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Iress partners with Griffith University to expose the double-edged sword of superannuation switching

Iress has partnered with Griffith University to release new research, which highlights the double-edged sword of the ease with which superannuation members can make changes to their investment options.

According to the research, there was a near tripling of members switching investment options within their superannuation during the COVID-19 induced market downturn, often resulting in poor choices which can create a knock-on effect to financial wellbeing and retirement savings.

The research, which analysed over 42,000 superannuation switch decisions from 1 January 2019 to 31 March 2021, identified a 50% increase in poor superannuation switching decisions as the pandemic progressed, with 'bad' switches defined as having a negative impact on superannuation balances compared to doing nothing.

Among those most negatively impacted were older members and women, who typically have lower superannuation balances.

Griffith University professor of finance, Mark Brimble, said: "We embarked on this research to examine superannuation switch timing, impact and the characteristics of those making switch decisions to determine who is more or less likely to make 'good' and 'bad' decisions. What we found was the ease with which members are able to switch through online channels unadvised, combined with heightened consumer awareness of fluctuations in financial markets and substantive media coverage through the pandemic, led to an increase in both switching activity and negative outcomes for members."

Iress CEO, Andrew Walsh, said: "We partnered with Griffith University to better understand the relationship between financial literacy, access to advice, and decision making by superannuation members. What we found: during market downturns, people believe they are making good decisions when investment switching but they are often poor decisions absent of advice, and this can have long-lasting impacts on their finances.

"One of the recommendations from the research is that more can be done to make it easy for super funds to guide and advise members' financial decision-making. At Iress, we've been providing funds with smart tools that can intervene when members are considering taking action to ensure they understand the long-term impacts of their financial decisions, as well as avenues to provide financial advice at scale. We're also supporting superannuation funds with targeted financial education content suited for the social media era."

Griffith Business School's senior lecturer, Dr Kirsten MacDonald, said: "While better superannuation switching access and financial control is a good thing, that very access could also be putting the retirement needs of those with lower levels of financial literacy and without access to advice at risk. It's imperative that

superannuation trustees and policymakers consider strategies to support members making more effective decisions about their superannuation.”

To access the full research report visit: info.iress.com/thewrongendoftheswitch

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About Iress

Iress (IRE.ASX) is a technology company providing software to the financial services industry.

We provide software and services for trading & market data, financial advice, investment management, mortgages, superannuation, life & pensions and data intelligence.

Our software is used by more than 10,000 businesses and 500,000 users globally. We have over 2,250 people based in Asia-Pacific, North America, Africa, the UK and Europe.

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About Griffith University

A highly ranked university with an international outlook, we're deeply connected to our community and value our place in it.

Our research excellence, innovative teaching and learning practices, along with our strong ties to industry, make us one of the leading providers of higher education in the Asia-Pacific.

We also continue the progressive traditions of our namesake, Sir Samuel Walker Griffith, who was twice the Premier of Queensland, the first Chief Justice of the High Court of Australia, and the principal author of the Australian Constitution.

<https://www.griffith.edu.au/>