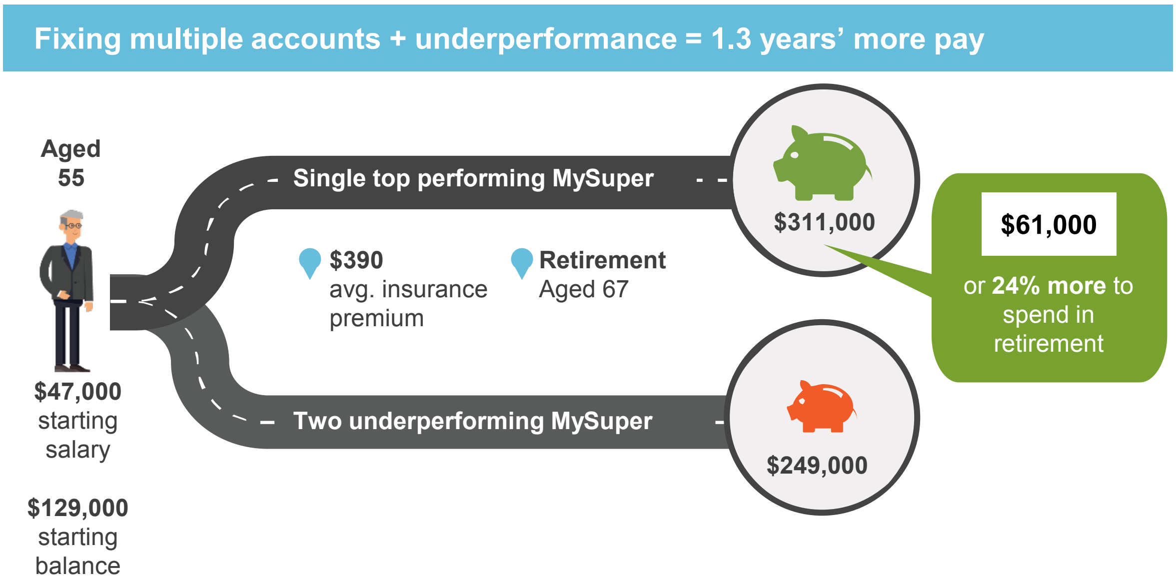
Cameos

To provide further insight into the impact of fees, investment performance, multiple accounts and insurance on superannuation members, the Commission developed a series of cameos. These cameos illustrate how various factors can compound over time to affect a member's superannuation balance at retirement.

This document brings together the cameos presented in the draft report. The assumptions underpinning the cameos are set out in chapter 1 (box 1.6, p. 88).

Being defaulted into a single top-performing MySuper product would lift the retirement balance of the median 55 year old by up to $61 000 when they retire, compared to being defaulted into two underperforming products

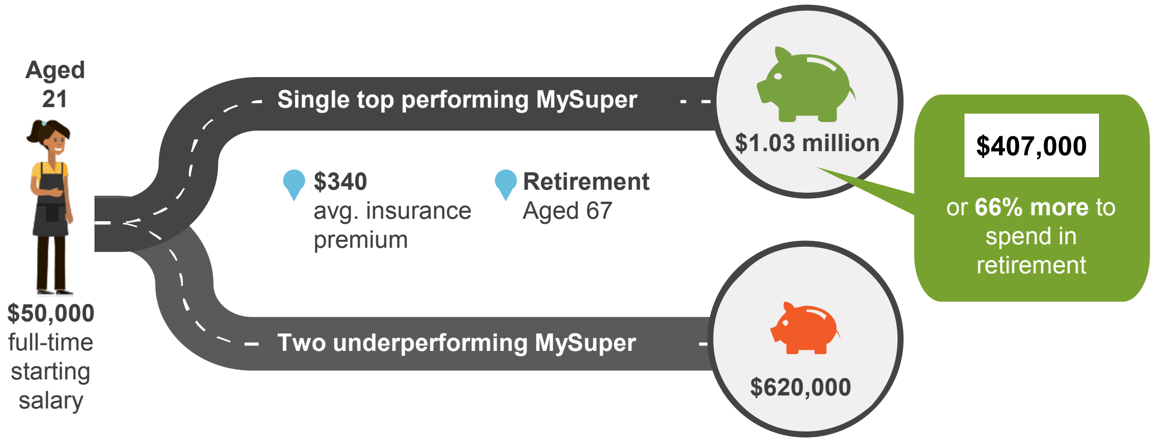
(p. 30; 418)



