The things you must consider before choosing a super fund

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FATTENING retirement nest eggs by picking a strong-performing fund and low fees could leave Australians hundreds of thousands of dollars better off once they stop work.

The $2.6 trillion industry has come under fire for unfairly gouging customers with hordes of fees, pushing them into poor default products and leaving them in funds that underperform.

We've asked the experts how Australians can find themselves a decent fund that will deliver them a comfortable lifestyle in retirement.

TYPE OF FUND

There are four main types of funds — industry, retail, public sector and corporate.

The majority of Australians are in retail funds (12.3 million accounts), followed by industry (11.3 million), public sector (3.6 million) and corporate (300,000)

The Association of Superannuation Funds of Australia's chief executive officer, Dr Martin Fahy said there are important features that members should consider, primarily investment and insurance options.

"How do those funds align to your value and belief systems and what you are looking for in how they manage your retirement,'' he said.

"Some funds offer a strong occupational or geographical affinity, and others may provide superior technology and service to members."

ASFA's chief executive officer Dr Martin Fahy said there's many different things to consider before selecting a superannuation fund.

FEES

Fee structures can be complex and often include administration fees, investment fees, insurance fees, adviser fees and platform fees.

Financial strategist Theo Marinis said some older-style funds still charged "ridiculous" management fees of 2-3 per cent annually on people's super.

He said today's retail super funds typically charged around 1.5-1.6 per cent, industry funds charged between 0.8 per cent and 1.2 per cent and lower cost industry funds charged 0.6-0.7 per cent.

http://www.heraldsun.com.au/business/the-things-you-must-consider-before-choosing-a-super-fund/news-story/23a9df49f8674f2382bf0c243e2706b1?login=1

"Get the funds to do the work for you and tell you why you should move your money to them,'' he said.

"But fees aren't the be all and end-all."

CONSOLIDATION

ASFA figures show there are more than 28.6 million superannuation accounts and many people have collected a swag of funds over their working life.

About 10 million accounts are unintended double ups costing members unnecessary fees and insurance costs.

Dr Fahy said it did not make sense "to have a small amount of money across a number of different accounts".

"You end up paying fees and in some cases insurance, so you are much better off if all of your money is in one superannuation account, that's way it's easy to keep track of it."

PERFORMANCE

Super comparison sites including chantwest.com.au, Morningstar.com.au and superratings.com.au can help people compare fund performance, but some charge to do so. Dixon Advisory head of advice Nerida Cole said funds should be judged on 10-year average returns rather than the past year or two.

"If your fund is not getting at least the average, that should be an alarm bell," she said.

ASSET CHOICE

The type of assets held in your super has the biggest effect on performance.

Higher-risk investments such as shares and property brings higher-long term returns, lower-risk cash and bonds means weaker returns over time.

"Make sure you are comparing the same type of funds. If I was in a fund that was 50 per cent growth and 50 per cent conservative, there's no point comparing it with a fund that's 75 per cent growth," Ms Cole said.

Younger people with decades before retirement can benefit from a higher-growth, higher-risk super investment strategy.

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