seek alternative assets to take advantage of their status as long term, patient investors.

“Australians will benefit from professional management of their money,” Mr Brogden said.

“Our highly skilled fund managers are patient and take a long term approach to superannuation investment. They will invest in productive areas of the economy and will buy assets that produce a good rate of return.”

“Short term investing does not achieve this which is why short termism in superannuation is the enemy of responsible investing,” he said.

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About the Financial Services Council

The Financial Services Council represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, trustee companies and Public Trustees. The Council has over 130 members who are responsible for investing more than \$2 trillion on behalf of 11 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.