For a new workforce entrant today, the gain would amount to $407 000 by the time they retire in 2064.

(p. 30; 418)

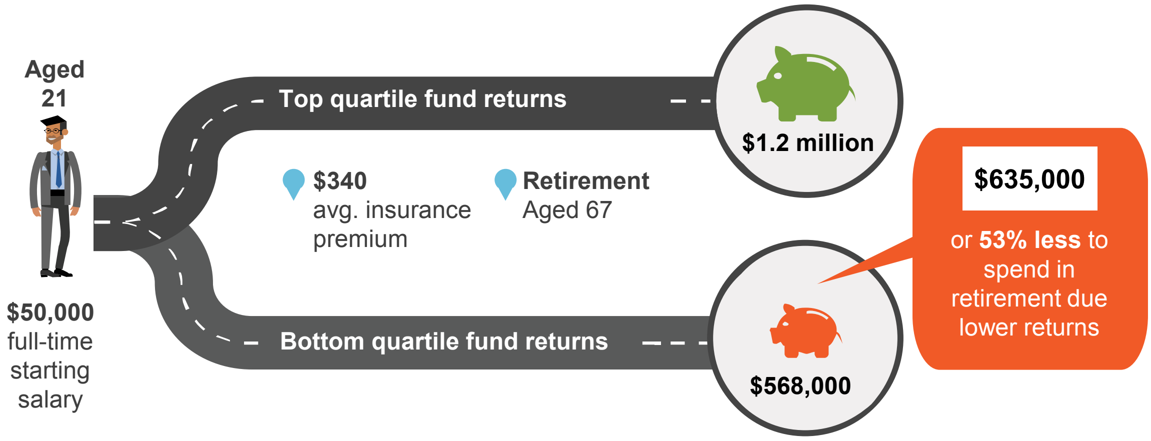
Fixing multiple accounts + underperformance = 8 years' more pay



Underperformance compounds to substantially lower retirement balances

(cameo 1 p. 12; cameo 2.2 p. 117, cameo 9.1 p. 375)

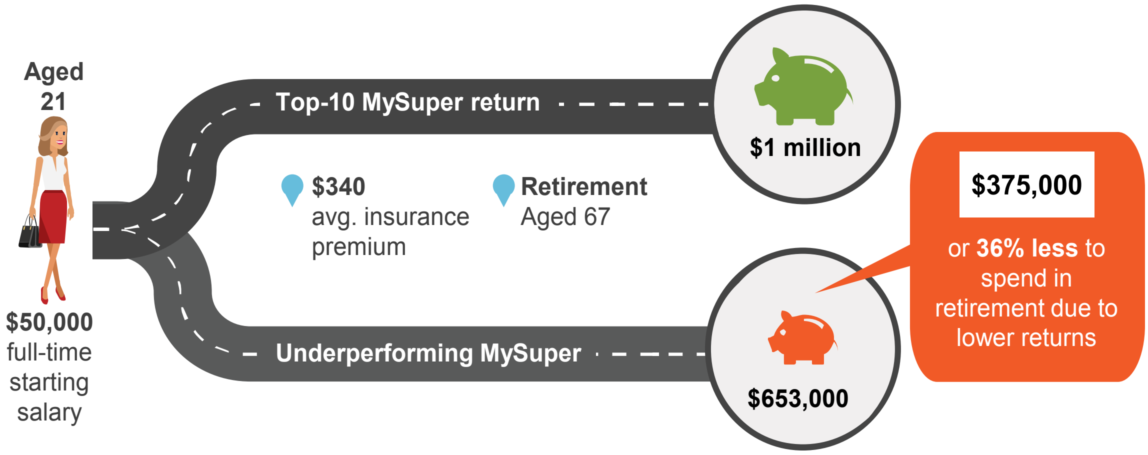
Super problem: Underperforming fund = 13 years' lost pay



