2021 readability scorecard for Australian superannuation funds

Still work to do to engage clearly and effectively with fund members.

Ethan Howard

In Australia, superannuation is important and the decision to invest with the right fund is important. Over 12 million Australians presently have a superannuation account, and over four million have more than one account. The superannuation sector in Australia manages $3.3 trillion in assets. Yet only 35% of Australians know the actual value of their superannuation.

In this whitepaper, Ethos CRS examines the readability of documents and content produced by Australia's largest superannuation funds.

As a starting point:
• fund members should be able to easily read what their funds put in writing
• clarity helps members make informed financial decisions.

Retail and industry superannuation funds have a duty to be open and clear about the financial services they provide, the performance of funds they manage, and the rights and responsibilities of fund members.

All superannuation funds face the challenge of delivering complex information to a diverse range of members. Levels of financial literacy vary widely.

Producing readable content is an important first step if funds are to address this challenge. In this scorecard, Ethos CRS:
• summarise key concepts of readability
• detail findings from their analysis
• discuss issues that arise from their findings
• make recommendations to address the communication challenge
• explain their research method.

Readability measures for superannuation

To develop a readability score, Ethos CRS selected the largest 10 industry funds and the largest 10 retail funds based on Australian Prudential Regulation Authority rankings. The readability of the documents produced by these top 20 superannuation funds was then compared using Ethos CRS readability benchmarks.

Four documents were downloaded for each of the 20 funds from company websites, specifically:
• product disclosure statements
• financial services guides
• annual reports
• company policies.

In total, 80 documents were analysed. The metrics used to derive readability scores for the documents were grade level, average sentence length and use of active voice.

Following standards outlined in the Australian Government Style Manual, benchmarks were set for each individual metric to derive the Ethos CRS readability score for each document and an average score for each fund.

Findings

Ethos CRS readability score

The Ethos CRS readability score is a quantifiable measure of the clarity and quality of documents.

A readability score of 100 reflects writing that is easy to read. To achieve this benchmark is to communicate using plain language anyone can understand. Comprehension is compromised when sentences are too long; content is too wordy; or words are overly complicated.

In Table 1, each of the 20 funds examined in this survey is ranked according to the readability of their documents.
- CareSuper had the highest readability score in this survey, at 49.4.
- HESTA and AustralianSuper both had a readability score of 49.2.
- Cbus had the next-best overall readability score of 48.4.

The average readability score of all 80 documents from 20 companies was 45.6. This means that on average, content did not meet established benchmarks for grade level, average sentence length and use of the active voice.

Table 1: Top 20 retail and industry funds, ranked for overall readability

| Rank	Company	Readability score
1	CareSuper	49.4
2	HESTA	49.2
2	AustralianSuper	49.2
4	Cbus	48.4
5	Hostplus	47.7
6	UniSuper	47.7
7	Rest	47.2
8	MLC	46.8
9	Aware Super	46.6
10	QSuper	46.3
11	GuildSuper	45.9
12	Colonial First State	45.6
13	BT	44.9
14	Mercer	44.5
15	OnePath	44.5
16	AMP	43.7
17	IOOF	42.1
18	Perpetual Select	41.8
19	Sunsuper	40.7
20	Netwealth	40.2

Source: Ethos CRS

Grade level

The benchmark for grade level was 7, which means that an adult person reading to a grade level standard of 7 could comprehend content.

For all 80 documents, the average score for grade level was 13.5, which suggests members may need a tertiary-level education to understand or accurately interpret these documents.

To put this grade level finding in context, one in three Australians holds a diploma qualification or higher, but only 1.2% of adult Australians read at a tertiary education level.

Figure 1 shows the distribution of retail and industry funds against metrics of readability and the average grade level.

Figure 1: Readability and average grade level scores, retail and industry funds
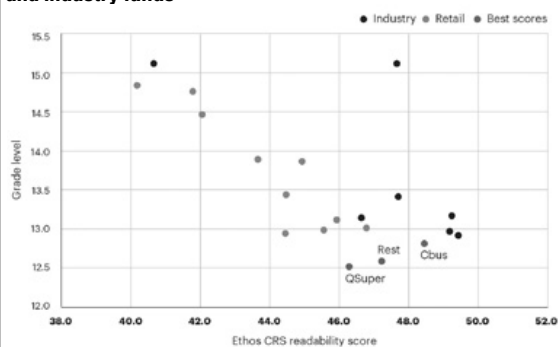
Source: Ethos CRS

As can be seen from Figure 1, the best recorded scores for average grade level were:
- QSuper: 12.5
- Rest Super: 12.6
- Cbus: 12.8

The document with the best grade level was a QSuper privacy policy. Its grade level score was 10.6, which means the privacy policy may be easy to read for members who have completed year 10 at school.

