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Super fees fall five per cent

Australians continue to benefit from decreases in superannuation fees, with the latest Financial Services - Rice Warner Actuaries Superannuation Fees report showing a clear downward trend since the study commenced in 2002.

According to the report, over the past decade, industry wide average fees have declined by 12 per cent from 137 basis points (bps) in 2002 to 120bps in 2011. Between 2010 and 2011, average fees have fallen by 5 per cent from 127bps to 120bps.

CEO of the Financial Services Council, John Brogden commented: "This is a very positive outcome for consumers. Despite turbulent markets and increasing regulatory costs, fees continue declining."

Michael Rice, CEO of Rice Warner said: "We're pleased the report is being released as there is a lot of misinformation about fee levels.

"There are different fee drivers – scale and technology are driving fees down. On the other hand, regulation is increasing costs."

The report reinforces the importance of long overdue proposals to introduce a product rationalisation mechanism for superannuation. At 210bps, legacy products have significantly higher than average fees. Allowing superannuation providers to rationalise these products would allow members to benefit from considerably lower fees.

"This report puts beyond doubt the need to introduce a product rationalisation mechanism for superannuation. The government is standing in the way of members benefiting from fee reductions in contemporary products. We call on the government to progress these proposals as a matter of urgency." Mr Brogden said.

The report also highlights the impact of restricting superannuation competition in Modern Awards. Fees in large employer (default) superannuation funds are amongst the lowest at 083bps. Such employers are typically not restricted by Modern Awards and are free to select any superannuation fund, often via a competitive tender process. Members are clearly benefiting from the highly competitive dynamics in this segment.

"The current Productivity Commission inquiry into the selection of default superannuation funds under Modern Awards provides an opportunity to extend the benefits of competition to workplaces that are currently constrained by Modern Awards. This research shows that employees under Modern Awards cannot afford to miss this opportunity."

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About the Financial Services Council

The Financial Services Council represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, trustee companies and Public Trustees. The Council has over 130 members who are responsible for investing more than \$1.8 trillion on behalf of 11 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

Table 1. Fees 2011

Fees by superannuation segment – Year to 30 June 2011						
Sector	Segment	Operating	Investment management	Operating & investment management ¹	Advice	Total Fees ¹
		(%)				
Wholesale	Corporate	0.30	0.47	0.77	0.02	0.79
	Corporate Super Master Trust (large)	0.24	0.58	0.82	0.02	0.83
	Industry	0.43	0.66	1.09	0.04	1.13
	Public Sector	0.22	0.56	0.78	0.04	0.82
Retail	Corporate Super Master Trust (medium)	0.87	0.71	1.58	0.25	1.83
	Corporate Super Master Trust (small)	1.04	0.77	1.81	0.39	2.21
	Personal Superannuation	0.84	0.60	1.44	0.43	1.87
	Retail Retirement Income	0.62	0.67	1.30	0.45	1.75
	Retirement Savings Accounts	0.60	1.70	2.30	-	2.30
	Eligible Rollover Funds	1.95	0.45	2.40	-	2.40
Small Funds	Self-Managed Super Funds	0.33	0.52	0.85	0.15	1.00
Total		0.45	0.58	1.03	0.17	1.20

¹ Components may not add up to totals due to rounding.