MySuper returns can be a lottery for default members

(cameo 2 p. 14; cameo 2.3 p. 122; cameo 12.1 p. 428)

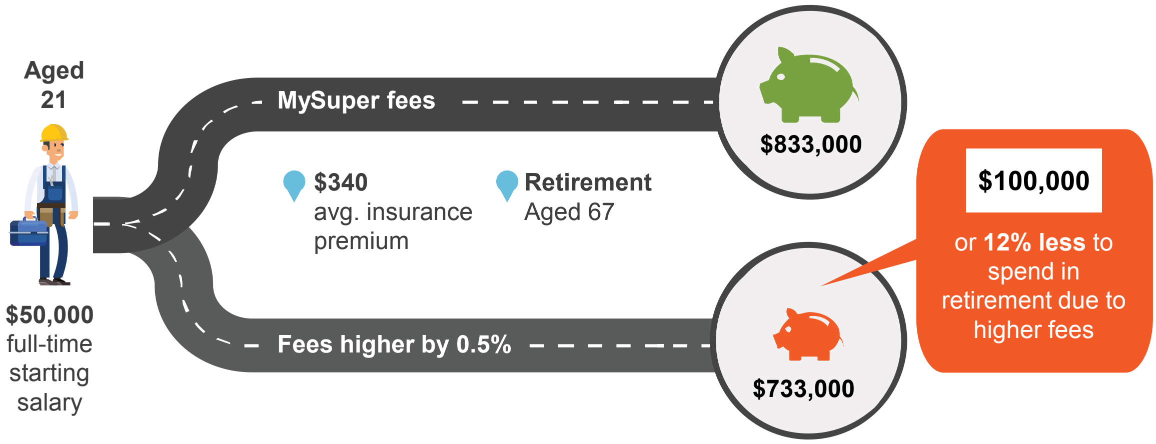
Super problem: Underperforming MySuper = 7.5 years' lost pay



Higher fees materially erode balances at retirement

(cameo 3 p. 15; cameo 3.1 p. 128)

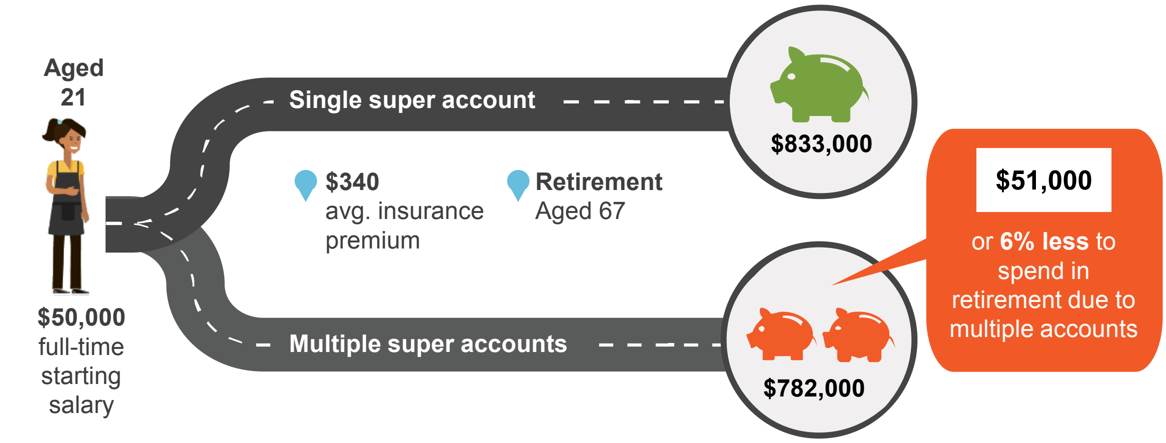
Super problem: Higher fees = 2 years' lost pay



