

Superannuation choices

We are bombarded by what we should be doing with our superannuation contributions but realistically what choices do we have?

The first step is to check whether you can choose your fund. Some employers, due to industrial agreements, don't have a choice. If you don't have a choice then you are probably in an Industry Fund, Public Sector Fund or a Corporate Fund.

Industry Funds often restrict membership to employees in a particular industry. They offer fewer investment alternatives than retail funds and operate on a 'not-for-profit' basis. They are generally low-cost. However, there is little to no advice given and switching to a pension later may mean rolling over to another fund. Many industry funds will invest in unlisted property which only is valued every few years. There is also the likelihood that members of the union will be represented on the Board or in management.

Public Sector Funds were created for employees of government departments (State and Federal) and usually have their own set of rules and benefits. Some of them have a 'defined benefit scheme' which can be very lucrative.

Corporate Funds are arranged by an organisation for its employees. Often the organisation is represented on the Board of Trustees. In other cases it may be run as part of a large retail or industry super fund. The fees are generally low and the profits of running the fund will be returned to members. Some corporate funds may also have a 'defined benefit scheme' for long-term employees. However, companies with fewer employees may find this fund an expensive alternative.

My Super is a relatively new offering and has gained popularity as a 'default' super choice because it is simple and low-cost. The investment choices are limited and often based on your age or stage in life. Superannuants may include or exclude life insurance. However, when you reach retirement you will have to look for a pension fund.

Retail Super Funds are open to anyone and offer a vast array of investment alternatives. They can be helpful if you have a large super balance and require choice as well as diversity. Here investors can choose from a selection of investment sectors and fund managers and can switch depending on economic developments. Most Retail Funds are mid to high-cost because the investment organisations need to be profitable to survive in a competitive market. They will have to bear the cost of research to ensure that their products perform as well as advertising and marketing.

There are benefits and pitfalls to each type of fund and the best way to compare them is good old-fashioned logic. You can use one of the comparison websites or use the tool on the Moneysmart website. Cheaper and simpler may not suit your needs and high cost doesn't always mean high returns. If you have a choice, you need to choose a fund that will work for you and in all cases getting good advice is the key.

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<https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/superannuation-calculator>