



SelectingSuper MEDIA Release

Superannuation fund fees stabilise at last

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Average fees drop slightly to 1.41 per cent.

KEY POINTS

1. Super fund fees in 2008 have finally begin to drop albeit marginally.
2. Workplace Super funds now average 1.41 per cent, Personal Super funds 2.03 per cent and Retirement funds 1.86 per cent.
3. The best way to understand super funds and their fees is to focus on what a fund delivers rather than what segment it is. Because of this Rainmaker and SelectingSuper categorise funds according to whether they are VALUE-choice, DELUXE-choice or PREMIUM-choice.
4. The lowest cost VALUE-choice fund is First State Super Personal Division. The lowest cost DELUXE-choice fund is AustralianSuper Personal Plan. The lowest cost PREMIUM-choice fund is Colonial First State - FirstChoice Wholesale Personal Super.

Rainmaker has conducted its most comprehensive analysis of super fund fees ever and found that fees, after two years of increasing way ahead of inflation, have at last begun to fall albeit marginally.

The study, which is based on a detailed review of 502 workplace, personal and retirement not-for-profit funds and master trusts, revealed the average fee is now 1.41 per cent. This is down from 1.44 per cent last year.

Andrew Keevers, Rainmaker's associate director of research and author of the study, said the fee review again found major differences in fees and charges due to fund market segment.

But Keevers said a better way to interpret the research results is to focus on how fees vary in relation to what a fund delivers, particularly focusing on investment choice and access to financial advice.

"The headline results are that Workplace Super funds now average 1.41 per cent, Personal Super funds average 2.03 per cent and Retirement funds average 1.86 per cent. The overall weighted industry average is 1.36 per cent," said Keevers.

These fee benchmarks mean the average superannuation fund member with about \$50,000 in superannuation savings is paying about \$730 per annum if they are in a Workplace Super fund arranged through their employer. For those individuals who have chosen their own Personal Super fund, they are paying about \$1,050 per annum.

Members of a modern Retirement fund such as an account based pension or allocated pension, who have \$100,000 in superannuation savings are paying on average about \$1,900 in fees.

"Consumers on average pay about as much in superannuation fund fees annually as they do to register their car each year" said Keevers.

What really drives fees

Because the sophistication of the investment choices and the associated level of financial advice are the most important aspects of what drives super fund fees, Keevers said that is why Rainmaker categorises funds as VALUE-choice, DELUXE-choice and PREMIUM-choice depending on the size of their investment choice menu.

"It's the best way to make sense what your fees are paying for," said Keevers.

VALUE-choice funds have up to 12 investment choices, DELUXE-choice funds have between 13 and 80 investment choices and PREMIUM-choice funds have more than 80 investment choices. "For example, VALUE-choice funds have average fees of 1.37 per cent and usually come with only limited access to financial advice," said Keevers.



“Meanwhile, DELUXE-choice funds on average cost 1.87 per cent and usually does come with access to financial advice. But PREMIUM-choice funds which average 2.06 per cent almost always come bundled with extensive access to financial advice.”

Keevers said, “Members who want a small number of investment choices and the option to choose financial advice should therefore seek out VALUE-choice funds. At the other end of the scale, members who want extensive investment flexibility with ‘full-time’ access to financial advice should opt for a PREMIUM-choice fund.”

Lowest cost funds

The lowest cost Workplace fund is Australia Post Superannuation Scheme with a total fee as low as six basis points. It is also the lowest cost Retirement fund.

The lowest cost Personal fund is First State Super Personal Division with a total fee of 0.41 per cent. First State Super is also the lowest cost public offer fund, lowest cost public offer Retirement fund and lowest cost VALUE-choice fund.

The lowest cost DELUXE-choice fund is AustralianSuper Personal Plan at 0.79 per cent per annum in total fees.

The lowest cost PREMIUM-choice fund is Colonial First State - FirstChoice Wholesale Personal Super at 0.96 per cent per annum in total fees.

Summary tables are contained over the page.

About the 2008 Rainmaker fee review

The 2008 Rainmaker fee review is contained in the latest Rainmaker Benchmarking Report, which is available for super funds to compare how competitive their fees are.

