



21 January 2020

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Email: economics.sen@aph.gov.au

Dear Sir/Madam,

SMSF ASSOCIATION SUBMISSION ON THE YOUR SUPERANNUATION, YOUR CHOICE BILL

The SMSF Association welcomes the opportunity to make a submission to the Senate Economics Legislation Committee on the Treasury Laws Amendment (Your Superannuation, Your Choice) Bill 2019.

The SMSF Association has concerns where employees do not have a free choice of superannuation fund meaning they cannot choose where their SG contributions are made. We believe that constraining employee choice has negative effects of disengaging people from their superannuation, reducing competition and increasing superannuation account proliferation.

The SMSF Association believes the ability for all employees to choose their superannuation fund is an important element in promoting an efficient and competitive superannuation sector. In addition, all employees should be provided information about what choices they have in the superannuation sector available to them (e.g. industry fund, retail funds, SMSFs, etc.).

Being forced into a particular superannuation fund without choice not only affects younger, disengaged individuals but also older individuals transitioning to retirement that may already have an SMSF. A common scenario for SMSF members, of whom approximately 60 per cent are aged over 55, is working in part time jobs which can often fall under an enterprise agreement while transitioning to retirement. These people are restricted from having their SG contributions made into their SMSF and are instead required to have contributions made to the relevant default fund under the agreement. The SMSFA understands that there are many SMSF members affected by agreements that do not let them choose where their superannuation guarantee contributions go, including to their own SMSF.

Arrangements which do not give employers or employees any choice as to where superannuation contributions are made create a multitude of issues, the most significant being account proliferation and the consequent multiple set of fees and insurance premiums which continually erode superannuation balances.

Opening up choice of fund to all employees will also increase the efficiency of the superannuation system by removing the need of employees who are constrained by an enterprise agreement or other restriction to roll-over their contributions to their fund of choice. This is often the case for employees



who do not have unconstrained choice of superannuation fund but wish to control their own superannuation through an SMSF. They receive contributions from their employer in their default fund and then periodically roll these amounts over to another superannuation fund of their choice. Undertaking annual or more frequent roll-overs of contributions made into a default fund to an SMSF constrains individual's investment choices throughout the relevant period, incurs unnecessary fees and reduces the efficiency of the system by requiring additional transactions.

For example, a 60-year-old individual may take up a part time job at a large retail company while they transition to retirement. They may already have an SMSF but under the retail company's enterprise agreement, they are not able to contribute directly to their SMSF. The current situation under the law forces the member to receive their SG contributions in the retail superannuation fund and then rollover these funds into their SMSF at later stages. With rollovers not currently administratively easy, this is a large compliance burden and financial burden. Furthermore, this member could be contributing small amounts of money to a default superfund that could be consumed by fees before it is rolled over to an SMSF. This scenario is also known to occur in many industries such as universities, labour, transportation and retail, hence the positive impact of the proposed legislation should not be underestimated.

Reducing the effect of these problems as well as improving engagement through information and greater opportunity for choice will improve the efficiency and effectiveness of the superannuation system. Therefore, we believe enhanced choice and information are essential and crucial.

If you have any questions about our submission please do not hesitate in contacting us.

Yours sincerely,

A handwritten signature in black ink that reads 'John L. Maroney'.

John Maroney
CEO
SMSF Association

ABOUT THE SMSF ASSOCIATION

The SMSF Association is the peak professional body representing the SMSF sector which is comprised of over 1.1 million SMSF members who have \$750 billion of funds under management and a diverse range of financial professionals servicing SMSFs. The SMSF Association continues to build integrity through professional and education standards for advisors and education standards for trustees. The SMSF Association consists of professional members, principally accountants, auditors, lawyers, financial planners and other professionals such as tax professionals and actuaries. Additionally, the SMSF Association represents SMSF trustee members and provides them access to independent education materials to assist them in the running of their SMSF.