

Assessing your super fund performance



Bigger is not always better

By Andrew Proebstl,
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The 2013/14 financial year has seen most super fund members enjoy a second consecutive year of double-digit investment returns. SuperRatings reported the median balanced investment option (which invests between 60 to 76 per cent in growth assets, such as shares and property) delivered a median return of 12.7 per cent for the 12 months ended 30 June 2014.

One especially rewarding investment option type was those invested fully in Australian shares. These types of investment options generated returns ranging from the highest at 22.07% to the lowest at 12.32%. Similar results were seen for investment options fully invested in overseas shares (24.37% top compared to 10.73% lowest).

There are many ways to evaluate and compare fund performance, but for most members it ultimately

comes down to: which super fund is best placed to help me realise my retirement needs?

Making a choice that better meets your needs starts with awareness and engagement. However, on average around 80% of Australians are invested in a default investment option.

The default investment option is where your super is invested if you have not made your own choice. It is an investment option designed by your super fund to be as good a fit as possible for most members. Most default investment options are based on a 'Balanced' asset allocation. SuperRatings categorises a 'Balanced' investment option as one that is comprised between 60% and 76% growth assets (including shares and property) and 40% and 24% in defensive assets (including cash and fixed interest).

Generally, growth assets are expected to out-perform defensive assets over the long-term, however their return will also be subject to higher variability or volatility. To illustrate this it is worth considering the variability of returns of balanced investment options in the SuperRatings' universe.

The best performing balanced investment option returned 15.84%, while at the other end of the spectrum, the worst performer returned 7.27% (with [legalsuper](#) returning 13.21%).

This wide spectrum of results shows how important it is that you know how your super fund has performed and also have some understanding of why it has performed how it has.

One of the key determinants of investment performance is asset allocation – in other words, the particular asset classes and

2013/14
super funds
performance

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respective proportions in which your super is invested. When comparing the returns of different super funds you should take into account any differences in asset allocation.

For example, an option with a 60% allocation to growth assets will perform very differently to an option with 76% invested in shares and property, even though for the purposes of the SuperRatings' performance survey they are both categorised as 'Balanced' options.

Stand out from the crowd

Some may be comfortable to accept the 'median' return reported in the media considering that it meets their particular needs. Your needs will change over time and it makes a lot of sense to periodically make sure your super fund is performing to meet your particular needs.

The start of a new financial year is an ideal time to check how your super fund is performing as well as considering whether the particular investment option (and associated asset allocation) is well placed to meet your long term retirement needs.

By taking proactive interest in your super and joining the 20% of Australians who are actively engaged, you will be better placed to invest your super to position yourself to meet your particular

needs by profiting from economic growth and investment market gains over the long term.

As the industry super fund for the legal profession, **legalsuper** informs and educates its members on the benefits of adopting a long term saving strategy at an early age. By taking a proactive approach to their super, members can better evaluate how their fund is performing and determine whether the investment option in which their super is invested meets their needs and is appropriate given their life stage.

For example, if you are 30 years old you are likely to be working for some years before you retire, an investment option with more risk (e.g. one invested more in growth assets) but which is expected to generate higher returns over longer time-periods may be suitable.

However, if you are nearing retirement your focus is more likely to be on protecting your accumulated savings from fluctuations in the market. In this case, you may prefer to choose an investment option that includes a higher allocation to defensive assets (e.g. cash and fixed interest).

So how much is enough?

If you stay in a fund that has consistently underperformed, or remain invested in an option that

does not match your investment strategy, risk appetite or long term retirement goals, you will more than likely experience disappointment in seeking to prepare for your retirement.

Determining the amount of savings that you need for your retirement is not an easy calculation and it depends on a diverse range of factors such as your anticipated lifestyle, personal circumstances, whether you retire with debt and what medical costs may be required.

To help calculate how much you need and whether you are on track to meet your goals, there are online calculators and applications that can help you forecast how much super you could have at retirement, the retirement income it might provide and how additional contributions can help boost your savings.

A Federal Government website, **moneySMART.gov.au**, is one such example. ●

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