The document with the highest grade level score was a Sunsuper conflict management policy. Its grade level score was 18.4. This document may be clear to members with a post-graduate tertiary education, but it is not easy to read for most people.

Sentence length

Average sentence length was 21.9 words per sentence across all 80 documents. This falls within the recommended range of 15 to 25 words.

Shorter sentences help make text more readable. Readability improves by keeping average sentence length to the recommended range.

Figure 2 on the next page shows the distribution of retail and industry funds using the average sentence length metric.
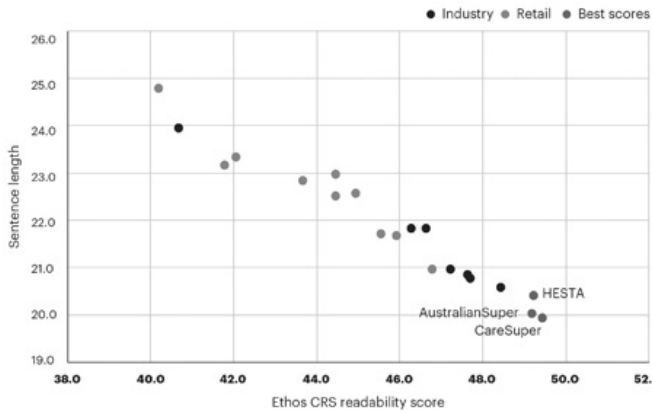
The three funds that had the best scores for average sentence length in their documents were:

Figure 2: Readability and average sentence length scores, retail and industry funds

Source: Ethos CRS

- CareSuper: 19.9
- AustralianSuper: 20.0
- HESTA: 20.4

The document with the lowest average sentence length was a Cbus financial services guide. It had an average of 17 words per sentence, which falls within the benchmark range.

The document with the highest average sentence length was a Sunsuper company policy document. Sentences had an average of 32 words, which is twice as long as the lower end of the recommended range.
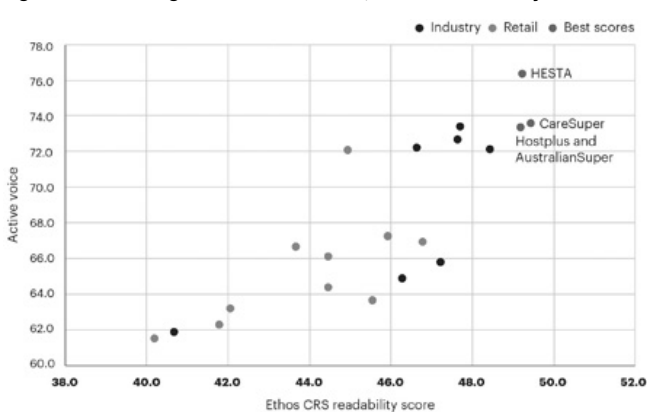
Active voice

On average, in the documents examined, 68% of sentences were written in the active voice. This result falls well below the benchmark of 95%.

Active sentences make text clearer and improve readability. The higher the percentage of sentences written in the active voice, the better the readability score.

Figure 3 shows that, in general, the use of the active voice was more frequent in documents produced by industry funds: 70.6% of sentences in industry fund documents were active, compared to 65.4% for retail funds.

Figure 3: Percentage of active voice use, retail and industry funds

Source: Ethos CRS

As Figure 3 shows, the three funds that had the highest scores for use of active voice in their documents were:
- HESTA: 76.3%
- CareSuper: 73.6%
- Hostplus and AustralianSuper: 73.4%

The document with the highest percentage of active voice sentences was an Aware Super company policy. The active voice score was 89.2%.

The document with the lowest percentage of active voice was a Mercer company policy that scored 43.8%.

Retail versus industry scores

The average readability score for industry funds was higher and closer to the benchmark of 100 than the scores for retail funds as shown in Figure 4.

