

## Faculti Summary

<https://staging.faculti.net/investor-decision-making-within-retirement-savings-schemes/>

This video is a detailed presentation on the Australian superannuation system, co-authored by the speaker and two colleagues. It discusses the system's inception in 1992, where an 11% salary contribution is mandatory for retirement savings, allowing investors to choose their investment options. Despite its design to encourage savings and reduce national budget pressure by minimizing public pension reliance, the system is currently facing a crisis, with retirement balances falling short of what individuals need for a comfortable retirement. The speaker shares average retirement balances, which are significantly lower than the required amounts for a basic lifestyle.

The study highlights individual behavior in making investment decisions, emphasizing that a majority of people (85%) do not alter their investment choices over time, which can result in poor financial outcomes. The paper draws on concepts from behavioral finance, examining how individuals cope with complex choices in funds. The result shows that those who choose riskier investments tend to achieve better returns, while those opting for safer choices suffer from lower returns.

The analysis utilizes a unique dataset covering a lengthy period (1994 to 2019), showcasing investment trajectories and decisions. The findings suggest a disparity in risk perception and behavior influenced by external market conditions, age, and gender, noting that older individuals tend to be less flexible in their investment choices. Additionally, the speaker reflects on the need for better education regarding superannuation to empower individuals in making informed decisions about their retirement savings, advocating for a shift in focus towards encouraging greater risk-taking in investments in earlier stages of financial planning. Overall, the study underscores the importance of understanding behavioral patterns in managing retirement funds effectively.