

Union delegate fact sheet

What is choice of Fund?

Many Australians (around 50%) will be able to choose where their superannuation guarantee contributions are paid by their employers from 1 July 2005.

Who can make a choice?

Employees that fall under a Federal award OR do not fall under any award or agreement.

Are employees aware of choice?

Recent surveys indicate that fewer than half of all people who can make a choice are aware. A Superpartners survey found that although 80% of employees had received independent educational choice material, they are still confused.

Who is not eligible?

People who won't be able to choose a fund include public sector employees, most defined benefit fund members AND those covered by state awards, Australian Workplace Agreements or certified agreements (if a super fund is nominated).

Why was choice introduced?

Choice of fund was introduced as a result of lobbying including the major banks in an attempt to reduce the strength of industry funds.

What are the risks?

Bad decisions

The main risk of choice of fund is the risk of making a bad decision. Superannuation can be confusing and it can be difficult to compare funds. Seeking financial advice is generally a good thing but people need to be wary of commission driven advisors and sales people.

Changing default fund

There is also a risk for employees who don't return the choice form. Payments will be made to their employer's default fund which may not be the current fund their employer is paying to.

Poor recommendations

Advice from financial planners' that is commission based should be treated with caution. Employees need to make sure they are comfortable that the advice has not been influenced by commissions the advisor will receive. Financial advice is generally a good thing but awareness of this issue is also important.

What do employees need to do?

Eligible employees need to return the completed Standard Choice Form to their employer. If they do not return the form then their superannuation contributions should be paid to the employers' default fund. Employees making a choice need to provide the following information about their fund:

- Account name
- Member number
- Fund name, ABN, Superannuation Product Identification Number (SPIN)
- Letter from super fund confirming 'complying fund' status
- Confirmation that fund will accept contributions for employee
- Method of payment required

Industry funds can provide all of the above information to members of the Fund or those wishing to join.

Future contributions only

Only future contributions from employers' will be paid to the new fund when an employee makes a choice. This means that if employees want to keep their super together, they will need to transfer their current balance to the new fund.

Make sure you don't offer advice

You need to ensure that you give only factual information about choice of fund. The Corporations Act requires anyone giving advice on financial products to be licensed. You can provide the following information:

- Superannuation guarantee rights
- Details of default fund
- Existing insurance arrangements
- How super operates in general
- General tax treatment of super

It is also prudent to establish protocols to ensure you offer factual information rather than financial advice and document any information provided.

What are industry superannuation funds?

Industry super funds were developed to manage the superannuation of employees working within specific industries. JUST SUPER is the industry fund for the media, entertainment, arts and IT industries. Traditionally, industry funds return all profits to members, are low cost and tailor features to a specific group of members' needs.

What are the other types of super funds?

Other types of super funds include:

Retail Super Funds: Generally offered by financial institutions such as banks or life insurance companies.

Corporate Funds: Usually offered in-house by employers.

Self-Managed Super: Do it yourself super.

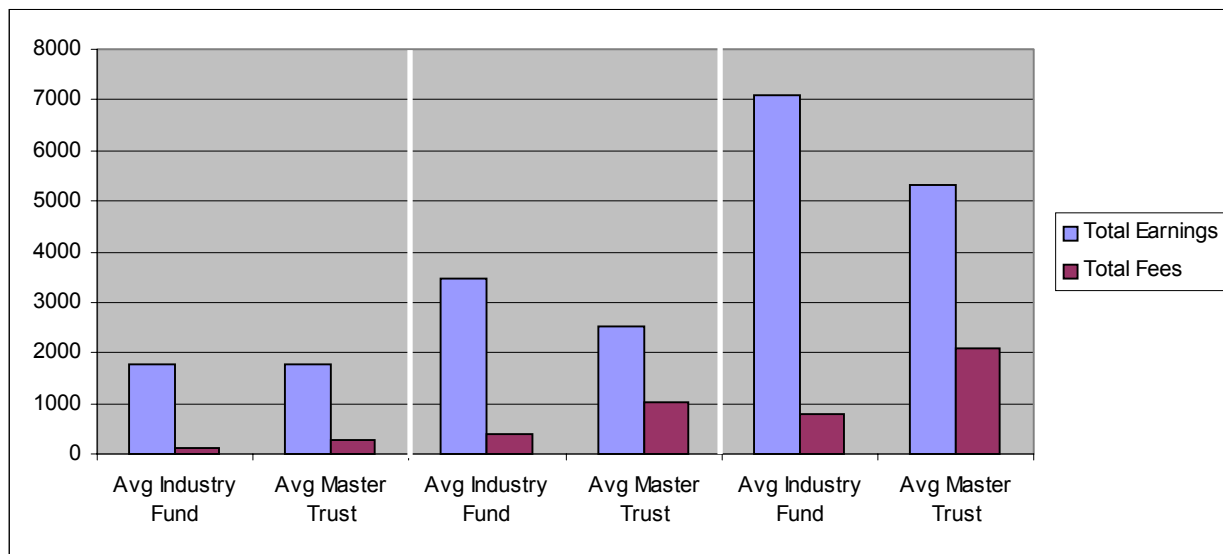
Which funds perform best?

Independent studies of the last five years have revealed that industry funds (including JUST SUPER) provide superior results to members when compared to retail funds. The studies by ratings agencies Rainmaker and SuperRatings looked at investment performance, minus fees, establishing a net benefit to members.

The bottom line

You can see here the difference between earnings and fees in industry funds compared to Retail Master Trusts. Industry fund members are much better off as industry funds have consistently earned more and charged less due to their good investment performance and low fees.

The graph below shows that over five years, the average industry fund provided \$8.59 of earnings for every dollar of fees taken out, while the average master trust only provided \$2.46 – more than three and a half times greater net benefit.



Source: SuperRatings, 30 September 2004. Assumptions: Balanced option, opening balance \$10,000, starting salary \$40,000, 9% contributions, 3% pa salary increase. Contribution fee for master trusts assumed to be nil, with asset and investment fees based on standard rates for each fund

More money in members' pockets

Over a 40 year working life, SuperRatings found Australians could be more than 36% better off in an industry fund, based on existing fee structures. This is equivalent to having more than \$66,224 more (in today's dollars) in their superannuation account in retirement.

Why have industry funds provided a better net benefit?

- All profits are returned to members
- Charge lower fees
- Achieved higher returns

Monthly contributions to members' accounts

Legally, employers are required to make quarterly contributions to super. However, JUST SUPER requests that employers make monthly contributions and most employers do. The benefits of monthly contributions include:

- Members' money is earning interest from the time it is received by the fund.
- Helps members check that their super payments are being made regularly

Need more information?

If you need further information on Choice of Fund, please contact JUST SUPER Administration of **1800 033 014**.

Or visit the Association of Super Funds of Australia (ASFA) website www.asfa.asn.au for fact sheets on the following topics:

- How choice works
- Who has choice
- Choice and employers who already give choice
- The default fund
- Default funds and Commonwealth awards
- Choice and state awards
- Choice and AWA's or certified agreements
- Choice and Western Australian state awards
- Choice and defined benefit funds
- Choice and changing funds
- Choice and giving advice
- Choice and salary sacrifice
- Choice and portability of account balance

Before choosing your superannuation provider you should assess your own financial situation and needs, read the JUST SUPER Product Disclosure Statement and consult a financial advisor (if required).

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