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MEDIA RELEASE

IOOF Survey Shows Super Isn't Enough

Investment group IOOF has urged Australians to look at long-term savings options outside superannuation, after results from its most recent consumer survey showed more than a third of people believe they will not have enough money to maintain their current lifestyle after retirement.

Despite the fact that IOOF's survey revealed that 39 per cent of Australians expect to cut back their lifestyle when they retire and only 27 per cent could carry on life as normal, more than one third of Australians still plan to use superannuation as their sole source of income.

"It's alarming to find out that many Australians believe compulsory superannuation will be enough to maintain their current standard of living, the harsh reality is that, in many cases, it won't," said IOOF Investor Solutions General Manager Renato Mota.

"More frustratingly, even those looking to top up their super through voluntary contributions will find their saving potential limited thanks to recent cap reductions imposed on voluntary contribution levels.

"In addition to making sure your super is working as hard as possible for you, Australians would be well advised to direct a regular amount of savings into other tax effective savings vehicles such as investment bonds," he said.

The IOOF survey, conducted by AC Nielsen, found that although 33 per cent of respondents saw retirement as the most important thing to save for, almost one third had yet to begin long-term planning.

"With the average life expectancy for Australians sitting between the late seventies and early eighties, those planning to retire before the age of 64 in particular – more than half according to our survey – must ensure their investment choices will sustain their lifestyle for 10 to 15 years," said Mr Mota.

Research results also showed that despite many Australians lacking the financial knowledge needed to implement sustainable long-term plans, almost 80 per cent of respondents had not sought professional financial advice for their retirement.

"There is a lack of understanding of how good financial advice can help Australians meet their financial goals. This is backed by the recent KPMG – IFSA study showing that people receiving financial advice save almost \$2,500.00 or more each year than people without an adviser," said Mr Mota.

To help people plan for retirement, IOOF has developed "WealthBuilder", an investment bond, which offers a simple way to build savings and wealth and can be used as a tax effective investment.

"With WealthBuilder investors have the opportunity to implement a regular savings plan via a direct debit facility, which can assist in maintaining suitable savings for the long-term," said Mr Mota.

Investment bonds are arguably one of the most flexible investment products in Australia, and are designed to encourage medium to long-term savings for any purpose. From guaranteed investments through to shares and property, WealthBuilder will cater for most people's investment appetites.

Unlike traditional investment products, such as unit trusts, earnings from the WealthBuilder investment are taxed in the hands of IOOF, rather than the investor. The investment bonds retain their earnings, pay tax on those earnings at 30% and then automatically reinvest the net earnings back into the bond.

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“Part of the products attractiveness is its simplicity and flexibility,” said Mr Mota. “While the money remains invested, it does not impact on personal taxation and need not be included in an investor’s tax return.”

When held for a full 10 years, investors receive the value of the investment bond, tax paid, which means that no further tax is payable by the investor. Importantly, the investment can be accessed at anytime during the 10 years as the investment is not locked away.

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