

'Moppity'
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FIREFLY NSW 2429.
21 st. May 2002.

Ph. 0265591700.

The Secretary,
Senate Select Committee on Superannuation,
Parliament House
CANBERRA ACT 2600.

Dear Sir/Madam.

RE: EXCESSIVE MANAGEMENT FEES, SUPERANUATION

I appreciate that this submission is nearly a month late, however, despite being a regular reader of newspapers, I did not see any advertisement. Staff at the Federal Member for Lyne's office directed me to your web-site. The indulgence of the Committee is requested.

The crux of the criticisms on privatized pensions relates to:

- a. excessive annual management fees;
- b. the use of the invested capital sum as the basis of fee calculation; and
- c. what I consider to be misleading and deceptive presentation of information on fees.

Annual Management Fees.

From an example brought to my notice, I see that an Allocated Pension arranged through NSW State Super Financial Services, a capital sum of \$164,000 will generate an Annual Allocated Pension of \$9,216 the annual management fee is \$2667, or 28.7% of the pension payment. However, neither of the latter two figures are included or highlighted in the Proposal.


In order to arrive at the figures for fees, it is necessary to refer to two separate tables on widely separated pages in the Proposal and carry out 10 additional calculations. Many people, I suspect, will be bamboozled by this, while many will look at figures like 1%, 1.445%, 1.8% and think the numbers to be too small to worry too much about. To this extent, and although the presentation of fee structures complies with law, I never-the-less consider the method of presentation to be misleading and deceptive. This method of fee statement appears to be universal in the so-called Finance Industry.

Use of Capital Sum as Basis of Fee Calculation.

A pension should provide a retiree with a stable and secure income. The present system does not, guaranteeing a stable income only for the Fund Managers. If a fund has a bad year, an annuity recipient can suffer catastrophic loss of income, but the Fund Manager does not. A friend claims that last year, the management fees of his annuity with a bank amounted to almost 50% of his annuity. The method of calculation is linear, however it does not cost twice as much to administer \$500,000 as it does \$250,000.

Summary.

The incomes of privately funded retirees are being plundered. This system is being inflicted on self-funded retirees by those in Canberra who have the security, predictability and generosity of the Federal and Parliamentary Superannuation systems. If the Treasurer is genuine in his concern regarding older Australians being self funded, then these charges must be reigned in and made more transparent .


MR. F.W. Heuke.