Figure 4: Average readability scores, retail versus industry funds
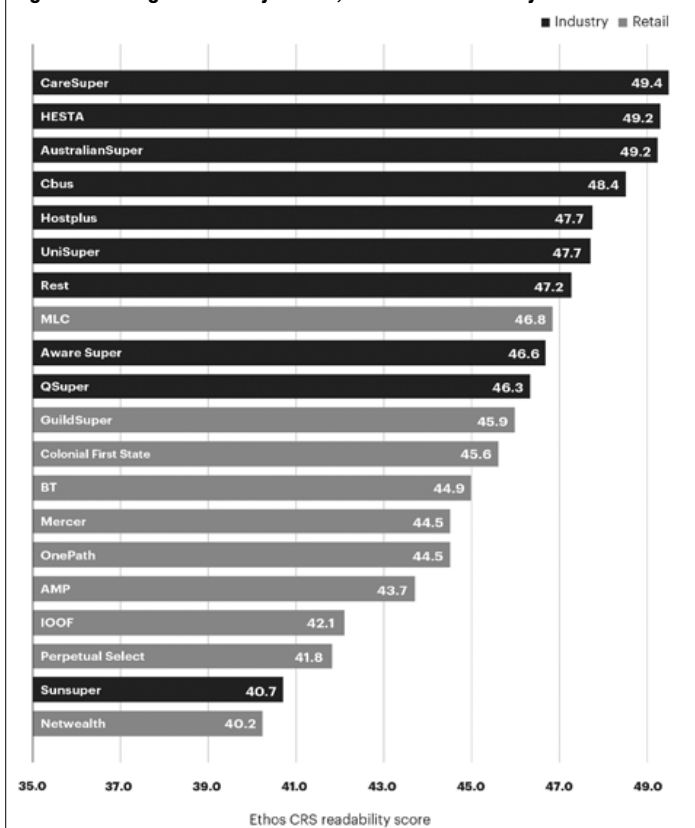
Source: Ethos CRS

Industry funds also outperformed retail superannuation funds on each discrete metric score.

The average readability score of industry funds was 48.1, whereas for retail funds it was 44.6. The Ethos CRS benchmark is 100.

The average grade level was close to 13 for industry fund documents, whereas for retail funds it was closer to 14. The Ethos CRS benchmark is grade 7.

The average sentence length was 21 words for industry fund documents, whereas for retail funds it was 22 words. The Ethos CRS benchmark is 15 to 25 words.

The average use of active voice was 70.6% for industry funds documents, whereas retail funds used active voice 65.4% of the time. The Ethos CRS benchmark is 95%.

Member implications

The communication challenge

In Australia, not all adults are proficient readers nor financially literate. This creates a communication challenge for superannuation funds.

Most Australians, when they think about it, want to retire and live comfortably in retirement. Members of any superannuation fund can reasonably expect to understand how their investment is managed, their options, rights, and responsibilities.

Financial choices need to be well informed. Yet only one in two adult Australians are financially literate, and only one in three Australians know the value of their superannuation. More generally, fewer than one in five Australian adults have advanced reading or numeracy skills.

As a consequence, the superannuation sector faces a challenge. So do vulnerable members who may experience systematic barriers that undermine their ability to make informed decisions about their financial future.

The challenge faced by vulnerable members when accessing or applying for insurance was addressed recently by the superannuation sector's peak bodies. Their current guidance to support vulnerable members states that "All content should be written in plain English to Australian grade 8 level …" and that funds should use readability tools to assess content.

The Australian Government Treasury has also emphasised the need for superannuation funds to communicate clearly. Simple changes can improve engagement, savings and choice allocation.

If many Australians are not advanced readers or expert financial analysts, then one simple step for superannuation funds is to produce clearer, more readable content.

Improving readability: a practical and necessary step

Two benefits flow from improving readability.

The first is that members benefit. Members will gravitate to content that is easy to read. When members can engage with content because it is clear and systemic barriers are minimised, their confidence increases.

Members will turn away from content that is frustrating to use or alienating. Content that is difficult to read, uses too much jargon and is complex can deter members from accessing the financial information they need.

The second benefit of improved readability is enjoyed by superannuation funds themselves. It comes from increased productivity, efficiency and effectiveness.

Readable documents imply a skilled workforce and a clear writing culture. By producing clear internal documents—like standard operating procedures, corporate policies, business cases, board papers and project plans—funds can improve the flow of information. This kind of efficiency also minimises the risks of delay and

unethical behaviour. It enhances compliance and reduces duplication and repetition of effort.

When internal efficiency improves, so does productivity. A simple focus on readability serves the commercial imperative that internal communications are clear, coherent and compelling.

Performance against readability benchmarks
Grade level

To gauge whether an adult audience can read with ease, the Web Accessibility Initiative sets a reading level standard. Reading level is called 'grade level' in our metrics and in other readability indexes.

The grade level benchmark is set for the reading ability of someone who has achieved a lower secondary education level. The grade level benchmark is grade 7 to grade 8.

