Boston
Financial Planning

Are you better off with an industry super fund?

We've all seen the commercials. You know the one, 'compare the pair' where one woman whose super is in an industry super fund is shown ascending an escalator of good fortune. Meanwhile her counterpart is depicted descending to a future with far fewer retirement funds because her super is with a retail fund that pays commissions to financial advisers.

The comparison seems rather compelling but let's take a moment to consider this. What are the underlying assumptions and calculations made in these 'compare the pair' commercials? Are we really comparing apples with apples?

These ads illustrate the value of super over a working life by comparing the average fees from Industry Super Funds versus average fees from retail super funds. It infers that because industry funds do not pay commissions to financial advisers that their members will have less money deducted from their super contributions and consequently more money when they retire.

This is all well and true if we're just comparing fees and only fees. However, there are many issues that could impact returns and retirement benefits including investment options and asset allocations (which the ads do not expand on). Also choosing the most appropriate super fund for an individual should be based on a number of factors, with fees just being one.

Industry funds and retail funds offer different service and price structures. Industry funds are associated with a low cost, no frills offering with limited investment options. Retail funds are generally more comprehensive and provide multiple products with greater investment options.

Some retail funds have also now introduced low-cost products that are at the same price or even cheaper than some industry funds but still offer the features and options retail funds are known for (such as insurance, portability to more complex products and fee aggregation).

So by and large, what we're really comparing are apples with oranges.

You really want to compare the pair? Here's how...

If this sounds confusing, it can be. The thing to remember is that fees shouldn't be the only thing you consider. Be holistic in your research and consider:

1. **Investment options** – the greater the investment choice, the more likely you are to find the options which best suit your investment objectives.
2. **Insurance** – income protection, death and permanent disability cover options and costs should be considered.
3. **Performance** – although past performance is not an accurate indicator of future performance, funds with strong track records of delivering consistent returns should be considered.
4. **Fees** – the fees you pay will naturally have an impact on the long term performance of your fund so make sure you understand the fee structure.
5. **Other services** – some funds provide additional services and member benefits, such as additional employer benefits or discounts, multiple account fee reductions, spouse or family concessions and access to holistic advice and strategies that take into account estate planning and retirement.

Please Contact us at Boston Financial Planning to make an appointment to discuss your financial situation and to determine whether we can help you!