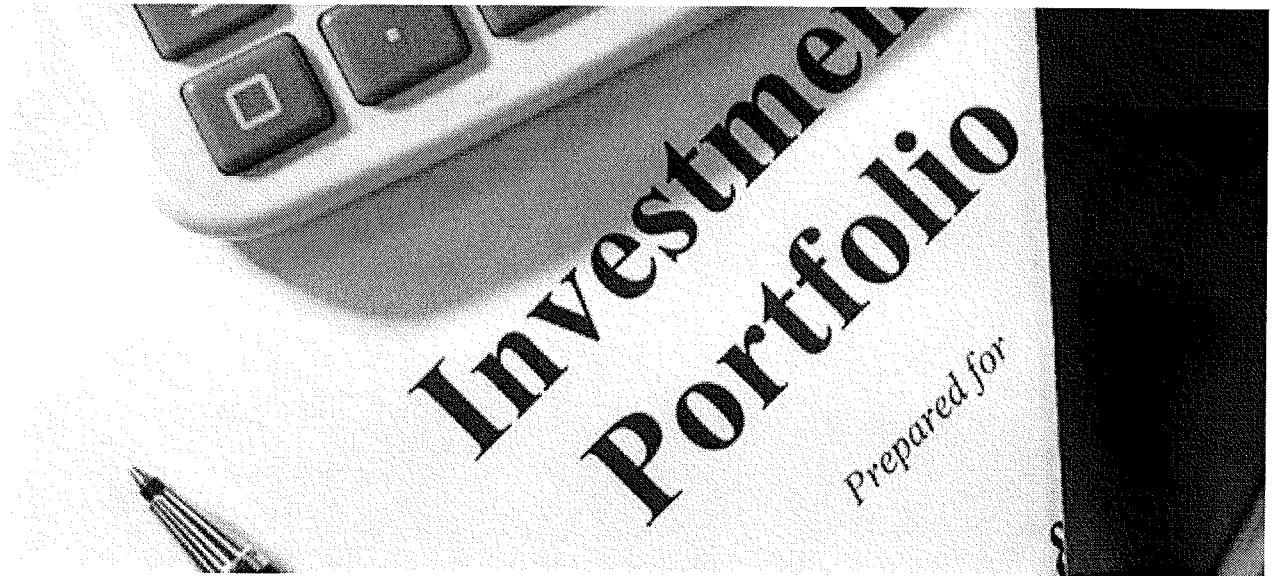


Money: Superannuation

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End of year super shock awaits

By **Anthony Keane** July 21, 2008 10:00pm



- Superannuation Minister says people should look at medium term
- Super funds expected to have lost around 6.4pc over the year
- [More superannuation news in our Money section](#)

AUSTRALIANS should take a deep breath when they open their annual super fund statements in the coming weeks and discover they've lost money, Superannuation Minister Nick Sherry said yesterday.

He said volatility in financial markets meant the average super fund was expected to have a minus 6.4 per cent return for 2007-08.

This would cause concern and criticism among super fund members, and bring fees and charges under heavier scrutiny, Senator Sherry said.

"There will be millions of Australians who, for the first time, will see the end balance of the statement being less than the opening balance - in other words they would have gone backwards for the financial year," he told a University of Adelaide symposium.

"There will be a range of criticisms - some valid and some invalid."

His advice to fund members was to "take a deep breath and look at the medium term average", which was still about 10 per cent a year. "We know the average is minus 6.4 (per cent) over the last financial year," he said.

"However it is the medium term, five to seven years, which is the most relevant in super . . . and we do know that if you include the negative, that in the past seven years the average member still had an average rate of return running at between 10 and 11 per cent.

"It's important to remember that superannuation is a long-term investment."

Australia had \$1.1 trillion in super savings at the end of March, up 3.5 per cent for the year but down 6.4 per cent for the March quarter as markets slumped heavily. Only three other countries have more savings in super - the US, France and Luxembourg.

Super underwent a massive overhaul last year with the former Howard government's changes that mostly benefited people with large amounts of retirement savings.

Senator Sherry said it was "too early to speculate" about potential changes to super that would flow from the Federal Government's major tax review this year.

But he said the Government had ruled out changing last year's laws that make super tax-free for most people after age 60.

"It's an appropriate time to have a long, hard look at operating costs and structure of our super industry," Senator Sherry said.

"We do know that a 1 per cent total fee has an impact on a member's account over 35 years by reducing it by up to approximately 20 per cent.

"I would like to see Australia move towards a superannuation system in which fees and charges are more competitive by world standards."

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