

# Choosing The Right Super Fund

Written by Danny Maher



When we make a decision to purchase goods or services we generally consider things like price, quality, and perceived value for money. This applies whether we are buying our weekly groceries, a car or searching for an accountant, doctor or lawyer. The extent to which our decision-making is influenced more by price or quality generally comes down to the nature of the goods or services we are considering. For example if we are looking to buy a television we will generally be more influenced by price as many brands are fairly generic. If however we are in need of legal advice we will look at what options are available and generally go with whom we believe will provide the best outcomes or solution even if they are more expensive.

The same should then apply when considering what type of superannuation fund we should be utilising. Price or indeed even historical returns alone should not be the driving influence behind our decision making process. Options available range from inexpensive industry based funds, retail master trusts and wrap accounts, and the fastest growing sector, self managed superannuation funds. Each option has its merits but it is vital that investors consider some key areas before arriving at their decision. The most important of these considerations are around available insurance options, estate planning needs and asset class diversification.

## **Industry Funds**

Industry funds are the most inexpensive sector of the superannuation market and many of them have provided excellent returns to their members over a long period of time. These funds are able to keep their costs low, as they generally do not provide a wide range of investment choice (typically 5 or 6 managed investment options), do not have many optional benefits and operate on a not for profit basis.

Industry funds can be an appropriate fund if the member does not require a tailored portfolio with specific asset class exposure. For example an investor who has few other assets other than their own home and their superannuation does not have the same diversification requirements as an investor who may own one or more investment properties or has a significant exposure to shares and or managed investments outside of their superannuation. For an investor who does hold direct shares or a property or two then these assets need to be taken into consideration when determining the asset exposure within the fund.

Industry funds generally offer members the ability to purchase specific levels of life and total and permanent disablement cover through the fund. The amount of cover usually declines, as the member gets older. In some cases coverage ceases when the member leaves his/her employer, which can be detrimental, particularly if they have experienced health issues that may preclude future insurability. Most industry funds only offer very limited options with regards to salary protection.

## **Retail Master Funds and Wrap Accounts**

Retail superannuation platforms can be significantly more expensive than industry funds, however much of this expense relates to the broader investment menu available and a wider range of options with regard to estate planning and insurances.

Many retail platforms offer the ability to invest in over 300 different managed funds, direct shares and a range of term deposits from major banking institutions. This broad range of investment options allows for the individual in conjunction with their adviser to tailor the portfolio to their specific requirements and also opens up strategic considerations with respect to taxation and income management.

You simply cannot invest in term deposits or direct equities in most industry funds.

Insurance coverage available within retail platforms generally allow for members to tailor the coverage to their needs. In recent times due to legislative change we have seen retail funds begin to offer income protection benefits that are payable through to age 65.

### **Self-Managed Superannuation**

The fastest growing sector of the superannuation marketplace is in the area of self-managed funds. Investors are attracted to self-managed funds because as the name suggests there is a degree of control over the investments held in the fund.

The trade off for this is the fact that the member also takes on the responsibility of being the trustee of the fund and this carries some onerous requirements that the member needs to be fully conversant with.

Self-managed funds offer the same abilities to tailor investment and insurance strategies as those offered by retail superannuation platforms. The advantage with a self-managed fund is that members can own property within the fund. This is of particular benefit to self employed people who can own their business premises in the fund.

Whilst self-managed superannuation is generally more expensive it does offer an enormous degree of flexibility and is worth considering for individuals and families with superannuation benefits in excess of around \$300,000.

Regardless of which fund is ultimately best suited to an individual it would be considered prudent that professional advice is sought to ensure that the individual members needs are met and that their future financial and lifestyle considerations are not put in jeopardy.

TFS Financial Planning Pty Ltd ABN 18 088 309 308  
Australian Financial Services Licence No. 230681  
Level5, 111-115 Grafton Street, Cairns, QLD, 4870  
Ph: 4046 5555 Fax: 4051 6245  
Email: [admin@tfs.net.au](mailto:admin@tfs.net.au)