Budget 2020–21

Your Future, Your Super

Reforms to make your super work harder for you

Australians pay **$30 billion** a year in super fees

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Super supports all Australians

Australia's compulsory superannuation system is essential to the retirement incomes of its 16 million members.

Structural flaws in the system are letting too many Australians down:

- Unnecessary fees and insurance premiums are paid on **unintended multiple accounts** which are created when people change jobs and do not nominate a super fund. This results in a reduction in retirement savings.
- Australians are **paying too much** for their super with the fees amongst the highest in the OECD. Australians pay $30 billion a year in super fees which is more than what they pay for electricity and gas combined.
- There are too many **underperforming products** in the market and this is costing members millions in lost retirement savings.
- Funds lack **accountability** to their members for their conduct and the outcomes they deliver and there is inadequate **transparency** on how funds are spending members' money.

The Government has already introduced several reforms that have helped Australians reduce the amount of unnecessary fees and unwanted insurance premiums they pay — all of which have increased their retirement savings.

The next phase of our reforms

The Government's Your Future, Your Super reforms will see Australians save $17.9 billion over the next decade.

Commencing on **1 July 2021** these reforms will make your super work harder for you.

Your superannuation follows you

For the first time, you will keep your super fund when you change jobs, stopping the creation of unintended multiple super accounts and the erosion of your super balance.

A new super account will no longer be created automatically every time you start a new job.

Instead, your super will be 'stapled' to you, so that you keep your current super fund when you change jobs.

Your employer will pay your super to your existing superannuation fund if you have one, unless you select another fund.

By 1 July 2021:

- If an employee does not nominate an account at the time they start a new job, employers will pay their superannuation contributions to their existing fund.
- Employers will obtain information about the employee's existing superannuation fund from the ATO.
- The employer will do this by logging onto ATO online services and entering the employee's details. Once an account has been selected, the employer will pay superannuation contributions into the employee's account.
- If an employee does not have an existing superannuation account and does not make a decision regarding a fund, the employer will pay the employee's superannuation into their nominated default superannuation fund.

How will you benefit?

There are **6 million** multiple accounts held by **4.4 million** people.

These multiple accounts mean **$450 million** in unnecessary fees are drained from the super accounts of millions of Australians each year.

This measure will result in **2.1 million fewer unintended multiple accounts** over 10 years, **saving workers about $2.8 billion** by avoiding duplicate fees, insurance and lost earnings across that time.

These reforms will save Australians **$17.9 billion** over **10 years**

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Empowering members

A new, interactive, online YourSuper comparison tool will help you decide which super product best meets your needs.

By 1 July 2021, the YourSuper tool will:

- Provide a table of simple super products (MySuper) ranked by fees and investment returns.
- Link you to super fund websites where you can choose a MySuper product.
- Show your current super accounts and prompt you to consider consolidating accounts if you have more than one.

This tool will make it easier for you to compare the fees and performance of super funds in the market, creating more competition and making super funds work harder to manage your money.

How will you benefit?

Selecting a well-performing product rather than an underperforming one can significantly boost members' retirement incomes.

Using the YourSuper comparison tool to choose a well-performing fund means:

- A typical young Australian entering the workforce in their 20s could be around **$87,000 better off at retirement**.

- A typical Australian already in the workforce at age 50 could be around **$60,000 better off at retirement.**

The measure will result in **$3.3 billion in higher member balances** over a decade.

Holding funds to account for underperformance

The Government is ensuring your hard-earned retirement savings are protected from underperforming super funds.

By 1 July 2021, MySuper products will be subject to an annual performance test.

If a fund is deemed to be underperforming, it will need to inform its members of its underperformance by 1 October 2021.

When funds inform their members about their underperformance they will also be required to provide them with information about the YourSuper comparison tool.

Underperforming funds will be listed as underperforming on the YourSuper comparison tool until their performance improves.

Funds that fail two consecutive annual underperformance tests will not be permitted to accept new members. These funds will not be able to re-open to new members unless their performance improves.

By 1 July 2022, annual performance tests will be extended to other superannuation products.

How will you benefit?

Helping you switch your super from an underperforming fund to a better fund will significantly boost your retirement savings.

A typical Australian spending their working life in the worst performing MySuper product would be up to $98,000 worse off at retirement.

Across the entire industry, holding underperforming funds to account will mean at least **$10.7 billion more in retirement savings** over 10 years.

Increasing accountability and transparency

The Government will ensure superannuation trustees are more accountable and transparent as to how they are managing the retirement savings of their members.

By 1 July 2021:

- Super trustees will be required to comply with a new duty to act in the best financial interests of members.
- Trustees must demonstrate that there was a reasonable basis to support their actions being consistent with members' best financial interests.
- Trustees will provide members with key information regarding how they manage and spend their money in advance of Annual Members' Meetings.

How will you benefit?

Australians will have **an extra $1.1 billion in retirement savings** thanks to reducing waste in the super system through more transparency and accountability over 10 years.

The new best financial interests duty means trustees will be more accountable for their actions and better focused on maximising members' retirement savings.

The reforms to Annual Members' Meetings will give members more information and a better understanding of the operation of their super fund.