



## MEDIA RELEASE

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### **MAKING ACTIVE CHOICES ABOUT YOUR SUPERANNUATION LEADS TO BETTER RETIREMENT OUTCOMES**

The Financial Services Council (FSC) has today released [new research](#) showing that empowering consumers to exercise choice over their superannuation, including with the support of personal financial advice, can significantly improve retirement outcomes.

The research, commissioned by the FSC and conducted by NMG Consulting, finds that making simple choices at the right time can materially improve outcomes compared with remaining in the default fund allocated when first entering the workforce.

Key findings include:

- An individual who switches early (from age 30) to reduce investment fees could be as much as \$1.2 million better off at retirement<sup>i</sup>.
- An individual who switches early (from age 30) from their default fund to a high growth simple choice product could be \$690,000 better off at retirement<sup>ii</sup>.
- Remaining in a MySuper product means typically being underweighted to growth assets by 14%, meaning more than 7 million Australians under 50 may be structurally underexposed to growth assets, potentially leaving them \$540,000 worse off at retirement.

CEO of the Financial Services Council, Blake Briggs said “People engaging with their superannuation and making active choices at pivotal life stages – such as early career and retirement – can have a material impact on their financial future.

“While the FSC supports sensible and targeted reforms to address predatory behaviour alleged in the Shield and First Guardian collapses, policy proposals that make it harder for Australians to exercise control over their superannuation will directly harm their financial wellbeing.”

The research notes that MySuper products play an important role in supporting disengaged members to accumulate retirement savings and providing insurance protection. However, they are not designed to optimise outcomes for individuals with different circumstances and needs.

“When Australians are informed and engaged with their superannuation, it gives them greater confidence and peace of mind, particularly during periods of economic uncertainty and global instability. In times of volatility, access to quality advice and strong engagement can help members stay focused on their long-term retirement goals and avoid reactive short-term decisions, supporting better retirement outcomes over time”, Mr Briggs said.

### **Platforms and advice**

Platforms are commonly used by financial advisers to provide access to a broad range of products and help households manage multiple superannuation accounts and investments.

NMG Consulting’s Lachlan Reardon said “Choice is a spectrum, and it is important that consumers have access to products that can be tailored to their individual risk appetite and retirement goals. Consumers, particularly those receiving financial advice, are increasingly turning to platform-based products because they offer efficiencies and flexibility.”

Recent innovations in platforms have also delivered wider flexibility, lower fees and more streamlined investment menus.

Analysis of platform fees indicates that, across balances, platform fees can be comparable to MySuper products:

- \$50,000 balance: Average MySuper fees are 88bps (up to 123bps), compared with 95bps for a compact wrap and 54bps for a mini wrap.
- \$500,000 balance: Average MySuper fees are 77bps (109bps for the most expensive), compared with 67bps for a compact wrap, 52bps for a mini wrap and 81bps for a full wrap.
- \$1.5 million balance: Average MySuper fees are 68bps (108bps for the most expensive), compared with 57bps for a compact wrap, 48bps for a mini wrap and 66bps for a full wrap.

These figures exclude additional discounts that may apply, including dealer group pricing and family discounts.

Mr Briggs said “It is simplistic to say platform products have high fees compared to MySuper products. Many wrap products, particularly compact and mini wraps, now offer fees that are comparable to MySuper products, particularly at higher balances.”

The research also shows households with lower retirement balances can still benefit from financial advice and platform products when their finances are considered at a household level.

Advice delivered through platforms can help households optimise their financial position across areas such as debt management, budgeting, retirement planning, aged care costs, estate planning and Centrelink – with investment selection representing only one part of the advice process.

Mr Briggs said, “Improving access to advice and preserving consumer choice will be critical as more Australians approach retirement, when financial decisions become more complex and individual circumstances vary significantly.”

## Busting myths used to justify restrictions on consumer choice

The research challenges several common assumptions used to justify restrictions on consumer choice within the superannuation system.

<b>Myth</b>	<b>Reality</b>
Keeping most Australians in default funds is in their best interests.	Default constructs are designed to protect members from disengagement, rather than optimise individual outcomes. They are a “one-size-fits-most” solution and cannot account for the diverse preferences and personal circumstances that shape member needs – a limitation that becomes particularly pronounced in retirement.
Financial advice and, by extension, wrap products are only appropriate for individuals with high superannuation balances.	Financial advice supports households in achieving a broad set of financial goals and outcomes across all wealth levels.  Wrap products serve a primarily administrative role for advisers enabling the implementation of tailored advice strategies to build wealth and achieve financial goals.
Financial advice is primarily focused on investment selection, and advised customers are generally placed into riskier investments compared to default offerings.	Investment selection represents a small component of financial advice. Investment strategies are tailored to the individual and portfolios are generally diversified and increasingly professionally managed.
Broad choice products (and wraps in particular) are more expensive than default and limited choice funds, and are inappropriate for lower-balance members.	Broad choice products provide access to greater flexibility and control, with costs reflecting the breadth of functionality and services provided. Fee caps, limited menu offerings and the ability to tailor investment exposures allow competitive price points across all balance bands.
Defaulting members at retirement will improve their retirement outcomes.	Unlike accumulation, retirement outcomes are highly individual and non-homogeneous. They require consideration of factors such as household assets, income sources, tax positions, longevity risk and spending needs – complexities that cannot be effectively accommodated through a single default solution.

## About the Financial Services Council

The FSC is a peak body which sets mandatory Standards and develops policy for more than 130 member companies in one of Australia's largest industry sectors, financial services. Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds, and financial advice licensees. 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 more than \$4 trillion on behalf of over 16.9 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is one of the largest pools of managed funds in the world.

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<sup>i</sup> **Base case:** 102bps representing median investment fee for most expensive MySuper Option. Assumes individual remains in a Default MySuper Balanced option for their entire life. **Alternative case:** Assumes active switch at 30 to the cheapest index option within the top 10 funds by AUM.

<sup>ii</sup> **Base case:** 7.95%pa return (median 10-year MySuper return to 30 June 2025), assuming the individual remains in the default MySuper Balanced option for their entire working life. **Alternative case:** The individual switches to a High Growth option until age 55, then reverts back to the MySuper Balanced option (assuming median High Growth 10-year return, 8.85% pa return to 30 June 2025).