Superannuation: Alternative Default Models

Submission by Sean Murphy

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Dear Mr Harris

Thank you for providing me the opportunity to make a submission to the Productivity Commission's inquiry into alternative default models for superannuation in Australia.

As one of many Australians who have been very disappointed with the choice of my default fund I think it vital that there be a major change in the allocation of default superannuation.

The 9.75% which is taken from my salary each fortnight is my money. Yet I think that many providers – both industry super funds and retail funds – act as if it is their money and the trustees do not want to be accountable to we superannuation account holders.

The fees in Australia are ridiculously high – in both industry super and retail funds – reflecting a very low level of competition. I would (and now do) get much better returns from simply opening a SMSF and investing in managed funds with much lower fees and much greater scope for me to select the asset allocation. But even there – both managed funds and index funds – have higher fees in Australia than elsewhere. But I suppose that is outside your terms of reference.

There is an easy solution, and I think should be embraced by the Commission. That is, we have a large, safe and well managed institution called the Future Fund. All default superannuation moneys should be sent to the Future Fund which would provide much safer and reliable and low cost returns than any of the other funds on offer (including SMSFs).

As you know, fees are critical – even seemingly small fees can erode one's superannuation over many years.

But the Future Fund has very low fees and scale. It is capable (with a new retail presence) of acting as the default fund recipient / manager for Australians. Of course that doesn't mean that an employee cannot choose another fund – I am only saying that the Future Fund should be the default fund.

Think of the side benefits of this proposal – it would at once increase competition in the superannuation fund market and drive down costs. As such it would increase the returns (after costs / after tax) to superannuants and thus reduce the cost to the taxpayer by shrinking age pensions (other things being equal). This is a win-win for taxpayers and employees. The only ones who will scream are the ticket clippers that make up the current crop of disgraceful and greedy superannuation funds. It is time to wipe that smile off their faces and act for the Australian workers.

Yours sincerely Sean Murphy SC