

Member Super Switching in 2024 & 2025

Key Points

A key feature of Australia's super system is the ability of almost all members to choose which fund invests their super savings. This is intended to promote healthy competition among funds to deliver strong returns, low costs and good service - which SMC strongly supports.

Each year, in the normal course of events, around 5% of members (or more than 1 million Australians) switch funds, including when they change employment and at key life stages when they might seek out advice. Good professional financial advice in a member's best interests can be very valuable, making a material difference to a person's retirement circumstances - and give them greater peace of mind.

However new analysis - the first of its type - should ring alarm bells on early warning signs of an emerging new pattern of consumer risk.

- The number of members switching their super savings out of the safe, mainstream, high performing, tightly regulated super system into more expensive, complex, and potentially riskier SMSFs and platform based super funds has accelerated (up by 17%) in the past year.
- Rather than typical pre-retirees with significant super savings, the analysis shows the 71% of recent switchers to platforms and 61% to SMSFs have very modest super savings (< \$100,000 with an average of just \$21,700 for this cohort) and around half are aged under 45.
- Seven in ten don't have a pre-existing advice relationship in place, suggesting lead generation such as that used to funnel members into the recent Shield and First Guardian super scandal may now potentially be alarmingly widespread.
- Inexplicably, the analysis shows members from low-cost, high-performing and well-regulated super funds are switching into vehicles with more complexity, incurring significantly higher costs and poorer average performance and little to no official performance testing.
- SMC analysis shows the members switching to SMSFs and platform based super funds could have shouldered over \$160 million extra in fees and costs per year compared to if they had stayed with their profit-to-member fund.
- The analysis suggests growing risks of switches that are potentially not in a member's best financial interests - which will make them poorer in retirement - and reveals major gaps in consumer safeguards needing urgent action.

New analysis

The analysis outlined in this briefing note brings together:

- De-identified member switching data from five large profit-to-member super funds with the highest outward rollovers, revealing the characteristics of members switching and where their savings are going.
- APRA and ATO data from audited financial statements and returns comparing the cost and performance of the super funds where members savings are switching from and to; and
- APRA performance test coverage data for the five platform-based super funds (funds P1-P5) with the largest inflows compared to the five profit-to-member funds with the largest outflows (funds A-E).

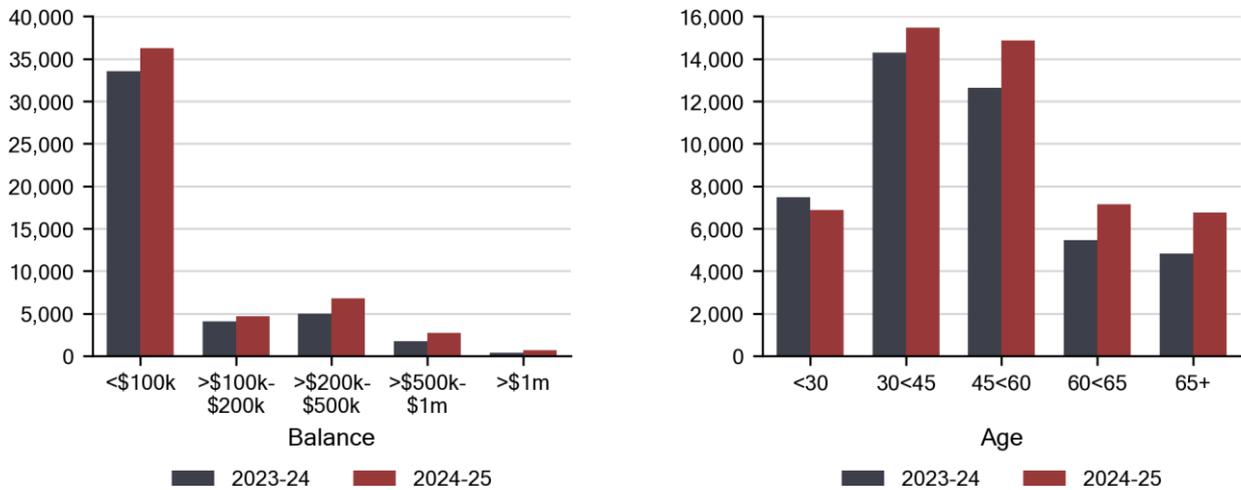
Low balance members dominate switches to riskier platform based super funds & SMSFs