The fee review analysed more than 2000 fee deals available through 502 separate super funds, including 212 not-for-profit funds and 290 master trusts, spanning 145 workplace funds, 141 personal funds, 209 retirement products and 7 Eligible Rollover Funds.

Keevers said, “Because the study looked at actual funds that people can really join and the prices they are charging for their services, the results are true to life benchmark about what costs investors can expect if they went out into the market today shopping for a super fund.”

The fee review reports real prices charged by funds, not imputed estimates. In accordance with Treasury and ASIC fee reporting guidelines, the study focuses on the Total Expense Ratio (TER), which measures the total impact of contribution fees, investment and ongoing management costs, and administration fees on a member with \$50,000 in super who earns \$50,000 per year.

About Rainmaker

Rainmaker is a financial services industry research, communications and media group. Since 1992 it has specialised in researching all aspects of financial services in Australia.

Its activities include providing database services, producing research reports, conducting events, and publishing print and online newspapers, magazines and journals for investment managers, super funds, platforms, financial advisers and wealth management groups.

Rainmaker’s dedicated employer and consumer services comprise the SelectingSuper handbook and website and the SelectAdviser website service.

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Table 1: Personal Super Fee Benchmarks 2008 - Investment menu categories

Menu type	Investment choices	Multi-manager choices	Choice of fund manager	Choice of direct shares	Adviser support	Total Expense Ratio (TER)
VALUE-choice	1 to 12	Yes	No	Rare	Limited	1.37%
DELUXE-choice	13 to 80	Yes	Limited	Rare	Can vary	1.87%
PREMIUM-choice	more than 80	Yes	Extensive	Common	Extensive	2.06%

Source: Rainmaker Information

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Table 2: Rainmaker's summary of Australia's lowest cost super funds across all segments

	Segment	Open to public	TER
Workplace funds			
Australia Post Superannuation Scheme	Government fund	No	0.06%
Meat Industry Employees' Superannuation Fund	Industry fund	No	0.25%
State Super (NSW)	Government fund	No	0.40%
First State Superannuation Scheme	Industry fund	Yes	0.41%
Emergency Services and State Super	Government fund	No	0.43%
Segment average			1.41%
Personal funds			
First State Super Personal Division	Industry fund	Yes	0.41%
AGEST Super - Personal	Industry fund	Yes	0.59%
ASSET Super - Personal	Industry fund	Yes	0.67%
Timber Industry Superannuation Scheme - Personal	Industry fund	No	0.67%
TASPLAN - TasPersonal	Industry fund	Yes	0.69%
Segment average			2.03%
Retirement funds			
Australia Post Superannuation Scheme - Pension	Government fund	No	0.06%
UniSuper Pension	Industry fund	No	0.22%
Meat Industry Employees' Superannuation Fund - Pension	Industry fund	No	0.25%
ANZ Australian Staff Superannuation Scheme - Account Based Pension	Corporate fund	No	0.54%
First State Super Superannuation Income Stream	Industry fund	Yes	0.54%
Segment average			1.86%
VALUE-choice personal public offer funds			
First State Super Personal Division	Industry fund	Yes	0.41%
AGEST Super - Personal	Industry fund	Yes	0.59%
ASSET Super - Personal	Industry fund	Yes	0.67%
TASPLAN - TasPersonal	Industry fund	Yes	0.69%
AMIST Personal Division	Industry fund	Yes	0.71%
Segment average			1.37%
DELUXE-choice personal public offer funds			
AustralianSuper Personal Plan	Industry fund	Yes	0.79%
HOST-PLUS - Personal	Industry fund	Yes	0.81%
Sunsuper Personal	Industry fund	Yes	0.88%
HESTA Super Fund - Personal	Industry fund	Yes	1.00%
The Portable Superannuation Plan	Master trust	Yes	1.04%
Segment average			1.87%
PREMIUM-choice personal public offer funds			
Colonial First State - FirstChoice Wholesale Personal Super	Master trust	Yes	0.96%
The Avenue Retirement Service Super Division	Master trust	Yes	1.35%
AustChoice Super Personal Division	Master trust	Yes	1.57%
Citigroup Portfolio Plus SuperWrap Personal Super Plan	Master trust	Yes	1.61%
Beacon Wrap Superannuation Service	Master trust	Yes	1.66%
Segment average			2.06%

Source: Rainmaker Information

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