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3 May 2017

Superannuation  
Productivity Commission  
Locked Bag 2,  
Collins St East  
Melbourne VIC 8003

Dear Commissioners Harris and Chester

### **AFA Submission – Superannuation: Alternative Default Models**

The Association of Financial Advisers Limited (AFA) has served the financial advice industry for 70 years. Our objective is to achieve *Great Advice for More Australians* and we do this through:

- advocating for appropriate policy settings for financial advice
- enforcing a Code of Ethical Conduct
- investing in consumer-based research
- developing professional development pathways for financial advisers
- connecting key stakeholders within the financial advice community
- educating consumers around the importance of financial advice

The Board of the AFA is elected by the Membership and all Directors are required to be practising financial advisers. This ensures that the policy positions taken by the AFA are framed with practical, workable outcomes in mind, but are also aligned to achieving our vision of having the quality of relationships shared between advisers and their clients understood and valued throughout society. This will play a vital role in helping Australians reach their potential through building, managing and protecting wealth.

### **Summary of the AFA's position**

The AFA welcomes the Productivity Commission's Study of the superannuation system because financial advisers are the main conduit via which consumers of superannuation savings actively access the system. As many AFA Members are corporate super

specialists, our members' interaction with the system gives us the ability to provide insight into how best to allocate members to default fund products to improve the efficiency of the superannuation system and, by extension, the wellbeing of the community as a whole. Whilst our preference would be for all superannuation members to choose which funds to save for their retirement through, we understand that not all superannuation members are actively engaged with their superannuation – particularly younger fund members. Accordingly, we support a system to allocate fund members to default products that centres upon:

- the best interest of fund members, and
- encouraging competition that is free of regulation that restricts competition.

Accordingly, the AFA considers that employers should be able to choose any MySuper or other corporate superannuation fund – unrestricted by award based or workplace relations agreements.

The AFA considers that employers are well placed to select a default fund on their employees' behalf. Employers are acutely aware of the demographics of their workforce and can select a default which best suits the needs of their members. Employee cohorts are also distinguishable from each other within an industry and to take the choice away from employers on an assumption that employees in an industry are homogenous would prevent employers from using superannuation and insurance to distinguish themselves from other employers and attract employees.

The AFA considers that education is the key to reversing member disengagement. Education helps to make informed choices, which in turn increases financial literacy and wellbeing and certainty. Accordingly, employers should have access to the professional services of an advice firm – not only to help them choose a default fund that best meets the needs of their workforce, but also to educate employees on superannuation and to help them take control of their financial future.

## Concluding comments

As noted in our submission dated 28 October 2016 (copy enclosed) to the Commission, the AFA does not support an administrative model due to the potential for it to be gamed or manipulated by vested interests. Further, while we support member choice, the AFA considers that an assisted employee model would not result in employees making informed choices. The AFA accordingly supports employers choosing a default fund for the employees who do not choose their own fund through a tendering system with employers having access to corporate super specialist advisers. The AFA considers that such a system has the best interests of the fund members at its core, and will deliver the most efficiency improvements to the superannuation system.

If you require clarification of anything in this submission, please contact us

Yours sincerely,

**Philip Kewin**  
Chief Executive Officer  
Association of Financial Advisers Ltd

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