



## Investment literacy among National Seniors Australia members

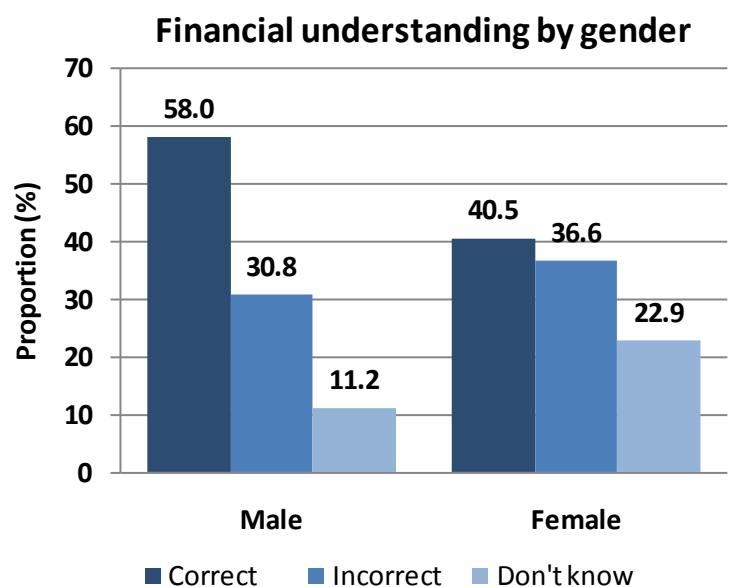
A sample of NSA members was asked which investment options they believed was most likely, and which was least likely, to lead to a loss of money.

The choices were: conservative/cash, growth/high growth, and balanced.

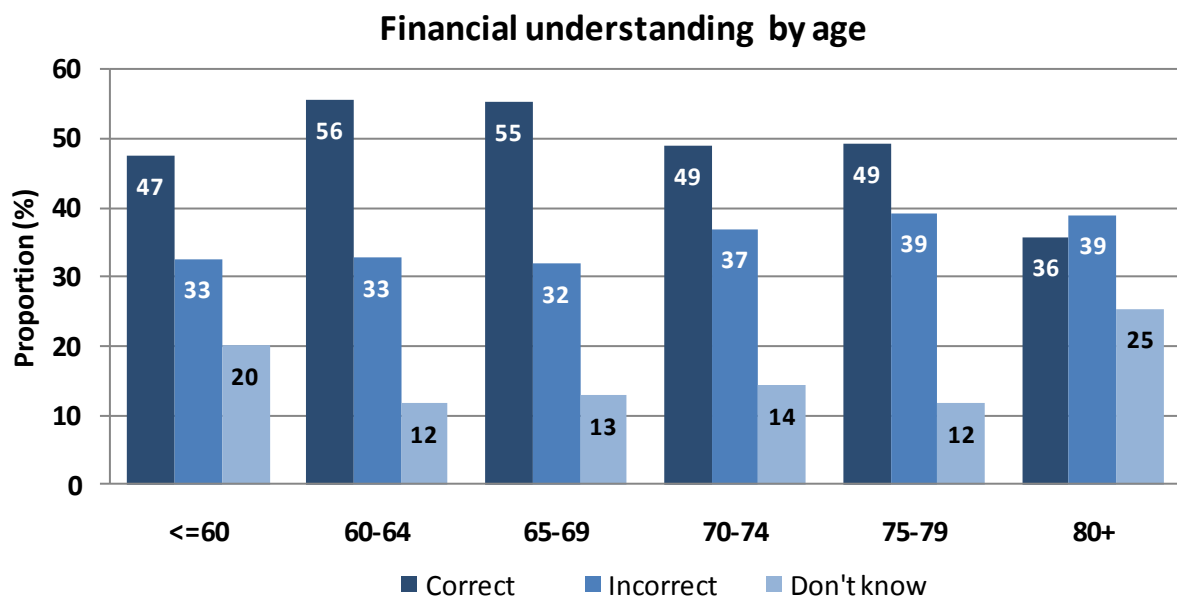
- Growth or high growth investments tend to exhibit higher returns on average, but these investments also carry higher risk of loss. The Global Financial Crisis is an example of a recent downturn when growth investments (e.g., shares) suffered substantial declines in value.
- Conservative or cash investments have lower average returns, but are also subject to much lower risks of loss. For example, government bonds also have very low risk (if the bonds are held until maturity).
- Balanced investments lie between growth and conservative investments in terms of return and risk. They usually involve a mixture of different investment types thereby allowing for diversification.

Close to half of NSA members understand the relationship between investment options and riskiness, but the results differ by gender and age, as well as other characteristics:

- ❖ Men more likely than women to answer correctly.



- ❖ Those aged between 60 and 69 have higher investment literacy. These members are likely to be more engaged with their superannuation having either recently retired or being close to retirement. Conversely, those aged 80+ have low investment literacy. Many in this age group will have retired prior to the introduction of the Superannuation Guarantee, and will have had less exposure to financial education as a consequence.



- ❖ Those with their superannuation in conservative/cash investments are more likely to have answered correctly. This is not surprising, as the decision to invest conservatively, and knowingly accept an expected modest return, is likely one that is taken after reflecting on the risks associated with the alternatives!
- ❖ Finally, and unsurprisingly, greater financial engagement (evidenced through more frequent use of financial sources, such as financial newspapers and websites) is also associated with greater investment literacy.

*This issue of 'Facts and Figures' is based on a survey conducted by researchers at the Australian National University in collaboration with National Seniors Australia, AMP and Rice Warner Actuaries. The survey was financed through an Australian Research Council Linkage Grant.*