

Media Release

Tasplan is Tasmania's largest multi-industry super fund with over 90,000 members, 8000 participating employers and \$500,000,000 of funds under management

Choice of Super – More Risks than Rewards ?

The Federal Government's decision to give some Australians an unfettered choice of superannuation fund may backfire unless it moves quickly to implement a number of other urgent reforms.

Choice of fund in itself is not a panacea for the problems inherent in the Government's retirement and incomes strategy.

When the Thatcher Government in the United Kingdom did exactly what the Federal Government is proposing, over \$2 billion of super funds were lost through the fees and charges associated with 'churn'.

Superannuation is much too important for it to be subjected to the strong self-interest that has the potential to undermine the Government's super policy.

The Government has much to do before it contemplates exposing the community to the sort of risks associated with choice of super;-

- Establishment of a compulsory fee disclosure model that enables comparison of funds
- A prohibition on high entry and exit fees to uphold the principle of portability.
- Roll out of a massive education campaign to ensure that people without financial skills are not duped by the fine print in Product Disclosure Statements or the glib promises of commission-driven salespeople.
- Appropriate disclosure requirements for financial planners receiving commissions and other rewards for recommending one investment product over another.

The Government would also do well to give careful consideration to the administration burden and legal liability that may be imposed on employers suddenly required to pay super into multiple funds.

Unless all of these issues are addressed, the Australian Democrats may come to rue the deal done with the Government.

For its part, Tasmania's largest multi-industry super fund, is more concerned about the ramifications should the Government not move quickly to ensure that there is an appropriate framework for choice of super.

Tasplan General Manager, Neil Cassidy said a large proportion of the fund's members already had an effective choice of fund and his only concern was having to deal with the misinformation and confusion that might be associated with the Government's misguided campaign.

"For those of us who have been in the superannuation industry for many years, the competitive gains that the Government claims will flow from Choice of fund are simply not as 'real' as the massive risks entailed in its current proposals." Mr.Cassidy said.

(Any enquiries to Neil Cassidy, Tasplan General Manager on 6270 4801 or 0417 034 357.)