Multiple accounts reduce retirement balances

(cameo 4 p. 19; cameo 12.2 p. 429)

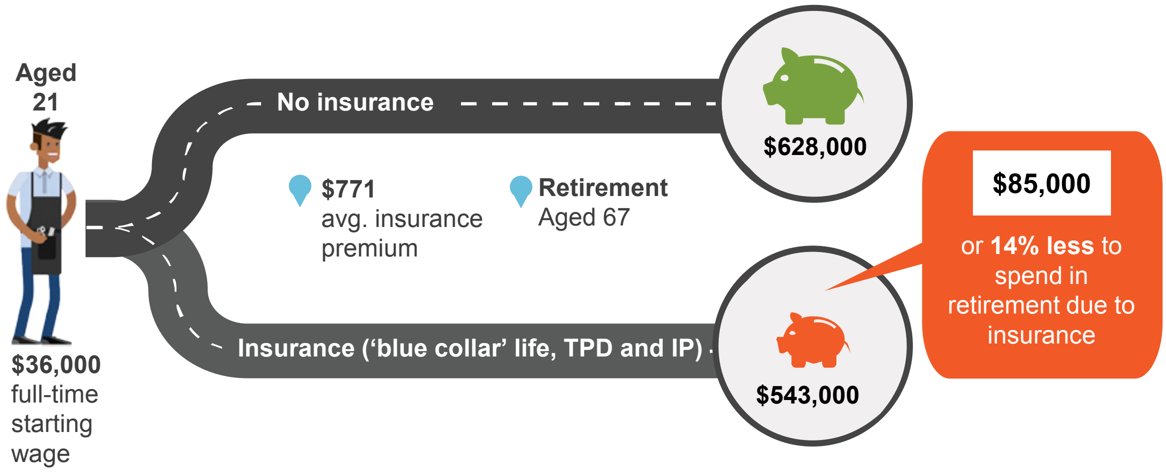
Super problem: Multiple accounts = 1 years' lost pay



Insurance policies erode balances for low-income workers

(cameo 5 p. 21; cameo 8.1 p. 328)

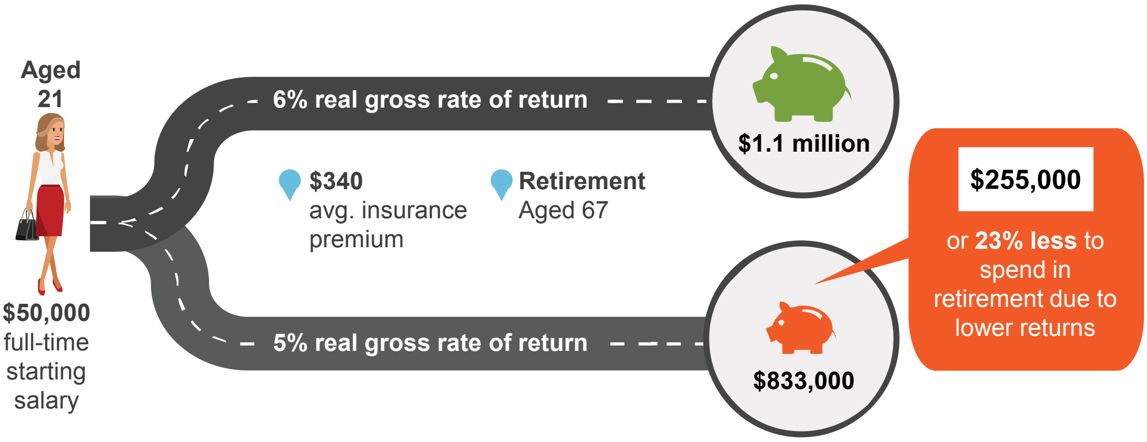
Super problem: Insurance = 2.5 years' lost pay



