Knowing when to hold 'em...

Insight on member switching behaviours in a crisis

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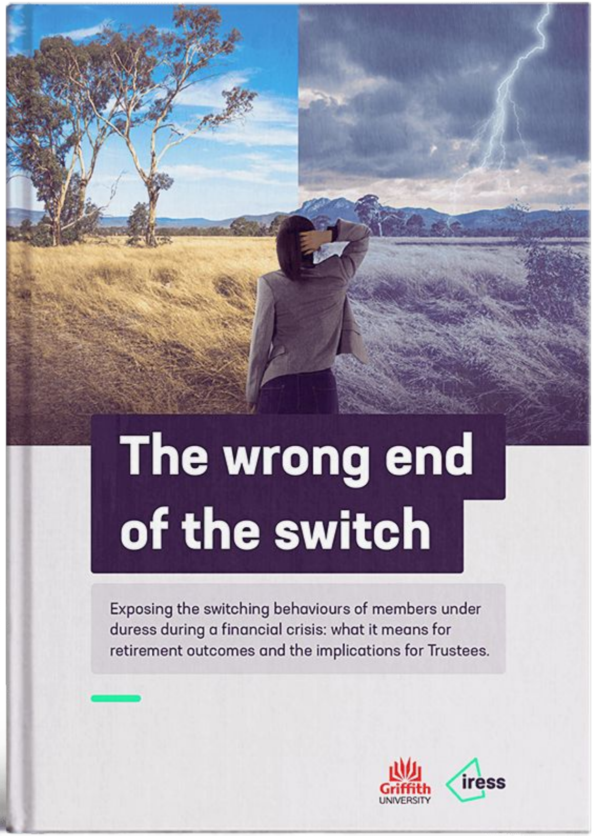
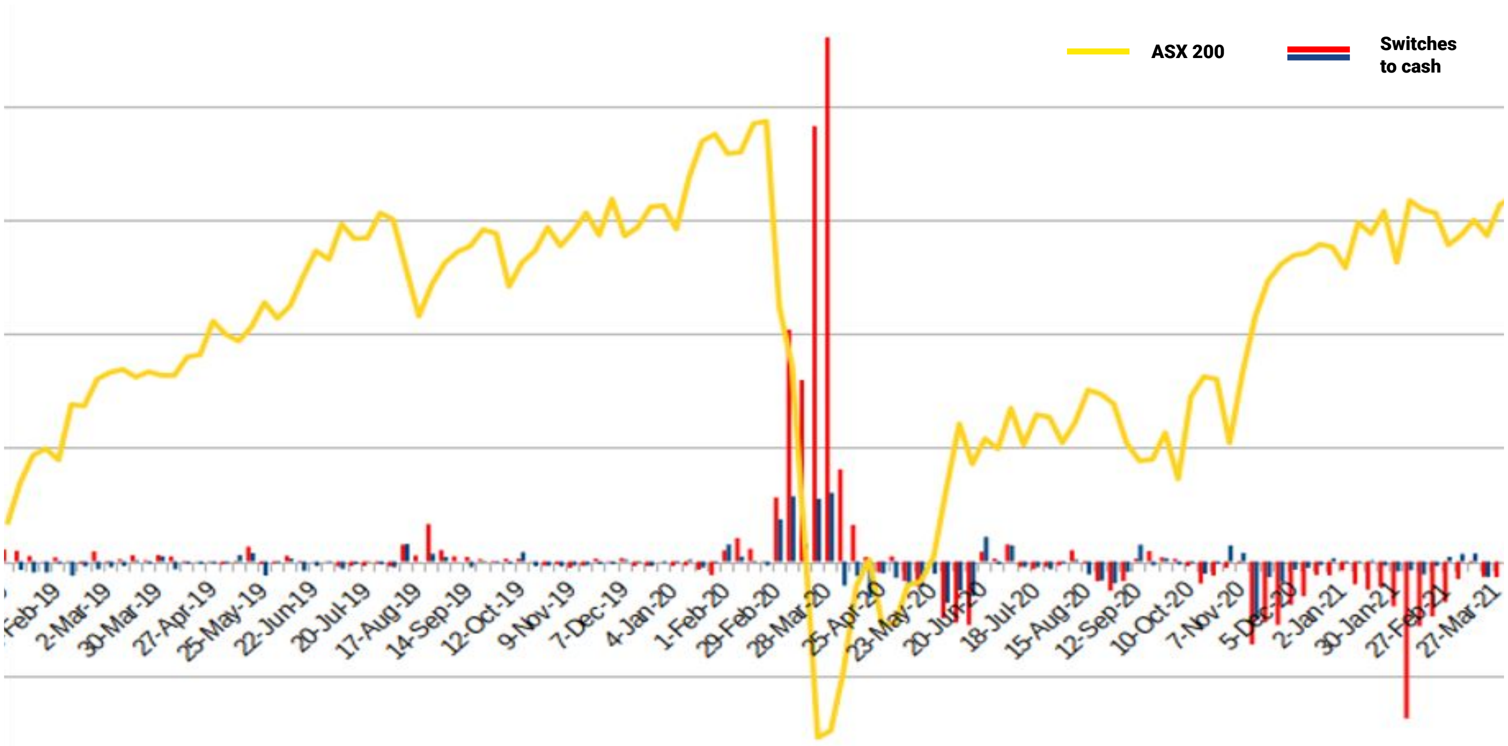
Agenda

Phase one research key findings:

- Single switch activity doubled and transaction values increased when COVID-19 hit
- Of single switchers in March and April 2020, more than **70% were worse off**
- Bad switches more likely by those who may be least able to afford it



