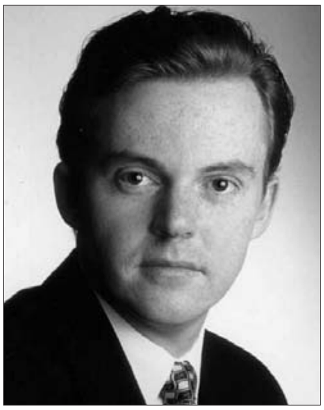

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From the Chair of the Editorial Board

Welcome to the new-look JASSA.

The central theme of this edition of JASSA is the rapid growth in Australia's household wealth. The $1 trillion now being held in Australian superannuation funds has significant implications for our capital markets, as well as for regulators, trustees and their beneficiaries. In addition to the papers submitted directly to the journal, in this edition we include several papers from the 12th Melbourne Money and Finance Conference, titled 'Wealth Management: Trends and Issues', conducted by the Melbourne Centre for Financial Studies in May 2007. These papers explore the proper management of the nation's wealth from the perspectives of different stakeholders within the wealth management sector.

Ellis Connolly of the Reserve Bank of Australia (RBA) provides a review of 'The Superannuation Guarantee, wealth and retirement saving'. Using micro-economic data from the HILDA survey, the paper explores two related questions:

- Have compulsory pension accounts increased household wealth?
- What effect do compulsory pension accounts have on voluntary saving for retirement?

Connolly finds that household wealth increases by around 70 to 90 cents for every extra dollar in compulsory pension accounts. He agrees that this is somewhat surprising, since households could be expected to first offset compulsory contributions by reducing their voluntary contributions.

In 'Superannuation funds and alternative asset investments: issues for policy makers', Andre Moore and Stephen Monage (Treasury) suggest that with the growing proportions of portfolios being allocated to alternative asset classes, the level of aggregate risk in the superannuation system will be a major consideration for policy makers going forward. They also indicate that the prudential framework will need to remain flexible and responsive to emerging developments in the superannuation industry.

In discussing these findings, Michael Skully SF Fin (Monash University) highlights that neither the regulator nor the Australian Bureau of Statistics provides many insights into these new asset class holdings through their data collections. Skully says that it is surprising that the market is not kept better informed about the industry's overall exposure to these asset classes given the concern being voiced currently over hedge fund investments. He goes further to suggest that regulators need to become much more informed over the risks that their regulated institutions are undertaking and, perhaps more importantly, the unintended impact of any subsequent regulatory changes.

In 'Crediting rates versus unit pricing: issues for superannuation funds', Jules Gribble (ASK!T Consulting) reminds trustees about the importance of paying attention to the detail when reviewing member accounting protocols. Gribble indicates that trustees and managers need frameworks in which to assess their value attribution and he provides a detailed set of principles to assist in the management of these valuation processes.

There are two other important papers in this edition. As governments around the world grapple with an appropriate policy response to climate change, a timely paper by George Milunovich, Alison Stegman and Deborah Cotton, 'Carbon trading: theory and practice', examines existing carbon trading schemes and the economic arguments supporting them. The authors suggest that 'one way to overcome the problems associated with the pure permit and tax-based approaches to climate policy is a hybrid approach that combines the best elements of both mechanisms and avoids most, if not all, of the shortcomings'.

In his paper 'The Australian & New Zealand insurance industry: who will survive?', John Evans F Fin analyses the results of surveys conducted in the United States and Australia and New Zealand on the key drivers for success within the general insurance industry. Evans argues that much of the Australasian insurance industry requires considerable change. Organisations need urgently to review their business practices in terms of their stage of risk management programs, human capital management programs and sustainable profitability. In addition to the threats from regulation and workforce quality identified by the Australasian survey, Evans also found evidence of significant internal threats from a culture that has not been conducive to encouraging the introduction of improvements in financial management.

JASSA plays an important role in the Australasian financial services industry as a clearing house for ideas that have a direct impact on our industry. In fulfilling its mission, JASSA draws on the knowledge and research of practitioners, academics, policy makers and regulators, maintaining at all times a practical, applied orientation. We look forward to many more thought-provoking and insightful contributions from our readership. In particular, we encourage those inspired (or provoked) by the ideas presented in this forum to share their perspectives by submitting their thoughts in writing. The guidelines for submission can be found at www.finsia.com/Membership/Publications.

Finally, we would like to extend our sincere thanks to John Arbouw for his six years of outstanding service as JASSA Editor and to welcome Marion Fahrer as the incoming Editor of our journal. We welcome any comments at m.fahrer@finsia.com.