A small difference in returns matters a lot

(cameo 2.1 p. 92)

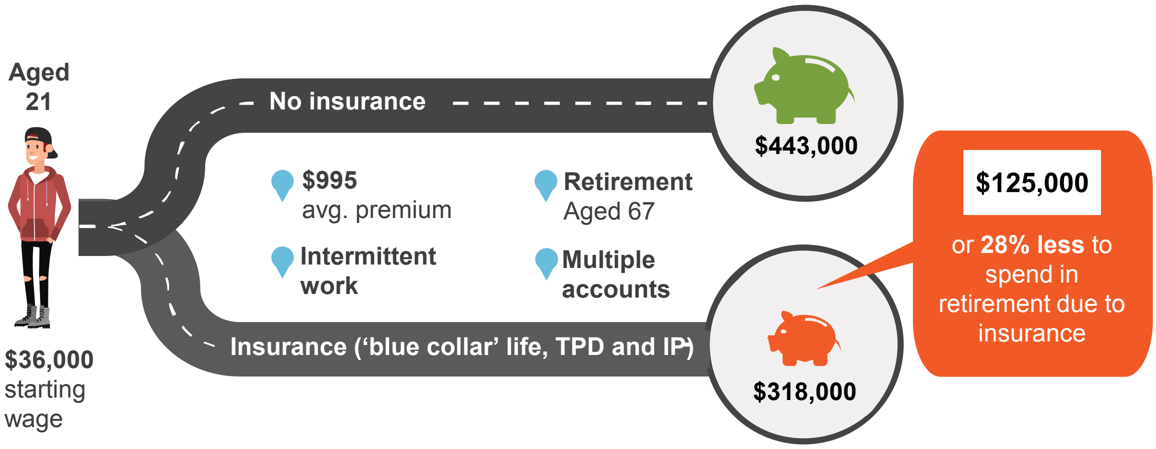
Super problem: Lower returns = 5 years' lost pay



For disadvantaged members, insurance's cumulative impact can be extremely high balance erosion

(cameo 8.2 p. 329)

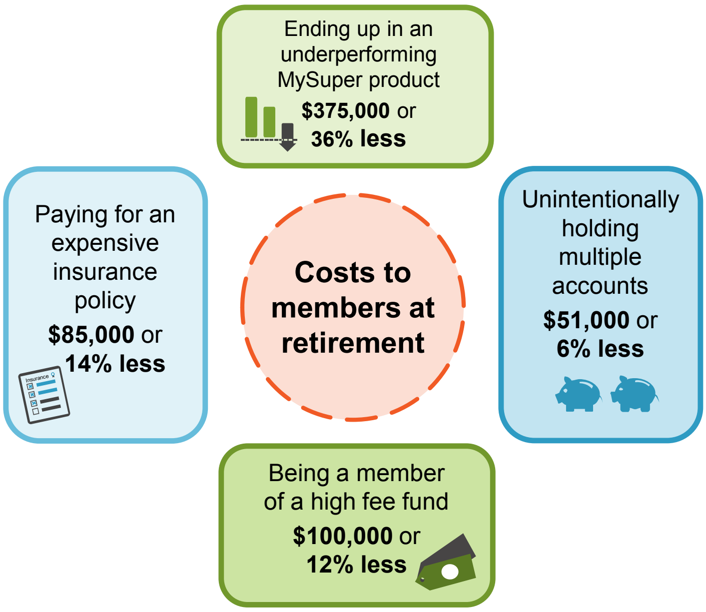
Super problem: Insurance = 3.5 years' lost pay



