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MEDIA RELEASE: Consumers deserve super funds that compete for them

The Financial Services Council (FSC) firmly believes consumers deserve a competitive default super model that encourages consumer engagement and is decoupled from political interference.

Appearing before the Productivity Commission this week, the FSC said out dated, industrial barriers stifle competition between superannuation providers and ought to be removed.

The Commission concluded in its interim report that the current industrial system contributes to the duplication of accounts that may cost each consumer as much as $25,000 in retirement savings. This is untenable.

Competitive markets work best when engaged, informed consumers discern between products to choose an offering that best suits their personal needs. This principle holds true for superannuation, as it does with any other product or service in our economy.

The competitive model the FSC has proposed – which we call Super 2.0 – offers consumers choice between funds, is competitive, flexible and fit for purpose for young Australians entering the workforce.

The FSC urges the PC to consider in its final report a default superannuation model that:

1. Promotes consumer engagement;
2. Facilitates the consolidation of the industry by putting subscale funds under competitive pressure; and
3. Ensures competitive pressures are retained on an ongoing basis to keep funds honest.

The FSC argues that the best model to achieve these objectives is a hybrid of the employee and employer choice models from the Commission's interim report, where every consumer can choose their own fund, with an enhanced APRA approval process for MySuper accreditation, and where a consumer does not make a choice their employer can choose a default fund for their workplace.

The FSC is concerned that a model which relies on a Government body to approve a short-list of preferred super funds is susceptible to political interference given the often highly partisan nature of the superannuation industry.

FSC CEO Sally Loane said: "Our default superannuation system today fosters, indeed promotes, ambivalence.

“Too many people in parts of the super system assume that young people can’t or won’t make decisions about their long-term future, that they’re chronically disengaged. That they need decisions made for them by a third party who may or may not have their best interests at heart.

“I do not believe for a minute this is true. If you give people information, choice and innovative products, they will engage.

“The current out dated industrial model is predicated on the average white male working from 9am-5pm, in the same occupation, in the same industry for 40-plus years, is disengaged from responsibility for his retirement savings and is prepared to leave its management to his trade union and employer.

“This rust belt view of superannuation has no place in a modern financial services industry or a modern economy – where in any other product category consumers can manage their financial affairs at the touch of the iPhone. It has no place in a modern society where we are trying to find solutions to ensure women can save at least as much for their retirements as men.”

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