

# More cash in your pocket

By JOSH FRYDENBERG

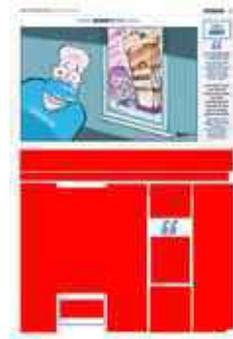
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# More cash in your pocket

Changes made to superannuation legislation will provide massive benefits for all Australians

## JOSH FRYDENBERG

**E**very Australian pays more than \$30 billion in superannuation fees and charges.

It is a huge sum, even greater than what Australians pay in their annual household, electricity and gas bills.

Reducing these fees and improving the performance of superannuation funds is a priority for the Morrison government.

This is why the legislation that passed through the parliament at the end of last week is so important.

It represents the most significant changes to superannuation in 30 years with reforms in four key areas that together will save consumers an estimated \$17.9 billion.

First, the prevention of unwanted and unneeded multiple accounts.

Each year about 1.6 million people change jobs and when they do they generate a new superannuation account.

This has led to the creation of around six million multiple accounts held by 4.4 million people.

To prevent the balances on these unnecessary accounts being eaten away by fees and charges, the government will now ensure that when you move jobs your account will move with you.

The “stapling” of one account to a person as they change jobs was a recommendation of both the Productivity Commission and the Hayne Royal Commission.

It is estimated that stapling,

together with the other reforms, could see someone entering the workforce as much as \$98,000 better off in retirement.

Second, members will be empowered to make more informed choices about their superannuation.

To boost competition, lower fees and increase returns, the government will establish a new interactive online Your Super comparison tool which is administered by the Australian Taxation Office.

It will be the first time that members will be able to go to a single, trusted, independent source of information to compare the fees and returns of the different funds and choose the superannuation product that is right for them.

Updated quarterly, the table will rank the products by fees and returns, give people access to their existing account, and link them to other fund websites should they wish to select one of their products.

This reform will enhance informed member engagement.

Third, underperforming funds will be held to account.

Treasury analysis indicates about a quarter of My Super products are underperforming a benchmark developed by the Productivity Commission and Australian Prudential Regulation Authority.

These particular funds hold over

\$100 billion across three million accounts and charge over \$1 billion a year in fees.

To ensure they deliver better returns for their members, these funds will be subject to an annual performance test.

If they fail the test they will be required to notify their members and inform them of the Your Super comparison tool.

If these funds fall below the benchmark in a successive year, they will not be allowed to take new members.

Only when their performance improves will these funds be able to reopen.

It is expected this reform will deliver members more than \$10 billion in higher returns over the decade.

Finally, funds will be required to act in the best financial interests of their members.

Representing the savings of 16 million Australians, the superannuation pool is already around \$3 trillion, enough to buy every company listed on the ASX one and a half times over.

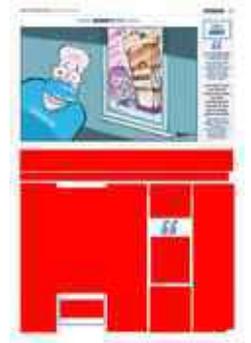
With more than \$120 billion a year being paid into the system, through compulsory and voluntary contributions, the superannuation pool is expected to reach a phenomenal \$5 trillion by 2034.

It is vitally important these funds are invested only in assets that maximise people’s retirement savings.

This is why the government has legislated that funds must only act in the best financial interests of their members.

It removes ambiguity and seeks to prevent funds spending money that deviates from this sole purpose.

This duty will work in tandem



with requirements for funds to notify members of marketing expenditures, industry associations and related party transactions.

This new level of transparency and accountability is vital given some funds seemed to have forgotten their responsibilities as custodians of members' money.

Superannuation is a serious business, representing as it does, the life savings of millions of Australians.

It's a good system but one that has been in need of reform.

That is why our government has banned exit fees, capped fees on low balance accounts, consolidated inactive accounts, made insurance opt in for those under 25 years of age and pursued these latest reforms that passed the parliament last week.

The combination of these reforms will encourage choice, boost competition and increase accountability while lowering fees and strengthening returns.

These are not the first, or the last, reforms our government will make to superannuation.

We are determined to make superannuation work harder for every Australian.



Josh Frydenberg is the Federal Treasurer

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