MEDIA RELEASE

For Immediate Release

Franking credit refunds benefit millions of Australian super fund members

A survey of large super funds by the Financial Services Council (FSC) has found it is likely that the largest group of people benefiting from franking credit refunds are ordinary Australians who are members of large super funds.

The number of Australian beneficiaries is significantly larger than the number of individuals and Self-Managed Super Funds (SMSFs) who also benefit from refunds. The FSC has expressed its support for refunds of franking credits in a submission released today.

The submission to the House of Representatives Economics Committee reveals that these franking credit refunds benefited up to 2.6 million members of large super funds in 2015–16 and up to 3.5 million members in 2014–15. While refunds provide a smaller average benefit for individuals in large super funds than for SMSFs, the FSC survey shows the impact on some members could be significant; over a lifetime the benefit of refunds could add up to a considerable figure, up to $55,000 at retirement.

Refunds of franking credits mean an Australian investor in local shares pays the same overall tax as an investor into other Australian assets including bonds, term deposits, property and infrastructure. If refunds are restricted then some low-income earners, retirees and super funds will face a tax penalty if they invest in shares.

The FSC survey of fourteen retail super funds found:

- Many super fund members with low balances benefit from refunds. Four surveyed funds had an average balance below $100,000; there were 73,000 accounts in these funds and refunds increased returns to all fund members on average by 0.26% per year.
- There were also 33,000 surveyed super accounts where the average benefit of refunds was more than 0.3% per year across all fund members. As an illustration, an increase in superannuation returns of 0.3% per year over a working life would increase retirement savings for a typical full-time worker by about $55,000, based on Productivity Commission methodology.
- There were 66,000 retiree accounts in the surveyed funds; if the retirees received the benefit of the refunds then the average benefit per retiree was $850 per year.

Refunds also provide a significant benefit to small APRA regulated funds, of many thousands of dollars per year on average, increasing average returns by up to 4.2% per year. In addition, over $100 billion invested in managed funds outside of super receive significant benefits from refunds.

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FSC CEO Sally Loane said: "The FSC considers that franking credit refunds should continue. They provide substantial support to the retirement savings of millions of Australians — including many with fairly modest savings.

"Constant tinkering with the rules on retirement savings and superannuation, and hitting retirees hardest, will only erode confidence in the system, leaving more Australians reliant on the age pension.

"The FSC supports a moratorium on adverse changes to the superannuation system, including changes to franking credit refunds. A more stable superannuation system will encourage engagement and confidence in the system and increase self-reliance in retirement. If policy makers keep moving the goal posts Australians will disengage with the super system and stop contributing more to their superannuation."

The submission is available **here**.

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About the FSC survey

The survey covers fourteen Australian retail superannuation funds, with 305,000 member accounts in total. The average franking credit refund was $4.7m per fund.

About the Financial Services Council

The FSC is a leading peak body which sets mandatory Standards and develops policy for more than 100 member companies in Australia's largest industry sector, financial services. Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. Our Supporting Members represent the professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses. The financial services industry is responsible for investing almost $3 trillion on behalf of more than 14.8 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.