Other figures and tables using Cameo Model results

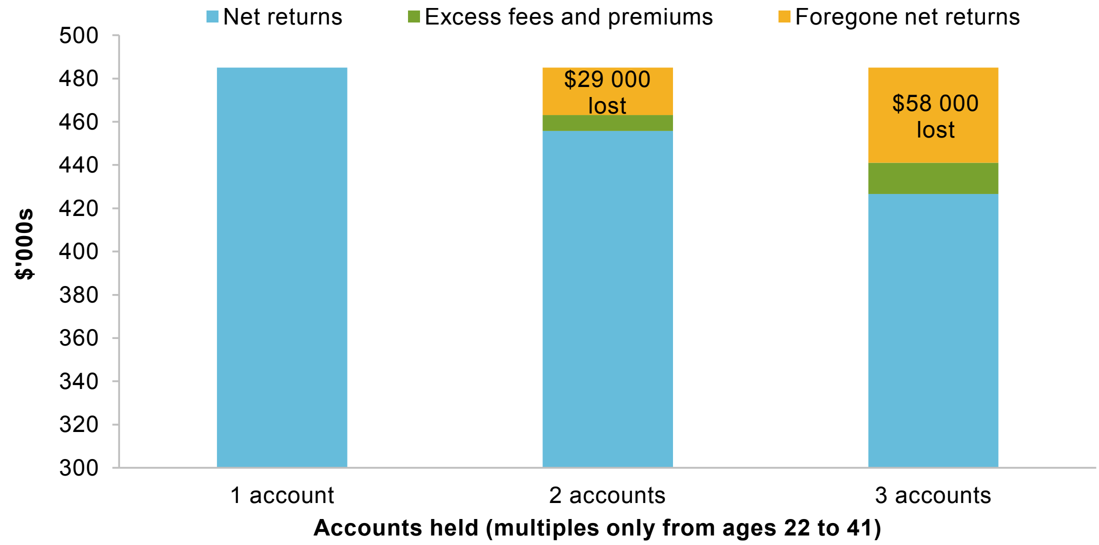
The character of member harm

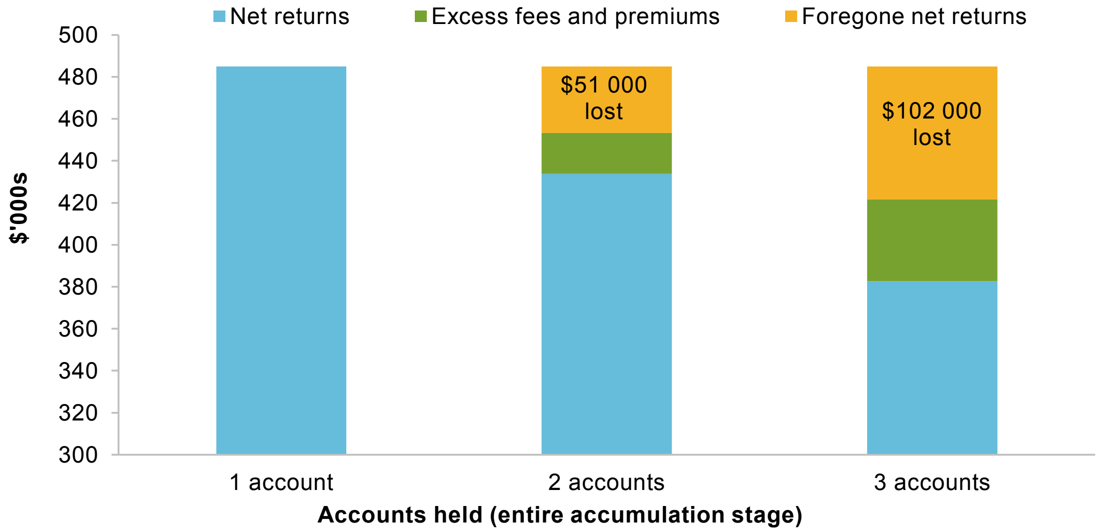
Subpar system performance = much lower member balances
(figure 11 p. 32; figure 11.1, p. 418)



