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TITLE: **Nothing liberal about Australia's superannuation industry**

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The Liberals will tell you that they don't like telling people how to live their lives. Indeed they regularly tell us that individuals, not governments, are best placed to make decisions about what is in their own best interest. But, like successive ALP and Coalition governments, Tony Abbott and his team are big fans for forcing each and every working Australian to spend at least 9.25 per cent of their income buying financial products.

Last year, Australians spent more than $93 billion buying financial products from the Australian superannuation industry. And last week we learned that even the former head of the Commonwealth Bank can't understand why Australians pay the highest prices in the world for financial services. Here's a tip, maybe it's because we force people to buy a complicated product that even experts struggle to explain clearly. And maybe it's made worse by the fact that most Australians think that "financial advisers" can't be trusted to give them impartial advice.

Australians are being robbed blind by the financial sector. Last year we paid more than $20 billion in fees and charges for superannuation alone. We spent an extra $5 billion on financial advice. That is about 10 times what the Australian government spent on mental health.

While the Abbott government raged against the burden of our tiny carbon tax, it was silent on the enormous cost of the fees that some of our most 'respected' financial institutions are gouging out of ordinary Australians retirement savings. The average Australian household spends much more on superannuation fees each week than it does on electricity.

Everyone knows that superannuation is boring, but how many people are bored by the idea of earning $50,000 in an hour? $50,000 is the likely return for someone under 30 who spends an hour switching from an average fee superannuation fund, to a low fee superannuation fund. Older folks will save a bit less because they have fewer years left to be ripped off by the super funds.

According to the Murray Report on financial services the average fee charged by super funds in Australia is 1.2 per cent. The cheapest fund is less than half that. Because all of the super funds invest your money into the same stock market, the returns earned by different funds do not vary significantly over time. In fact, data released by the Grattan Institute clearly shows that, if anything, low-fee funds outperform high-fee funds.

If you have $100,000 in super and pay a 1.2. per cent fee that adds up to $1200 per year. Those paying half that however, are saving $600 per year for an identical service. Over the 40 or more years that Australians are forced to buy superannuation, those fees add up to mean significantly lower retirement savings; and enormous profits for the financial sector, who sell to a captured market. A 40 per cent reduction in fees delivers a benefit of $40,000 on retirement according to Murray.

So what's an overwhelmed, busy and confused reader, who likes the idea of making $40,000 for an hour spent switching their super, to do? Unfortunately, one of the riskiest things they can do is go to their bank or one of the many 'financial planners' that have popped up in our shopping centres.

The big banks in Australia have moved aggressively into the 'wealth management' business in Australia. Unfortunately for their customers, however, it's the wealth of the banks' shareholders, rather than their customers' wealth, that they are focused on increasing. The estimated 54,000 'financial advisers' in Australia are often giving advice aimed at improving their own financial position rather than that of their customers.

It was the conflicts of interest between banks, super funds, and 'financial advisers' that led the previous Labor government to develop their Future of Financial Advice (FoFA) reforms. The current arrangements, which only came into force in July, 2013 required that, among other things, financial advisers to act in the best interests of their clients rather than themselves. The FoFA reforms also banned bank staff from receiving commissions for successfully spruiking their employers' expensive products.

You can tell when regulations are effective by the determination of an industry to repeal them. Just as the tobacco companies hate plain packaging legislation and the fossil fuel companies hate the carbon tax, so too do the big banks hate the idea that they can't pay commissions to their tellers and 'independent financial advisers' for pretending that their overpriced and under-performing products are a 'good investment'.

The trillion dollar superannuation industry is built on a fundamental contradiction. On the one hand, we force people to buy thousands of dollars worth of super each year on the basis that, left to their own devices, they couldn't be trusted to 'save enough'.

Having forced them into the finance market on the basis that they couldn't make good decisions, we then tell them that, when it comes to managing their compulsory savings, they're on their own. It's up to them to shop around for low fees and safe investment portfolios while avoiding the shonks and scammers and big banks that are, literally, milking them for billions each year.

When you buy a car you know that the salesman gets a commission, and you know that it's in your interest to pay the lowest price you can. The same is true when you buy a house. No one really believes a real estate agent who says a house is a bargain. You know you need to shop around.

But what about your 'financial adviser'? Are they on your team or are they your opponent? Are they helping you pay low fees and find safe investments or are they steering you into the products that pay them the biggest commission? Many Australians have assumed that their 'financial adviser' was their ally, and many Australians have paid a high price for that mistake.

There are independent financial advisers who take no commissions. There are relatively low-fee superannuation products. Industry super funds are far cheaper, and have higher returns, than the for-profit ones. People with a bit of knowledge, a lot of confidence and a lot of time to shop around are usually better off as a result of their search.

Research by The Australia Institute shows that most Australians feel overwhelmed and bewildered by the array of financial choices they face. It also shows that many of the people who feel quite confident in their ability to make good financial decisions are kidding themselves. Most people think they are better than average drivers, too.

Like making people wear seat belts, having people save some money for the future is a good idea. But while we don't let the car companies decide for themselves how strong the seat belts should be, we do pretend that millions of busy Australians are willing and able to compare the bewildering array of financial products on offer. And we do let banks pretend that their friendly counter staff are trying to help their customers rather than help the banks' shareholders.

If the Liberals really believed that individuals make good decisions then they would let them marry who they want, they would let them die when they want, and they would let them decide how much of their income they wanted to save for their retirement. But there is nothing very liberal about the Australian Liberal Party's philosophy and, having forced people to spend a fortune on retirement savings, they should take responsibility for protecting people from the greed of the finance sector. Watering down the FoFA laws does the exact opposite.