Clearly, we haven't learnt the lessons of the GFC

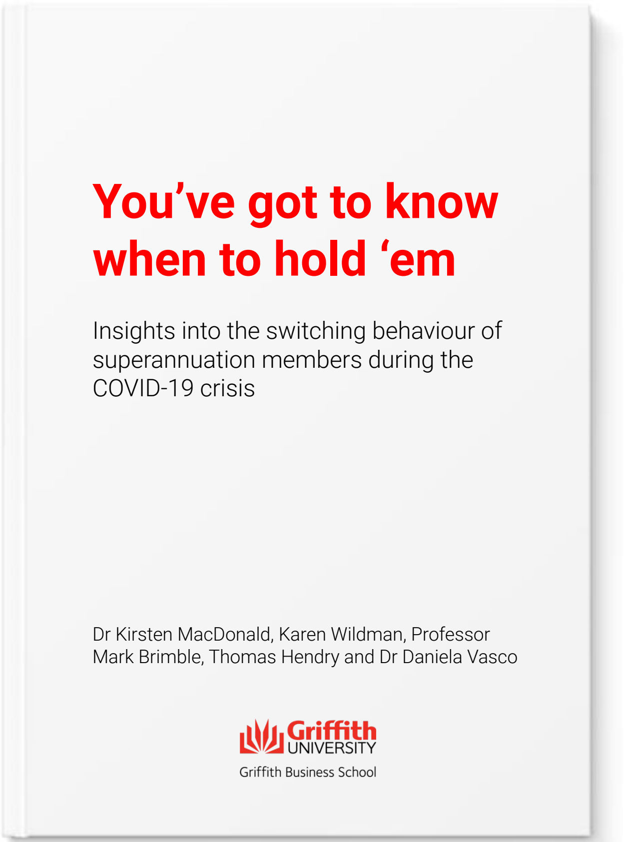


Phase two research snapshot:

- **Aim:** To infer behaviours of multi switchers against market movements

- **Sample:** De-identified data from major Australian Super fund, 125,174 switches performed by 63,283 members

- **Timeframe:** Jan 19 - Mar 21 split as:
  - Pre COVID - Jan 2019 - Dec 2019
  - Early COVID - Jan - mid Mar 2020
  - During COVID - late Mar 2020 - Mar 2021



You've got to know when to hold 'em

Insights into the switching behaviour of superannuation members during the COVID-19 crisis

Dr Kirsten MacDonald, Karen Wildman, Professor Mark Brimble, Thomas Hendry and Dr Daniela Vasco

Griffith UNIVERSITY

Griffith Business School

Meet the Serial Switchers

Switch **volumes tripled** versus GFC (18% vs 6%)

A minority **(34%) was responsible** for 68% of the switches.

Some of the 34% **switched faster, more often** and with **less risk** than the rest.

97% of members more likely to go backwards through switching

Odds of a switch gain are 63% lower for this group. Most are single switchers more likely to switch in the ‘during COVID’ period. The single switch study found the loss was as much a 30% of the amount switched.

3% more likely than not to get it right

Frequent switchers had 56% chance of a good outcome and were twice as likely to make high returns compared to the other cluster [34% vs 15%].

Turns out, few know when to hold ‘em

Analysis of the small group more likely to get it right showed they were typically:

Older, male, switch in every time period, switch more frequently and make positive tilts rather than all in/out decisions.

And too many fold ‘em… just at the wrong moment

The 97% majority more likely to get a switch ‘wrong’, on further analysis, typically reacted:

After the market moved, with more aggressive decisions in term of asset risk held, and switched less, meaning they held a poorer option longer.

Before the next crisis, the challenge is to:

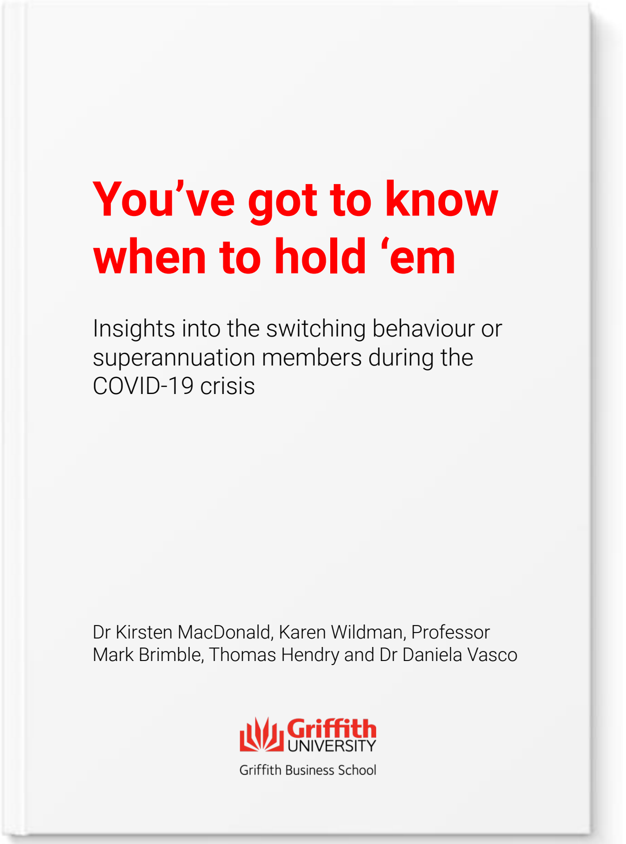
1. **Lift the bar on financial capability**, particularly concepts like behavioural biases

2. **Create a 'tsunami warning'** for those likely to be affected in crises, potentially with interventionist steps

3. **Deliver advice at scale,** with significant ramp ups to support the 'tsunami warning' response

Where to next?

- Full research paper available from the **Griffith University team** soon
- **Further opportunities** are available to participate in this ongoing research
- Talk to your **Iress Relationship Manager** about Iress Education + Digital Advice offerings



Thank you

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