

# Choice of superannuation fund



When it comes to our superannuation, most of us have our heads well and truly buried in the sand. That may soon change: from 1 July 2005 many of us will be able to choose our superannuation fund.

That's a big wake-up call to take a closer look at our super – usually our biggest asset after the family home.

Changing super funds is not a decision to be taken lightly, but the first step in making a good choice is ensuring you understand what you already have in your existing super fund. **Never forget that your super is money you have earned, and you do need to look after it.**

Here are some key points to consider.

## Get to know your own fund first

If you are a bit unclear about the details, you can find out about the fund you are invested in, its features and how it works, from the Product Disclosure Statement (“PDS”) or member booklet you were given when you joined the fund. If you can't find your booklet, ask the Trustee of your fund to send you another. If you have intranet or internet access to your fund, you will probably find a copy there to download.

These documents often look daunting. A good first step is to browse through the booklet to find answers to the questions we raise here. Later, you should read the whole PDS to ensure you understand everything. If there is anything you aren't clear about, talk to your fund administrator/client service centre or your financial adviser.

Make a list of the details as you find them so that you can easily compare funds when you take the next step in choosing what's best for you.

## Security – who looks after your super?

There are tax benefits for saving for retirement through superannuation. To get these benefits, your super fund must be 'complying', which means it follows the rules set out in the superannuation laws. These rules put some safety checks in place to help protect your money. You can confirm that your fund is complying by reading the PDS, or by checking the Register of Complying Super Funds on the Australian Taxation Office website.

You should also check that the company running the fund is reputable and well established.

## Investments – can you choose?

Many funds offer member investment choice (MIC), which allows members to decide how their super is invested. If you have MIC, you can choose the style of investment that suits your needs best. For instance, you may feel comfortable with an aggressive strategy, or you may prefer a fairly conservative style.

Funds can offer a wide range of investment options. If you have investment choice, check what is available in your fund and make a note of the choice you have made. If you have not made a choice, you will be in the 'default' option, which is set by the fund for people who do not want to choose. If you don't have investment choice, check how the fund invests: it is likely to be a 'balanced' option.

## Investments – what are you earning?

The latest PDS, the annual report and your annual statement will show how the fund's investments have been performing. You also need to be sure you are comfortable with the level of risk taken to achieve those earnings.

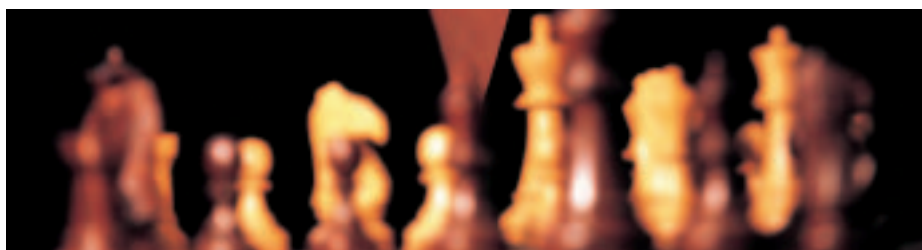
It's easy to be swayed by very high or very low performance in the previous year, but it's important to remember that your superannuation is an investment for the long term. You should look at investment performance over 3, 5 and 10 years, not just the last 6 or 12 months.

## Insurance – are you covered?

Many super funds offer death and disability insurance, often at a lower price than members would pay outside the fund. Insurance can be a valuable benefit, so check:

- how much you are insured for in the fund;
- how much it costs;
- who pays the cost (some employers meet this cost);
- what conditions you have to meet to obtain and increase the cover.

Do you have binding nomination of beneficiaries in your fund? This means that you can specify who will get your superannuation and insurance if you die while a member of the fund. Otherwise, the fund's trustee makes the decision (though they must pay it to your financial dependants or your estate).



### All at sea about super?

A handy little booklet called *Super Decisions* sets out the basics of superannuation in everyday language. You can get a free copy from ASIC (the Australian Securities and Investments Commission) by phoning their Infoline on 1300 300 630 or by downloading it from their consumer website, [www.fido.asic.gov.au](http://www.fido.asic.gov.au) – select Publications from the menu on the right-hand side.

## Fees – what are you paying?

The level of fees your fund charges can make a big difference to the amount you will have to live on in retirement. From 1 July 2005, funds will have to show their fees in dollar amounts, but at present they are usually shown as percentages.

Funds can charge a number of fees, which will be explained in the PDS. Fees can include:

- administration fees.
- investment fees.
- entry and/or exit fees.
- contribution fees (a percentage of every contribution paid into the fund).
- switching fees (if you change investment options).

The total cost of investing in your fund may vary according to the range of options and the number of services it offers. The more features a fund offers, the higher its fees are likely to be – it's important not to pay for services you won't need or use.

## Services – are you being well served?

Check what services your fund offers, and consider how good they are.

- Is the administration efficient? Does the fund keep accurate records, give you accurate statements and fix problems quickly and correctly?
- Does the fund keep you informed about your account and the fund in general? (Every fund must give you an annual report and statement.)

- Does the fund offer education seminars or on-line education?
- Can you check balances and get up-to-date information easily or on-line through an intranet or internet site?
- All funds must have a procedure for dealing with enquiries and complaints. How have they managed any enquiries and complaints you have made?
- Does the fund offer income stream products like annuities and pensions when you retire?

## Summing up

The secret to making good choices about your super is to decide on what is best for you. Educating yourself about your own fund is a good first step. Above all, don't panic and rush into a decision! Even if you will be able to choose your fund from 1 July, you don't have to make a choice on that day. You will be able to choose a fund any day up to retirement.