When balanced super tips too far to riskier side

ANTHONY KEANE

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 official 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.

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. 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. "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.

But Mr Dunnin said national rules were unlikely. "If we can't agree on the formal definition of what a free-range egg is, how will we be able to define what a 'balanced' portfolio is?"

Financial Strategies (SA) Pty Ltd trading as Marinis Financial Group
T 08 8130 5130 | F 08 8331 9161 | A 67 Kensington Road, NORWOOD SA 5067
E admin@marinisgroup.com.au | W marinisgroup.com.au
ABN 54 083 005 930 5067 | AFSL No: 326403