Multiple accounts — a heavy penalty on retirement

Projected returns on contributions by number of accounts held[a]
(figure 6.6 p. 251)

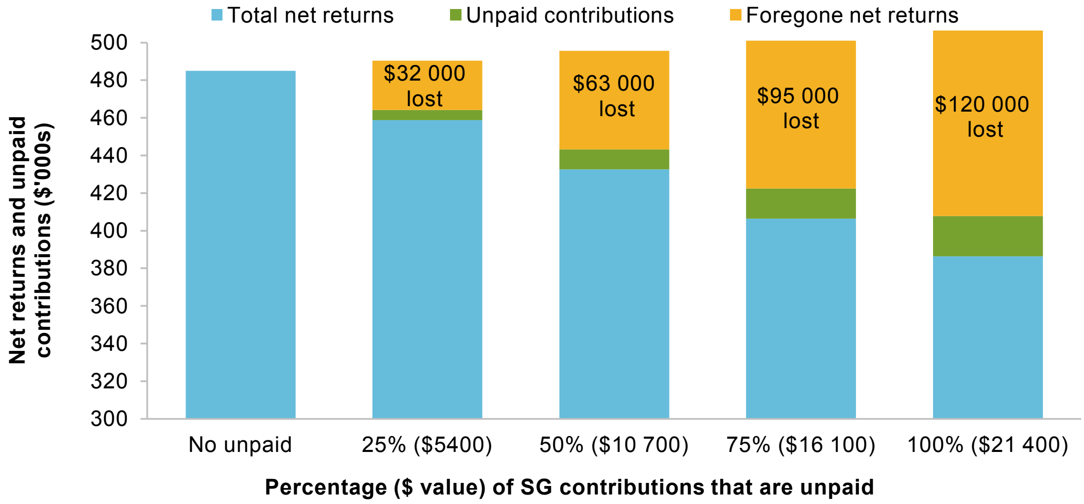




[a] Returns on contributions of about $350 000 over the members working life.

Unpaid SG payments can have a significant impact on retirement balances

Cameo model simulation results by per cent unpaid for ages 21 to 25
(figure 6.13 p. 264)



Insurance balance erosion cameo scenarios

(table 8.2 p. 326)

Table 8.2 Insurance balance erosion cameo scenarios[a]

Scenarios	*Contributions*			*Premiums*				*Balance erosion at retirement*	
	Starting wage	*Average wage*[b]	*Work history*	*Insurance cover*	*Risk loading*	*Multiple policies*	*Average premium*	*Real value*	*Share*
	$	*$*					*$*	*$*	*%*
Average worker	50 000	63 000	Full-time	Life and TPD	White collar	No	282	35 000	4.0
IP insurance	50 000	63 000	Full-time	**Life, TPD and IP**	White collar	No	**541**	60 000	6.9
Low income	**36 000**	**45 000**	Full-time	Life and TPD	White collar	No	282	35 000	5.6
Interrupted work history	50 000	**51 000**	**Intermittent**	Life and TPD	White collar	No	282	35 000	5.6
Multiple accounts	50 000	63 000	Full-time	Life and TPD	White collar	**Yes**	**409**	55 000	6.4
Low income worker	**36 000**	**45 000**	Full-time	**Life, TPD and IP**	**Light blue collar**	No	**771**	85 000	13.6
Cumulative impact	**36 000**	**37 000**	**Intermittent**	**Life, TPD and IP**	**Light blue collar**	**Yes**	**995**	125 000	28.2

[a] Assumptions that are different from the 'Average worker' scenario are in bold. [b] This excludes the effect of real wage increases (all cameo scenarios assume economy-wide real wage growth of 1.5 per cent annually).