

# Senate Select Committee on Superannuation and Financial Services

## Main Inquiry Reference (a)

**Submission No. 53**

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The Chairperson,  
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Dear Chairperson,

I wish to raise the following issues for consideration by your committee. The major problems I perceive for the employee in the current superannuation guarantee system are:

1. Portability of benefits and the need to go through lengthy processes to change funds. Incumbent in this is the large number of lost accounts.
2. Account fees/ management fees and the use of funds provided to achieve profits by the fund and other third parties.
3. The poor investment decisions taken by funds achieving poor account holder returns and denying major funding to other more realistic sources.
4. Ensuring employers **actually** pay benefits into funds.
5. The unwieldy and confusing taxation system for employee superannuation investment.

In relation to 1., above The proliferation of poorly structured and poorly resourced funds has meant many employers choose small funds in large numbers rather than large funds in large numbers. This then creates a need to change employee accounts when employees change employers. Delays in the changes are significant and overly complicated, stimulated by the poor management practises and support in the small funds.

Hence many employees do not go through this hassle and merely opt to discontinue the account and ultimately it becomes a lost account. The very simple solution to a number of the problems raised above is to have the benefit paid into the Department of Treasury, Australian Taxation Office or the Department of Finance under the employees Tax File



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Number. In this way it would not matter who the employer was the benefit would be paid in accumulated in an account for whole of employment life for the person under their Tax File No.

In relation to 2., like the Banks the funds ensure they charge management fees, however, they fail to disclose that the interest on investment they make in large pooling of account holders funds is far greater than the interest they pay on individual small accounts. If the funds were pooled in a government authority and invested in Australia, with a guaranteed return there would be no need for management fees as the profits would be self funding, as they should be.

3. Funds perpetuate private investment and company profits through investment in the stock market/ in shares/ in shopping centres/ in large building development and other ventures that return large profits to the private developer/ company in development and to themselves by the rates they charge. The employee, account holder, has no say and has only the outcome interest level the company determines. In many small funds and some large funds the management resources/ expertise available for investment activities are poor and account holders suffer.

The current constant Bernie Fraser advertisements for a fund for every occasion are a joke. It is ludicrous to have so many separate funds but they appear to all be managed by Mr. Fraser. With the latter having nearly brought the country to its knees with the 17% interest rates whilst in the Reserve Bank role who would trust him as an investment manager based on that economic recommendation.

Many of the investment strategies are of dubious economic /social or other value and merely support a private perceived need to develop a building/ office site where there is no ready rental market but will ultimately be a profit earning exercise for a private company or individual.

Why is the money / billions a of dollars as I understand it not pooled and invested in Australia through expert government resources. We are told now that Australians need to save more to ensure pooled funds are available for government etc. There are billions of dollars in the superannuation system that could be pooled and which are being invested in holes in the ground.

4. Recently we have seen a spate of employees going broke and it is then found they havent actually paid in the superannuation benefits for their employees. This cannot now be controlled because of the proliferation of funds and the poor management of the system. If the system was centralised and had the common identifier of the Tax File No. the Tax Office could then regulate employers to ensure they pay in their benefits.

5. The current taxation of superannuation systems is too complicated and unfair. I have contributed to superannuation for 34 years, but because I an in a fund where my employer contributes as well I achieve no taxation allowance. Whereas if I contribute and my employer does not I achieve an allowance. This is wrong and discriminatory. Similarly the multi-tiered taxation broken into groups of years where the tax was adjusted/ new tax commenced is overly complicated and confusing. It needs review.

These matters are raised for the consideration of your committee. I would appreciate a copy of any outcome reports that your committee produces as I am obviously very interested in keeping up to date with activities in this area.

Yours faithfully,



David De Santis.