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New research highlights need for Govt agency to develop an online tool to compare super funds

A high level of confusion among members of poorly performing super funds points to the urgent need for a Government-sanctioned online tool to help Australians make more informed choices about their super savings, **the Australian Institute of Superannuation Trustees** said today.

Releasing new research that suggests a large cohort of Australians are misinformed about how their super fund is performing and what type of fund they are in, AIST said it was time for the Government and industry regulators to develop an easy-to-use online comparator tool.

The [research](#) – **commissioned by AIST and conducted by Essential Media** – examined the decision-making process of members of bank-owned retail funds. It found that while many retail fund members were confident about their decisions, many were unsure as to how their fund was performing and one in four mistakenly thought they were in an industry fund. In a report released earlier this year, the Productivity Commission found that profit-to-member funds outperformed for-profit funds on average by more than two per cent per year over the long term. This out-performance was most stark in non-default “Choice” funds where there is almost \$1 trillion investing, almost twice the money invested in default funds.

AIST CEO Eva Scheerlinck said while standardised reporting had been introduced for MySuper default funds, it was difficult, if not impossible in some cases, to compare funds in the non-default (so-called Choice) sector, where there was almost twice as much savings under management (more than \$1 trillion). Even in the MySuper sector, consumers wanting to compare funds often have to search across multiple fund websites for the product information.

“Many Australians are languishing in poorly-performing super funds with no easy way of knowing that their fund is a dud,” Ms Scheerlinck said. “In the 21st century, comparing super funds shouldn’t be that hard”.

The Commission also found that while most members were in funds that delivered good investment returns, millions of members were in funds that persistently underperformed, primarily in the for-profit retail sector. It found ending up in a poorly performing fund could cost a worker up to \$400,000 over a full working life and even \$60,000 for workers aged 55 who plan to work another ten years.

Ms Scheerlinck said while a robust default fund selection process directed workers into high performing default funds, this was no help to those in non-default or “choice” funds.

“In a compulsory super system, Australians should be able to access independent, reliable and easy-to-understand information to assist them in making informed choices,” Ms Scheerlinck said. “Right now, this isn’t possible, and we know this is a glaring failure of our system.”

Super confusion: Key research* findings and themes

Click here for [infographics](#) relating to the findings

- **About one-third of retail fund members think there is no point looking at past returns to assess performance:** Both the online survey and focus group discussions indicate a level of scepticism of that past performance is an indicator of future performance. This is despite most evidence pointing to it being a reliable indicator.
- **Most members of retail funds believe their funds are performing on par or better than the industry average:** On average, retail funds underperform profit to member funds.
- **Retail fund members struggle to understand the difference between for-profit and profit-to-member funds:** One quarter of for-profit fund members surveyed mistakenly thought they were in an industry fund.
- **One-quarter of those who 'chose' a for-profit retail fund were encouraged to join the fund by their employer while nearly 40% received advice from their accountant, financial planner, or bank.** This leads to the question of what the notion of 'choice' actually means to people. Some have chosen a super fund by merely agreeing to an employer's or financial planner's recommendation.
- **There is a healthy appetite for tools that allow people to make their own decisions:** 71% supported a government agency setting up a comparison website to help people compare super funds against each other.

**Research conducted by Essential Media involving face to face focus groups in Sydney and Melbourne and an online survey of 529 member of retail funds.*

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