

Superannuation

Productivity Commission

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Melbourne Vic 8003

RE: Submission – Superannuation Competitiveness and Efficiency Issues Paper

Thank you for the opportunity to make a submission in response to the Superannuation Competitiveness and Efficiency Issues Paper. This submission will deal with two questions posed by the Issues Paper relating to SMSFs:

- *To what extent do different data reporting formats make it difficult to compare SMSFs and APRA-regulated funds, and hence to assess the performance of the superannuation system as a whole?*
- *How would you measure the extent of competitive pressure from the SMSF segment on the rest of the superannuation system?*

While there may be difficulties in comparing data collected from SMSFs and APRA-regulated superannuation funds I would be wary of imposing a greater reporting burden on SMSFs. SMSFs are not prudentially regulated and the data available comes from what is collected by the ATO, largely for tax purposes. Increasing the reporting requirements on SMSFs would increase the costs on a large, growing and important sector of superannuation.

The reporting required by SMSFs should be less than that required of APRA-regulated funds because the trustees of SMSFs are (except with a few reasonable exceptions) also the members. Potential compliance issues are dealt with by the existing ASIC registered SMSF Auditors and ATO compliance processes.

Additionally, SMSFs are an important factor increasing competition in the superannuation industry. SMSFs represent an outlet for customers dissatisfied with large superannuation funds for a variety of reasons. These people can choose to set up an SMSF, withdrawing their superannuation from their existing funds. This increases the pressure on large super funds to improve their service offerings and reduce their fees and costs.

In recent years we have seen large superannuation funds introduce new services and products, largely in response to the flow of funds to SMSFs. This includes the option of members directing a portion of their superannuation into particular assets.

SMSF members are more engaged with their superannuation than the general population, which is to be encouraged. However the benefits from the competitive pressure SMSFs place on large funds flows to all members. If these improvements in service prove great enough people are also free to wind up their SMSF and roll their superannuation back into an APRA-regulated fund.

Given the important role SMSFs play in the superannuation industry I encourage the Commission to be wary of recommending changes that would reduce their attractiveness – potentially lowering competition in the superannuation sector.

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I am a CPA with a background in public practice accounting for SMSFs and an interest in superannuation and retirement issues. I write for SolePurposeTest.com, an SMSF and superannuation news site for SMSF trustees and professionals.