

## Media release

22 April 2010

### **MySuper = \$100,000 extra for some retirees**

The retirement savings of millions of Australians could be boosted by up to \$100,000 if the Government adopts the Cooper Review's MySuper proposal, according to an analysis by The Australia Institute.

*MySuper: Optimising Australian superannuation* and the accompanying Deloitte modelling, confirms that offering a low-cost default fund could slash administrative fees to as low as 0.32 per cent.

For an average wage earner, over a forty-year working life, this could increase their final payout by between \$60,000 and \$100,000, depending on the way funds are invested.

"The MySuper proposal would protect the millions of Australian workers who do not make active choices about their super from being charged excessive fees and commissions," said Deputy Director Josh Fear.

"The strong and vocal resistance to MySuper by the for-profit retail sector is quite predictable because it would mean the end of a system which until now has allowed retail funds to profit at the expense of ordinary workers, through high fees and hidden financial advice commissions.

"Instead of providing the majority of Australians with low-cost, straightforward default super funds, many players in the retail sector have spent their energies chasing the most profitable clients, who they believe want extensive choice. The rest just have choice forced on them.

"In this sense the retail funds are guilty of the very mistake that they argue the Cooper Review has made: imposing a one-size-fits-all approach on everyone," said Mr Fear.

Fees and commissions on superannuation cost the country more than \$14 billion per year – or around half the total cost of paying the age pension.

"The latest recommendations from the Cooper Review into Australia's Super System are the strongest test yet of the Government's resolve to push through much needed reforms to superannuation," said Mr Fear.

'The real question now is whether the Rudd Government has the courage to implement the Review's recommendations and enable people to preserve more of their savings, or whether it will repeat history by succumbing to the self-interested lobbying of those who control our retirement savings,' Mr Fear concluded.

#### **Notes for Editors**

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- The Australia Institute made two submissions to the Cooper Review. The first was based on *The Case for a Universal Default Superannuation Fund* by David Ingles and Josh Fear. The second submission was based on *Choosing Not to Choose: Making Superannuation Work by Default* by Josh Fear and Geraldine Pace. This paper presented compelling evidence that the Howard Government's Choice of Fund policy has not led to greater competition or brought fees down. It was proposed that default superannuation funds be subject to more stringent criteria to ensure that the majority of workers who have not made an active choice about which fund they join are protected. These principles, and even some of the minimum standards for default funds (eg a ban on ongoing commissions for financial advice), have been taken up by the Cooper Review as part of the MySuper model.
- Both papers are available at [www.tai.org.au](http://www.tai.org.au)