

Super funds face a pounding in round six of royal commission hearings

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August 4, 2018 9:30pm

FEE gouging, advice rip-offs and dodgy insurance practices in the superannuation industry are about to be put under a blowtorch as the royal commission turns its focus to Australians' retirement savings.

A painful fortnight lies ahead for super as directors of more than a dozen funds front the royal commission that has already slammed the banking and financial advice industries in recent months.

However, the result of the spotlight on super is expected to be more money flowing to millions of Australians.

Funds are nervous, some have already started cutting fees, and Association of Superannuation Funds of Australia chief executive Martin Fahy conceded "more people will lose trust" in super during the public hearings.

"Do we need to make some changes and do better? Probably," Dr Fahy said.

"The reason we should be interested next week is superannuation is your money."

Financial consultant Paul Atherton said super was most people's biggest asset next to their home, and the royal commission was likely to deliver people greater transparency, lower fees and more options for their super.

"Lower fees will mean better returns for investors and this can only be a good thing," Mr Atherton said.

Some super funds have already started cutting fees before facing the banking royal commission.

Revelations at royal commission hearings earlier this year included people being slugged fees for financial advice they never received, banks charging dead people for advice, and questionable lending practices.

For the next fortnight the royal commission will hear from both industry and retail super funds and is expected to cover fees, relationships between super funds and financial planners, money paid to super fund directors, poor performance, penalties and regulation.

Financial strategist Theo Marinis said the hearings would be a "painful process, but when you come out the other side it's going to be better across the board".

Some super funds and advisers were going to get clobbered, he said. "Those going through the pain have brought it on themselves, but it's great for super fund members and good for good operators too."

However, one industry source — who did not wish to be named — said the commission hearings could harm super funds and their members.

"Costs will probably keep going up, and instead of having organisations with service, education and sales teams it will just be one big compliance team that paralyses everyone," the source said.

Shadow Treasurer Chris Bowen said it was good for super's issues to be addressed. "You can have confidence in superannuation going forward," he said.

SUPER IN THE SPOTLIGHT

FEES: Many people have been ripped off by super fund fees that they don't understand. Some will be highlighted in the hearings.

HIDDEN CHARGES: Layers of fees charged to manage people's life savings should be made clearer.

SELLING PRACTICES: Pushing people into funds that aren't suitable for them has been a longstanding problem. Expect to hear some horror stories.

PERFORMANCE: Why do some funds continually perform worse than others?

COSY DEALS: Relationships between super funds and financial advisers will be examined.

FUND DIRECTORS: A long running battle over union-backed directors sitting on industry fund boards will come to a head.

DIRECTOR FEES: Do super fund board members get paid too much? Expect to find out.

Originally published as [Royal banking commission's next targets](#)

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