Risk being left behind

Super changes may bring big bucks — but you must make a move to accept the windfall, writes **Anthony Keane**

BIG changes in superannuation and financial advice have started today, but only those who get their act together are likely to be major winners.

A few of the changes — such as an extra 0.25 per cent of your salary paid into super by employers and super tax breaks for low-income earners — will come into force automatically, but most require people to understand what is happening and make a conscious decision about their next step.

Industry Super Network says low consumer awareness levels mean people will continue to pay fees they don't need to, and miss out on chances to boost their savings.

> It is up to you to take action. Get advice, have a look yourself and ask the questions
> **Linda Elkins**

It says Aussies pay $2 billion year in fees and commissions to financial advisers, often not knowing they are being charged, and warns that "grandfathering" rules in place for adviser commissions on existing products mean people who don't act won't benefit.

"The grandfathering extends to all existing arrangements," Industry Super Network chief executive David Whiteley says.

"In terms of getting the benefits, people should be going to their super fund to stop commissions being paid, or a negotiating with their financial planner if they have one." Whiteley says there is a "fair bit of inertia" among Australians when it comes to taking control of their super and investments.

"We often see it with banking products and mobile phone plans, and often people need a bit of a nudge to make changes.

"Decisions made in your 30s and 40s will pay large dividends when you retire in your 60s. We human beings have a condition where we discount the future and place a premium on today."

Colonial First State executive general manager Linda Elkins says super often doesn't attract the focus it deserves despite being the second-biggest asset of most Australians.

"Firstly, because it's compulsory there has always been this question 'is it a tax or is it my money?'. Secondly, some people who have tried to engage have found it too confusing," she says.

"It is up to you to take action. Get advice, have a look yourself and ask the questions."

Elkins says while a key change is the move from commissions to fee-for-service advice, people in existing products may find it remains their best option.

Financial strategist Theo Marinis says it is important to understand how it affects you.

"Things are changing without you knowing. Some things are threatening and some things are good," he says.

A key change is the increase in super contribution caps for people aged over 60 from $25,000 to $35,000 a year, while other people will be affected by changes to account-based pensions and self-managed super, Marinis says.

If you are unsure, seek advice, he says. "For example, if moving super funds you may undo all of your insurance — you need to speak to somebody.

"If you are unhappy with your fund, definitely shop around because you can get far more cost-effective solutions. They are more transparent, more functional and use new technology to deliver a better product for less than you were paying historically."

IMPACT OF THE CHANGES

- Financial advice becomes an estimated 50 per cent cheaper. Check if you are paying commissions.
- People have additional grounds to lodge a complaint if they believe an adviser is not acting in their best interests.
- If you have a financial adviser, they will be required to contact you more. Contact them and ask for their annual statement of fees.
- Government watchdog ASIC will have new powers to investigate complaints and take enforcement action, and can more easily cancel the licences of law-breakers.
- Super funds and advisers must offer a basic level of advice at no extra cost about issues such as "will I have enough to retire on" and "have I got enough life insurance".

Source: Industry Super Network