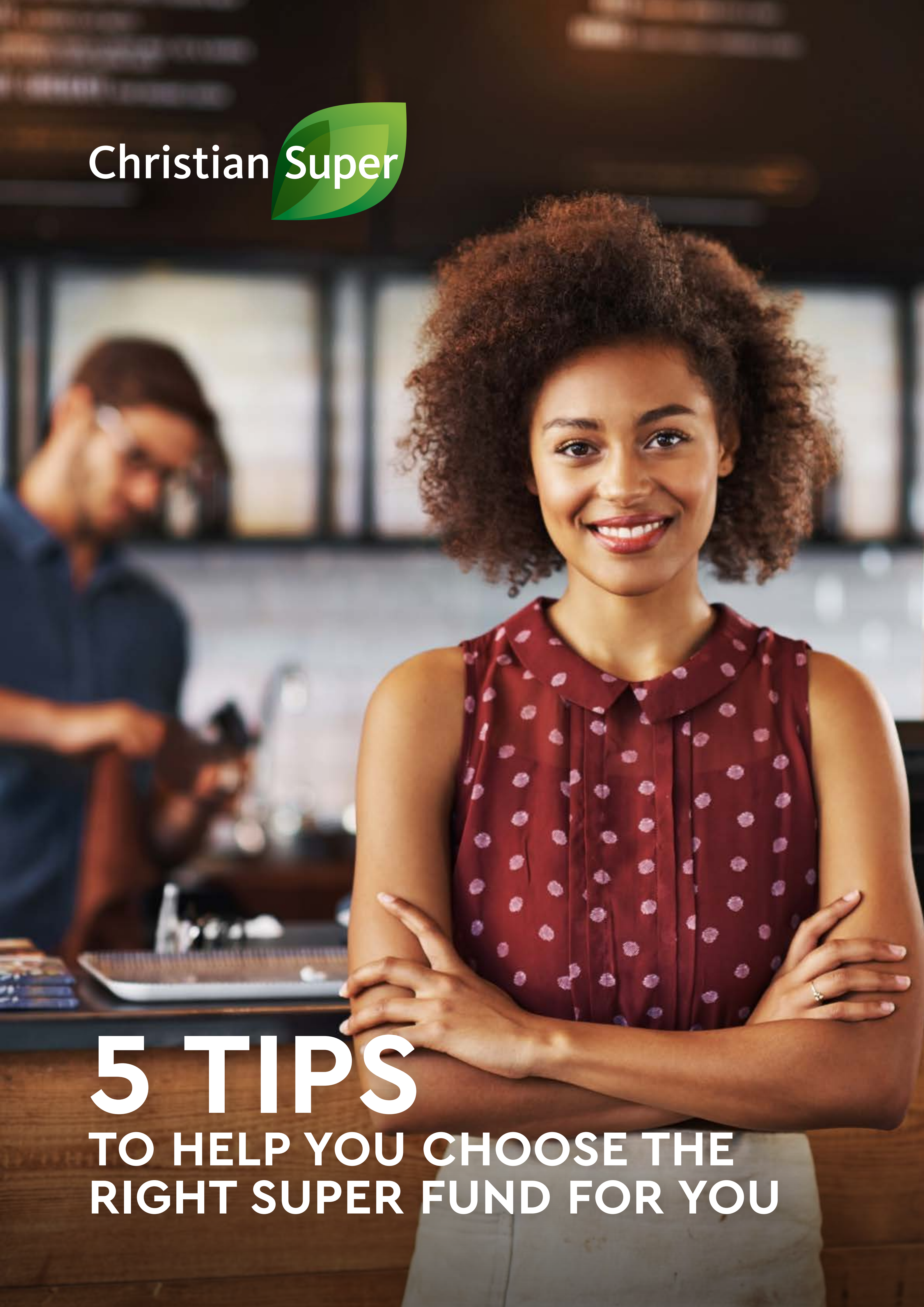
Christian Super



5 TIPS

TO HELP YOU CHOOSE THE RIGHT SUPER FUND FOR YOU

Superannuation. If someone asked you to describe it, you would probably say it's complicated and confusing, but a necessity so that you can retire without financial worry.

So how do you work out what type of super fund to pick? Does it matter how they grow your super? And are you paying too much in fees?

We understand that super can seem complicated, but you don't have to be an expert to get on track to enjoy a purposeful retirement later on in life.

To help you get started, our Christian Super Member Care Team have created this guide with their top 5 tips to help you choose the right super fund for you.

TIP
#1

PICK A FUND TYPE **THAT ALIGNS WITH YOUR GOALS**

The first thing to consider when choosing a super fund is what type of fund to go with. You might think that all super funds are pretty much the same but there are different types, each with their own pros and cons. The most common super fund types are retail funds and industry funds. So what's the difference?

Retail Funds:
Retail funds are commonly run by banks or investment companies and are open for anyone to join. The main features of retail funds are that they often have a large number of investment options, generally offer security due to their large investment portfolio, and have a number of financial advisers that can offer investment expertise and personal service to clients. However, the main drawback is that the fund needs to operate as a profitable business which means that you may pay higher fees vs other types of funds.

Industry Funds:
Most industry funds are also open to anyone who wants to join. The main features of industry funds are that they tend to charge lower fees and operate as profit-to-members, meaning all profits are put back into the fund for the benefit of all members. The main drawback is that industry funds usually have a smaller number of investment options available.