Ethos CRS generally recommends writing for a year 7 level reading ability or below. The Australian Government Style Manual reflects this standard in its advice on readability, based on the Web Content Accessibility Guidelines.

The top 20 funds averaged a grade level of 13.5 across the 80 documents analysed. So, on average, documents cannot be read with ease.

The grade level finding indicates these superannuation funds may not be communicating effectively with their members. Members may need a tertiary-level education to interpret content.

Superannuation funds can communicate more clearly if they write to a lower secondary education level.

Sentence length

Shorter sentences with one main idea are easier to read, while longer sentences cause confusion.

The Australian Government Style Manual recommends writing sentences that have an average of 15 words, but not more than 25 words.

Average sentence length was about 23 words in this analysis of 80 documents, which falls within the recommended range.

Superannuation funds are achieving the benchmark for average sentence length, overall. This average combines with other metrics to improve the overall readability score.

Active voice

Active voice is easier to understand because the sentence structure supports clear meaning. It also helps people know where responsibility rests.

Active voice formed the basis of 68% of sentences across all 80 documents. Most documents in this analysis fell well below the benchmark.

Superannuation funds could improve readability by using more active voice in their writing. Using more active voice may also make it clearer to members what their responsibilities are, and what obligations are owed to them.

The quote

The average readability score of all 80 documents from 20 companies was 45.6. This means that on average, content did not meet established benchmarks for grade level, average sentence length and use of the active voice.

The scores of retail and industry funds

Industry funds, in general, produced more readable documents. However, the documents of all funds could yet be more readable. Not one document came close to meeting the benchmark score of 100.

The most readable document, a product disclosure statement produced by Cbus, generated a score of 55.7. A financial disclosure statement by Guild Super with a score of 52.0 was the most readable document produced by a retail fund.

Recommendations

Adopt the principles of plain language

Superannuation peak bodies recognise readability as a necessary but not sufficient condition to protect the interests of vulnerable consumers. A further step in this direction would see the sector adopt a common plain language standard.

Set universal readability standards

Superannuation funds should adopt specific, measurable, achievable and realistic standards to improve the readability of all content they produce and publish:

- Set and write to a defined grade level.
- Use the active voice.
- Use sentences shorter than 25 words – or 2 lines as an easy-to-determine measure.

Method

Selection of documents

The documents selected were produced by 10 retail funds and 10 industry funds. Funds were selected based on their APRA ranking for the total number of assets and customer accounts held by each company.

When selecting the four categories of documents for each company, PDF files were downloaded from company websites. The PDF format reflects a stable version of each communication product.

Scrubbing

The PDF documents were converted into text-readable files for consistency. In this process, all kinds of formatting, numerals, graphics, footnotes, indexes and tables were removed to ensure that the platform, VT Writer—language analysis software, only analysed plain text.

The simple definition of a sentence was applied as written in the Australian concise Oxford dictionary. Any text that did not meet this definition was removed or deleted.

All scrubbed documents went through a rigorous two-step monitoring process to ensure that the text remained true to its original form.

Certain industry-related terms and proper nouns, such as the company names, were white-listed on VT Writer to not confound results and or inadvertently reduce scores. This step accords with accessibility guidelines for readable content, and the Australian Government Style Manual.

Setting up the benchmarks

Benchmarks on VT Writer were set up for each metric. Ideal scores reflected:

- a grade level of 7 or less as recommended in the Australian Government Style Manual
- sentences that are written in the active voice – 95% or higher
- average sentence length of 15 words as recommended in the Australian Government Style Manual.

These metrics were used to determine and rank scores against the benchmark of 100. A score of 100 meets the benchmark for clear, effective writing.

Caveats

The metrics used in the readability scorecard are a useful way to analyse and compare the quality of written communication, but they are a partial and incomplete guide.

The benchmarks only measure some of the factors that make up clear writing. The scores measure what is easily quantified: sentence length, word length and active voice. The benchmarks do not consider other elements that affect readability, such as :

- logical flow and coherence of text
- complexity of ideas
- structure
- structural formatting elements such as line spacing, use of headings, images and other visual aids
- the varying ways people read digital and print content.

Ethos CRS understands that the scorecard is not a statistical study and the results do not perfectly represent the characteristics of all document produced by superannuation funds.

Ethos CRS also cannot determine if these publicly available documents are representative of internal documents – for example, standard procedures and policies, or decision, risk management and project documents. It is conceivable, however, that large organisational gains can be generated when internal documents are clear, readable and aligned to purpose. **FS**