Cameos

To provide further insight into the impact of fees, investment performance, multiple accounts and insurance on superannuation members, the Commission developed a series of cameos. These cameos illustrate how various factors can compound over time to affect a member’s superannuation balance at retirement.

This document brings together the cameos presented in the draft report. The assumptions underpinning the cameos are set out in chapter 1 (box 1.6, p. 88).

Being defaulted into a single top-performing MySuper product would lift the retirement balance of the median 55 year old by up to $61 000 when they retire, compared to being defaulted into two underperforming products (p. 30; 418)

Fixing multiple accounts + underperformance = 1.3 years’ more pay

- Single top performing MySuper: $311,000
- Two underperforming MySuper: $249,000

Aged 55

$47,000 starting salary

$129,000 starting balance

$390 avg. insurance premium

Retirement Aged 67

$61,000 or 24% more to spend in retirement
For a new workforce entrant today, the gain would amount to $407,000 by the time they retire in 2064.

(p. 30; 418)

Fixing multiple accounts + underperformance = 8 years’ more pay

For a new workforce entrant today, the gain would amount to $407,000 by the time they retire in 2064.

Underperformance compounds to substantially lower retirement balances

(cameo 1 p. 12; cameo 2.2 p. 117, cameo 9.1 p. 375)

Super problem: Underperforming fund = 13 years’ lost pay
MySuper returns can be a lottery for default members
(cameo 2 p. 14; cameo 2.3 p. 122; cameo 12.1 p. 428)

Super problem: Underperforming MySuper = 7.5 years’ lost pay

- Top-10 MySuper return
  - $340 avg. insurance premium
  - Retirement Aged 67
  - $1 million

- Underperforming MySuper
  - $653,000

- $375,000 or 36% less to spend in retirement due to lower returns

Higher fees materially erode balances at retirement
(cameo 3 p. 15; cameo 3.1 p. 128)

Super problem: Higher fees = 2 years’ lost pay

- MySuper fees
  - $340 avg. insurance premium
  - Retirement Aged 67
  - $833,000

- Fees higher by 0.5%
  - $733,000

- $100,000 or 12% less to spend in retirement due to higher fees
Multiple accounts reduce retirement balances
(cameo 4 p. 19; cameo 12.2 p. 429)

Super problem: Multiple accounts = 1 years’ lost pay

Aged 21
$50,000 full-time starting salary

Single super account
$833,000
$340 avg. insurance premium
Retirement Aged 67

Multiple super accounts
$782,000

$51,000 or 6% less to spend in retirement due to multiple accounts

Insurance policies erode balances for low-income workers
(cameo 5 p. 21; cameo 8.1 p. 328)

Super problem: Insurance = 2.5 years’ lost pay

Aged 21
$36,000 full-time starting wage

No insurance
$628,000
$771 avg. insurance premium
Retirement Aged 67

Insurance (‘blue collar’ life, TPD and IP): $543,000

$85,000 or 14% less to spend in retirement due to insurance
A small difference in returns matters a lot
(cameo 2.1 p. 92)

**Super problem: Lower returns = 5 years’ lost pay**

- **Aged 21**
  - $50,000 full-time starting salary
  - 6% real gross rate of return
  - $340 avg. insurance premium
  - Retirement Aged 67
  - $1.1 million

- **5% real gross rate of return**
  - $833,000

- **Super problem: Insurance = 3.5 years’ lost pay**

- **Aged 21**
  - $36,000 starting wage
  - No insurance
  - $995 avg. premium
  - Intermittent work
  - Retirement Aged 67
  - $443,000

- **Insurance (‘blue collar’ life, TPD and IP)**
  - $318,000

For disadvantaged members, insurance’s cumulative impact can be extremely high balance erosion
(cameo 8.2 p. 329)

- **Aged 21**
  - $50,000 full-time starting salary
  - 6% real gross rate of return
  - $340 avg. insurance premium
  - Retirement Aged 67
  - $1.1 million

- **5% real gross rate of return**
  - $833,000

- **Super problem: Insurance = 3.5 years’ lost pay**

- **Aged 21**
  - $36,000 starting wage
  - No insurance
  - $995 avg. premium
  - Intermittent work
  - Multiple accounts
  - Retirement Aged 67
  - $443,000

- **Insurance (‘blue collar’ life, TPD and IP)**
  - $318,000

- **or 23% less to spend in retirement due to lower returns**

- **or 28% less to spend in retirement due to insurance**
Other figures and tables using Cameo Model results

The character of member harm
Subpar system performance = much lower member balances
(figure 11 p. 32; figure 11.1, p. 418)

- Ending up in an underperforming MySuper product:
  $375,000 or 36% less

- Paying for an expensive insurance policy:
  $85,000 or 14% less

- Unintentionally holding multiple accounts:
  $51,000 or 6% less

- Being a member of a high fee fund:
  $100,000 or 12% less

Costs to members at retirement
Multiple accounts — a heavy penalty on retirement
Projected returns on contributions by number of accounts held\textsuperscript{a}
(figure 6.6 p. 251)

\textsuperscript{a} Returns on contributions of about $350 000 over the members working life.
Unpaid SG payments can have a significant impact on retirement balances

Cameo model simulation results by per cent unpaid for ages 21 to 25

(figure 6.13 p. 264)
Table 8.2  

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>Contributions</th>
<th>Premiums</th>
<th>Balance erosion at retirement</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Starting wage</td>
<td>Average wage</td>
<td>Work history</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Average worker</td>
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<td>63 000</td>
<td>Full-time</td>
</tr>
<tr>
<td>IP insurance</td>
<td>50 000</td>
<td>63 000</td>
<td>Full-time</td>
</tr>
<tr>
<td>Low income</td>
<td>36 000</td>
<td>45 000</td>
<td>Full-time</td>
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<tr>
<td>Interrupted work history</td>
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<td>51 000</td>
<td>Intermittent</td>
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<tr>
<td>Multiple accounts</td>
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<tr>
<td>Low income worker</td>
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<td>45 000</td>
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<tr>
<td>Cumulative impact</td>
<td>36 000</td>
<td>37 000</td>
<td>Intermittent</td>
</tr>
</tbody>
</table>

a Assumptions that are different from the ‘Average worker’ scenario are in bold. 
b This excludes the effect of real wage increases (all cameo scenarios assume economy-wide real wage growth of 1.5 per cent annually).