Consumer protection in super still faulty

So Paul Keating and the financial services industry want to increase compulsory superannuation payments from 9 % to 15% of a workers income? This would pour billions more dollars into a very leaky bucket. In the absence of adequate consumer protection, a large pool streams right out of the bucket into inefficient administration, corrupting commission payments and funds with poor returns. The result: much less money available to support consumers in their retirement.

Government needs to address three core consumer protection issues. It must deal with the multiple accounts and lost super problem; get rid of commission based remuneration for superannuation advice and develop minimum standards for employer selected default funds.

Increased superannuation isn't free. It's paid for by wage increases forgone and tax revenue not collected. Consumers need to be sure that the contributions they make will be there when they need them.

There are now well over 30 million superannuation accounts for only 10.5 million workers in a population of 21 million people. Multiple accounts costs consumers money and many accounts are 'lost' – no longer accessible by the consumer. Much of this money is languishing in eligible retirement funds – ERFS – with poor or negative rates of return.

The corrupting influence of commission-based remuneration on superannuation advice must be dealt with. Commissions give planners incentives to push consumers in the direction of costly retail funds often at the expense of high performing funds that do not pay fees to advisers. Until commission-based remuneration and asset-based fees disappear consumers cannot be confident they are receiving impartial advice that is in their interests rather than in the interests of their adviser.

Consumers have the right to choose their super fund. But in practice a large majority accept the default fund proposed by their employers. No doubt some do a good job, either on their own motion or in the course of industrial negotiation. But many smaller employers do not have the skills, interest or incentive to do so. We need minimum standards which a fund must meet before it can be selected as a default fund by an employer.

The government has taken some steps to improve consumer protection in relation to financial investment with its First Home Owner Saver accounts. We'd like to see much more.

Gordon Renouf Director, Policy & Campaigns CHOICE Marrickville, NSW