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Less returns for twice the cost: research shows just how poor some banking-owned super products are

Some bank and insurance company owned super funds are charging almost twice as much in fees compared to profit-to-member funds, according to new research commissioned by the **Australian Institute of Superannuation Trustees (AIST).**

The **Fee and Performance Analysis 2019** by leading superannuation research house **SuperRatings** drills down into the differences between fees and returns across the many super products on offer and finds significant disparities between the fees charged by for-profit retail funds and profit-to-member funds.

The typical annual fee paid by someone with a $50,000 super balance in a High Growth investment option offered by a retail fund is $942. This compares to an average $591 in fees charged by a profit-to-member fund for the same product.

The difference is even more stark for those wanting to put their superannuation into more defensive investment products, such as people approaching retirement.

The SuperRatings research found that a person with a balance of $250,000 in a mostly cash invested 'Secure' option of a retail fund would be paying on average $3,255 per annum, or 274% more for the same product in a profit-to-member fund.

The research notes that as account balances increase, the fees for the profit-to-member sector become even more competitive, given the lower overall asset-based fees charged.

AIST CEO Eva Scheerlinck said the report highlighted the need for regulators to provide tools that made it easy for members to compare fees and charges and make informed decisions about which super products were best for them.

"Currently, it is almost impossible for members of Choice funds to compare the fees and charges of their super fund. In the 21st century, this shouldn't be that hard," she said.

"Many members are paying almost double the fees for less returns on their retirement savings. It's hard to see how the trustees of these funds can justify this in the post-Royal Commission environment."

"People in low performing funds will be losing out on their superannuation and they won't even know it. This is unacceptable."

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In terms of returns, SuperRatings data shows that median profit-to-member MySuper funds delivered 6.47% over the past 3 years to 31 December 2018, well above the 4.94% achieved by the for-profit retail super funds.

The research notes the fact that historical comparisons between fees are harder now, given that the introduction of new fee and cost disclosure laws has changed the way funds disclose their fees.

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Investment performance comparisons of MySuper products. RMT is retail super, NFP is not for profit

	1-year	3-years (p.a.)
NFP Median	0.99%	6.47%
RMT Median	-0.79%	4.94%
All Fund Median	0.33%	5.82%

2.2.6. Secure options

The following table illustrates the median fees across sectors for Secure investment options, which are those that hold between 0% and 19% in growth assets:

	Member Administration fee	Asset-based Administration fee	Investment management fee	Indirect Cost Ratio
NFP	$78.00	0.19%	0.09%	0.08%
RMT	$40.00	0.57%	0.53%	0.00%
All Fund	$68.90	0.35%	0.39%	0.01%

The following table compares Secure option fees across the sectors based upon a range of account balances, to understand the impact of member and asset-based fee differentials:

	$5,000	$50,000	$250,000
NFP	$97.60	$296.10	$1,186.60
RMT	$152.50	$755.00	$3,255.00
All Fund	$136.25	$634.50	$2,837.50
RMT/NFP	156%	255%	274%

AIST is the peak body for the $1.4 trillion profit-to-member superannuation sector which includes industry, corporate and public-sector funds.

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