

Is your balanced superannuation fund risky and unbalanced?

After nine years of strong performance, balanced super funds are underwater five months into the new financial year, prompting some to question that they are carrying too much risk.

Anthony Keane, News Corp Australia Network

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VOLATILE financial markets are set to pressure Aussie savers to question just how risky their superannuation fund's balanced investment option is.

Big variations in asset mixes within funds' will cause some members to worry about what's in their nest egg.

A majority of workers' super is in default balanced funds, which government figures show comprise an average 70 per cent growth assets such as shares and property, and 30 per cent defensive assets such as cash and bonds.

However, Marinis Financial Group managing director Theo Marinis said some balanced funds were a "wolf in sheep's clothing" because they comprised up to 90 per cent growth assets.

"Any link with a balanced fund profile is tenuous," he said.

A large market correction would result in "massive underperformance" by so-called balanced funds that were really growth funds, Mr Marinis said, so members needed to know just how their money was invested.



Achieving the right balance is important for your life savings. Source: ThinkStock

We're five months into the 2018-19 financial year and the nation's biggest balanced super funds have a negative year-to-date investment return after sharp falls in shares. Their high-growth options have fallen further, and even their conservative investment options are negative, hit by low interest rates.

<https://www.news.com.au/finance/money/is-your-balanced-superannuation-fund-risky-and-unbalanced/news-story/cfc667dcabbc376a1574040412beba92#.wobrl>

Rainmaker Information, the research group behind the SelectingSuper fund comparison service, defines a balanced portfolio as having between 55 and 75 per cent in growth assets.

Its executive director of research, Alex Dunnin, said there were several definitions of balanced but none were universally accepted.

“Yes the term is very confusing. But before we get too excited the issue only matters if you’re trying to compare funds or decompose why they did well or didn’t,” he said.

Many people did not care too much about the term “balanced”, Mr Dunnin said, and simply wanted their fund to invest for good long-term returns without taking on excessive risks.

Top performing super funds

“Recently some people in superannuation have been saying balanced funds should be a 50:50 mix between growth and defensive assets, but that would make for very conservative portfolios.”

Mr Marinis said the Productivity Commission should set rules to define investment profiles such as “balanced”, “conservative” and “high growth”.

“The potential for people to rely on terms which are fundamentally misleading should be removed,” he said.

However, Mr Dunnin said national rules were unlikely. “Let’s recall that if we can’t agree on the formal definition of what a free range egg is how on earth will we be able to define what a ‘balanced’ portfolio is?”

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HOW DEFAULT SUPER FUNDS INVEST

Aussie shares 21%
International shares 29%
Property 9%
Infrastructure 7%
Fixed interest 20%
Cash 6%
Other 8%

(Source: APRA MySuper data)

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