



MEDIA RELEASE

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Consumers must seek financial advice before making financial decisions based on Government's performance test notifications

The Financial Services Council (FSC) today cautioned consumers to seek financial advice before acting on performance test notifications for superannuation products, as defective Government regulations risk failing to address methodological issues built into the test for the new class of trustee-directed products.¹

CEO of the FSC Blake Briggs said: "We support the Government holding superannuation funds to account for underperforming investments and share their goal of delivering the best possible investment returns for the 5 million consumers who choose to invest in trustee-directed products.

"The Government has made improvements to the proposed regime through consultation, specifically splitting the test and the calculation of the benchmark into separate categories of superannuation product, and switching to test platforms on a gross of tax basis.

"The Government's pursuit of rough justice for underperforming investment options, however, risks consumers becoming collateral damage. Issues with the chosen methodology will result in consumers receiving notifications from the Government that their investment option has failed, when this is incorrect.

"Consumers are urged to speak to their financial adviser if they receive a notification later this year before making investment decisions that may not be in their best financial or tax interests.

"The potential for adverse consumer outcomes is recognised through the Government amending the official notification to consumers to flag the risk of cost considerations.

"The objective of these reforms is to raise investment returns for consumers and the parliament should reconsider the risks of the proposed methodology to prevent the test failing superannuation consumers.

"The FSC urges the Government to also address the existing shortcomings in the superannuation product modernisation regime by providing CGT rollover relief for superannuation trustees.

"A product modernisation regime for superannuation products will expedite the closure of underperforming investment options by removing tax consequences for consumers," Mr Briggs added.

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¹ Broadly, trustee-directed products are accumulation choice products with strategic asset allocations to more than one asset class and where the superannuation trustee or its related entity is responsible for designing or implementing the product's investment strategy.

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About the Financial Services Council

The FSC is a peak body which sets mandatory Standards and develops policy for more than 100 member companies in one of Australia's largest industry sectors, financial services. Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds, life insurers and financial advice licensees. Our Supporting Members represent the professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses. The financial services industry is responsible for investing more than \$3 trillion on behalf of over 15.6 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is one of the largest pools of managed funds in the world