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ACA throws weight behind industry funds

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In a coup for industry funds ahead of the introduction of choice of fund legislation, the Australian Consumers' Association (ACA) has lent its support to the cause of industry funds at the same time as firing a shot across the bows of accountants and promoters of self-managed superannuation funds.

Speaking at a lunch hosted by industry fund FuturePlus, ACA senior financial services policy officer Catherine Wolthuizen said financial planners and retail funds were generally weak in regards to disclosure, while the Federal Government's decision to allow retirement savings accounts (RSA) as a default option presented the potential for great consumer detriment as a consequence. "While superannuation is compulsory, choice is not compulsory, and fund members should not be penalised by ending up in an RSA, paying higher fees and without life insurance cover because they didn't exercise a choice," Wolthuizen said.

"A 1 per cent difference in fees paid can mean a 20-30 per cent reduction in the amount a fund member has to retire on."

She said while the ACA, in principle, supported the introduction of choice of fund legislation, it was worth asking whether the industry was setting itself up for a Clayton's choice – choice for its own sake. "The structural defects, insufficient



Catherine Wolthuizen

support for consumer decision-making and the lack of accessible remedies if something should go wrong all pose serious threats to the capacity of super choice to deliver outcomes to consumer benefit."

She said like most things done in haste, the introduction of super choice legislation was in need of finetuning. "It is quite clear that these problems have not been resolved in a way likely to facilitate good decision-making by Australian employees," she said.

But despite these misgivings, the ACA said it

had always favoured choice and the principle behind it, but the problem lay with the fact many fund members were unable to determine what was in their best interest. "The problem with the design of super choice is that it didn't start with a consideration of what the desirable consumer/public policy outcome should be, and how to design a market to achieve that.

"Choice has been imposed for its own sake, and along the way various carve-outs and changes have fundamentally undermined the capacity of the market to operate efficiently or promote beneficial consumer outcomes."

Wolthuizen also waded into the lack of government support for agencies other than the tax office and ASIC towards providing consumer education on choice.

"For example, the National Information Centre on Retirement Investments, a not-for-profit non-government organisation funded to provide basic financial advice and information on retirement savings and products has not seen a penny of the \$19.7 million education fund allocation," she said.

Wolthuizen concluded by saying the choice regime to take effect on July 1 would likely be a far cry from what was envisaged when the legislation was drafted. Ultimately, she said, choice would likely prove to be a wasted opportunity. ❄

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