

Check the fees which can crack your nest egg

ANTHONY KEANE

CHANGES to superannuation funds' fee disclosure are making nest eggs more accountable, a timely prompt for owners of Australia's 29 million super fund accounts to check what they are paying.

New fund fee rules came into force last month and the Australian Securities and Investments Commission has just announced a fresh independent review into the fees shown in super statements.

Super specialists say fees are only one factor, and investment returns will have a bigger impact on your nest egg, but it pays to know whether you're being overcharged.

"Clearly fees do matter, but cheap doesn't mean bad, and expensive doesn't mean bad either," said financial strategist Theo Marinis.

"If you are paying 1 per cent for administration and 1 per cent for investment fees, the fund has to earn 2 per cent before you start breaking even."

Chant West head of research, Ian Fryer, said the new rules added about 0.2 per cent to funds' investment fees, but this was not a real rise – it was simply funds being forced to show previously undisclosed transaction costs and investment manager fees.

"Ultimately what you want is strong returns after fees over a long period of time," he said.

Here are five super fund fees to check.

ADMINISTRATION FEES

These may be expressed as a dollar value or percentage of your fund, and Mr Fryer said anyone charged more than 0.66 per cent of their balance was paying more than most people.

He said the average dollar-based administration fee for MySuper funds was \$90 – 0.18 per cent of a \$50,000 balance.

INVESTMENT FEES

This is what you pay investment experts to manage your money, and it can vary widely between different funds. Expensive investment managers may charge up to 2 per cent, but a new breed of low-cost exchange traded funds may charge less than 0.1 per cent.

PERFORMANCE FEES

A rising number of funds and investment managers are taking a cut of any outperformance they deliver above a certain threshold such as a sharemarket index.

Performance fees can be offset by lower ongoing fees, but it's worth checking if there are any clawback provisions if your fund goes gangbusters one year — collecting a performance fee — then tanks the next year.

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ADVISER FEES

Financial planners may either charge a flat fee or a percentage fee based on your assets. Mr Marinis said this should be checked, as percentage-based fees on big sums of money could run into thousands of dollars. "We charge a flat fee," he said.

LIFE INSURANCE

OK, technically it's not a fee, but insurance can drain hundreds of dollars a year from your super fund balance. If you have big debts and a family to support, insurance protection is vital, but if you're single, cashed-up or near retirement it may not be as worthwhile.