

## Dud super funds cost workers \$1.6 billion in just one year

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The 850,000 members who failed to leave their dud super product that failed a performance test lost \$1.6 billion in just 12 months.

Only about 10% of members switched out of the super funds that failed the inaugural 2021 Your Future, Your Super performance test, despite receiving a letter encouraging them to change.

New Industry Super Australia analysis shows that members who didn't switch to a top performing product<sup>1</sup> have already lost on average \$1,900 per person.

The losses could pile up as the previous government's stapling reform that tied these members to these government censured duds, leaving members stuck unless they act.

If a member on the median wage, with a balance of \$50,000 stayed with one of the poor performers for the next ten years they could be about \$25,000 worse off. If a 30-year-old was stapled to one of these dud funds for the rest of their working life, they could be \$225,000 worse off at retirement.

All MySuper products were tested and about 1 million members in 13 super products worth about \$56 billion failed the test. Three failed products have since merged with better performing funds or are about to, but the others remain in the system or will tie up with funds that barely passed the test.

This year five products, covering about 600,000 member accounts worth around \$28 billion, failed the test – four for the second consecutive time.

More could also be unknowingly condemned to being stapled to a dud fund, as the Choice sector that has half the system's assets and some of the poorest performing products are yet to be assessed.

Funds that fail the test are forced to write to members, telling them to consider switching and directing them to a website where they can compare funds, but about 90% of members stuck with their fund.

This policy was designed to get members to switch, but the inaction combined with the stapling reform will mean members are stuck in dud funds for longer.

While the stapling reform has stopped the future proliferation of unintended multiple accounts it needs to be linked to the performance test so that members can only be stapled to a fund that passes.

This change should be considered by the new Labor Government's post implementation review of the laws and the performance test should be expanded to the entire Choice sector as soon as possible.

### Comments attributable to Industry Super Australia chief executive Bernie Dean:

*"This is a reminder that there is huge cost to doing nothing if you are in a dud super fund."*

*"Lots of people don't know you can be stapled to a super fund that has failed the government's performance test, and that could punch a huge hole in a person's nest egg."*

*"Switching out of a dud fund and into a good one is easy, but plenty of people don't think about it until it's too late, so it is up to the government to tighten consumer protections, so people are only stapled to the best funds that have passed the performance tests."*