SMC analysis of five large profit-to-member funds examined outward rollovers to complex platform-based funds, which typically have significant external advice fees. The aggregated survey covered five funds with the largest outward rollovers covering 51,000 members switching to platform products in 2024-25 and 25,000 members switching to SMSFs, a significant proportion of total switchers to platform super funds and SMSFs. The survey excluded members making partial rollovers.

The analysis shows most members who transferred funds to platform products had lower balances: in 2024-25 around 71% had a super balance under \$100,000 and 80% had a balance under \$200,000. Members aged under 45 made up slightly under half of those rolling their super savings into platform funds in 2024-25. Between 2023-24 and 2024-25, the number of members switched to platform funds grew by 15 per cent.



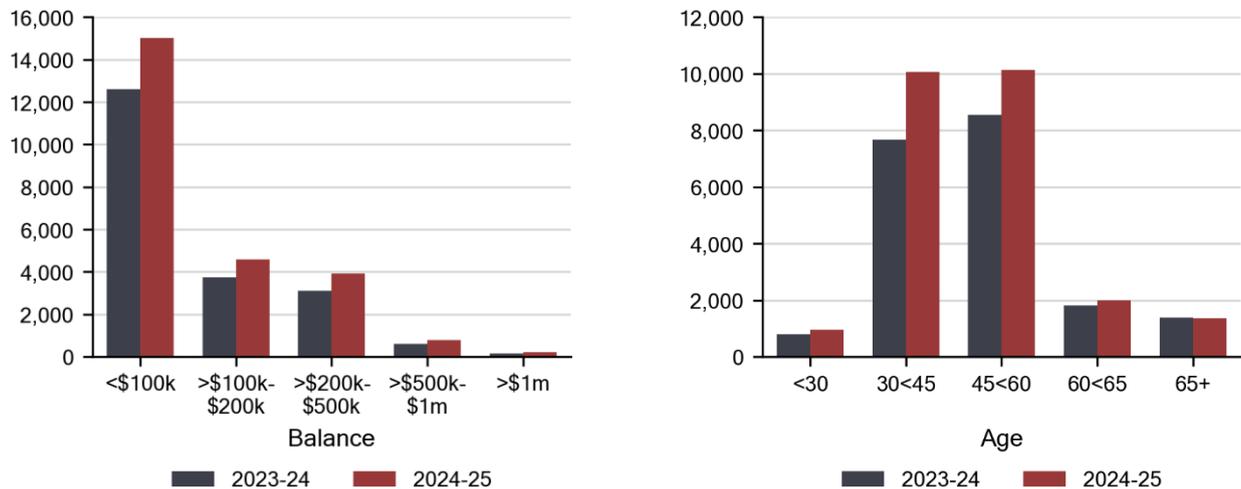
Figures 1 and 2 - Number of members that transferred amounts to platform funds by balance and age



Source: SMC analysis of switching data from five large profit-to-member funds

Similar trends are seen in members transferring super to SMSFs - in 2024-25, 61% had a balance of under \$100,000, and 80% had a balance under \$200,000. Between 2023-24 and 2024-25, there was substantial growth for those with the lowest balances (19% for those with under \$100,000). Almost half of members switching from the surveyed profit-to-member funds to SMSFs were members aged under 45. The number of members switching to SMSFs grew by 21% between 2023-24 and 2024-25, with the 30-45 age group experiencing the highest growth (31%).