When deciding what fund type is right for you, consider the features of both fund types and weigh up which is most important to you. You can read more about the different types of super funds on ASIC's MoneySmart website here.

"Industry funds operate so all profits are put back into the fund for the benefit of all members"

TIP
#2

UNDERSTAND HOW **DIFFERENT SUPER FUNDS GROW YOUR SUPER**

The second thing to consider when choosing a super fund is how they grow your money, to make sure you are comfortable with the investment choices they make.

Most people understand that super funds grow your money by investing in companies they believe will generate a strong return. While this sounds straightforward, people often don't know who these companies are. As an example, let's say you actively support animal rights. How would you feel if you found out that your super was invested in a company that neglects animal rights? Unfortunately, this conflict is a reality for some who entrust their super to super funds that pursue profit at any cost. That's why it's important to consider how a super fund grows your money, making sure that their choices reflect what's important to you. After all, it is your super, so why compromise?

If you want confidence that your super is invested in what you believe in, then you might want to consider an ethical super fund. These types of super funds actively make efforts to screen their investments to make sure they align with their values and beliefs. Ethical super funds generally have information on their topical positions online, so you can find out how they invest your money. The Responsible Investment Association of Australasia has a website to help you find ethical banking, superannuation and investment products, which you can access here.

“Consider how a super fund grows your money, making sure that their choices reflect what's important to you”

TIP
#3

PICK AN INVESTMENT **OPTION THAT'S RIGHT FOR YOU**

The third thing to consider when choosing a super fund is which investment option is right for you.

An investment option can be a diversified option invested in multiple asset classes (such as cash, shares, property) or a single asset class. When evaluating investment options, you may want to consider the past performance of the option, noting that past performance is not a guarantee of future performance, the target return on investment and the level of risk (the possibility that you may lose money on your investment). As a rule of thumb, the higher the potential investment returns, the higher risk, while the lower the potential investment return, the lower the risk. So how do you choose the right option for you?

There are two ways to decide. You can either consider your long-term goals and the level of risk you are willing to embrace to reach your goals, or you can pick an investment option based on your life stage. For example, if you are young, you might consider a high growth option and ride out the ups and downs of the investment market, while if you are older, you might consider a balanced or a conservative option to lower investment risk.

Once you have decided on the right investment option for you, you can then start to compare super funds with similar investment options. When comparing past performance, it's best to consider the last 5 years at a minimum, as returns can vary significantly year to year.

"When comparing past performance... consider the last 5 years at a minimum"

TIP
#4

UNDERSTAND HOW FEES WORK AND WHAT TO LOOK OUT FOR WHEN COMPARING FEES

The fourth thing to consider when choosing a super fund is the fees they charge, making sure you understand what to look out for when comparing fees.

The main type of fees are:

- Administration Fees – Fees and costs relating to the administration or operation of the super fund.
- Investment Fees – Fees and costs relating to the investment of your assets, including performance fees.
- Advice Fee – Fee relating to provision of financial advice to a member by the super fund or by another person under the arrangement of the super fund.
- Switching Fee – Fee to cover costs of switching between investment options.
- Buy-Sell Spread – Costs incurred relating to the sale and purchase of assets.
- Indirect Cost Ratio – The ratio of the total indirect costs for the investment option, to the total average net assets of the super fund attributed to the investment option. This amount will vary from option to option and from time to time.

There may be more fees and costs to consider, however the above list includes the main types of fees that you might be charged by a super fund.

When comparing the fees and costs between super funds, you can either check super fund websites, review Product Disclosure Statements, or you can search for a super fund's product dashboard, which is a summary of their MySuper investment option (the default option many super funds offer for new members who do not choose another option). Every super fund that offers a MySuper investment option must have a product dashboard that includes the return target, returns over the last 10 years, the level of investment risk and statement of fees and other costs.

"Make sure you understand what to look out for when comparing fees"

TIP #5

PICK THE RIGHT **INSURANCE FOR YOU**

The fifth thing to consider when choosing a super fund is whether or not you want insurance. Most super funds provide a default level of cover when you join the fund, with premiums deducted from your super account.

If you don't want these insurances, you can notify your super fund. If you do want these insurances, we suggest that you:

1. Make sure the type of insurance and level of cover is right for you

The types of insurances included when you join a super fund are usually Death cover, TPD (total and permanent disablement) and Income Protection. These types of insurances may be more cost effective through your super fund than if you obtained them outside of your super fund, so it's worth considering if you wish to keep them and whether the default level of cover is right for you. Many super funds offer free financial advice, which can help you work out the right level of cover for you.

2. Make sure your occupation group is correct.

If you decide to keep the insurances offered by your super fund, it's important to check that your occupation group is correct, as an incorrect occupation group will affect your premiums, and may mean you are not properly covered. With insurance, the type of work you do will determine your occupation group, which determines your level of risk and makes a difference to your premiums and your level of cover. Generally, the riskier your job, the more you pay for insurance.

“the type of work you do... makes a difference to your premiums and your level of cover”

Thank you for reading our top 5 tips to help you choose the right super fund for you. We hope they help you make an informed decision. If you'd like further help, please don't hesitate to contact our Member Care Team.

Contact our Member Care Team on 1300 360 907 or email us at members@christiansuper.com.au

Click here to view our Product Disclosure Statement

Disclaimer: The content of this guide includes advice that is general in nature and does not consider your personal situation. Christian Super encourages all people considering their options in retirement planning to seek out qualified professionals who can provide specific personal advice.