Figures 3 and 4 - Number of members that have transferred amounts to SMSFs by balance and age



Source: SMC analysis of switching data from five large profit-to-member funds

Members switching are on average bearing higher costs and getting poorer returns

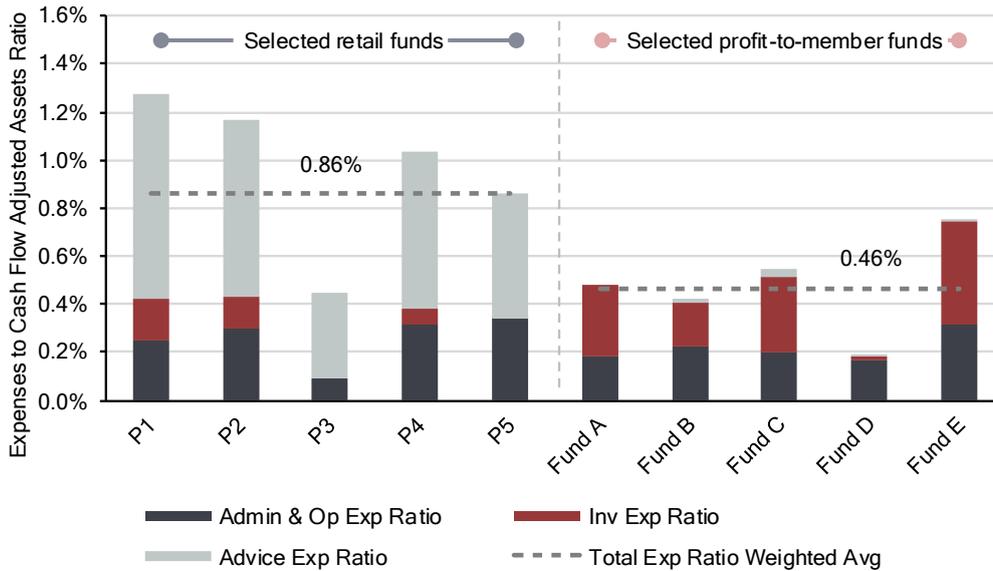
When considering the comparative costs and performance of the five profit-to-member funds with the highest rollouts to platforms and five platform funds receiving the highest inward rollovers, stark cost and performance differences are clear.

In the year to June 2025, audited financial data collected by APRA shows the average expense ratios of the selected platform funds are 0.86% compared to an average of 0.46% for the selected profit to member funds - nearly double. These fund level metrics are the only comprehensive source of costs across the membership



of the funds capturing expenses that affect member balances. For platform-based funds, a significant component is advice expenses that are often unavoidable when investing in platforms with an adviser relationship usually a pre-requisite to join. The inclusion of advice fees in fund expense ratios is consistent with an established methodology. We note some ratings agencies exclude advice fees, but our view is if access to a platform overwhelmingly occurs through being advised, these fees should be included. The costs shown represent an average across the membership noting individual costs may be higher or lower.

Figure 5 - Comparison of retail platform and profit-to-member fund expense ratios (June 2025)



Note: The dotted lines above represent asset weighted expense ratios for the five retail funds with the largest inward rollovers and the five profit-to-member funds with the largest outward rollovers in 2024-25.

Source: APRA Annual fund-level superannuation statistics back series, June 2025.

Fund level returns reported by APRA (based on the audited financial data) are also used to assess the comparative performance of the selected funds. With thousands of investment options available across platform based super funds (most not reported to APRA or subject to performance tests), the use of fund level returns (which is a composite of all the underlying options) is appropriate, and is an established methodology to assess the comparative performance of the trustee as a whole¹. Analysis using SuperRatings option level data reaches the same conclusion².

On medium-term to long-term performance, Figures 6 and 7 show 5- and 10-year net returns by funds, and the profit-to-member outperformance gap widens over time. For a member with a \$100,000 super balance, the difference in average returns is \$700 a year over a five-year horizon and \$1,800 a year over a 10-year horizon.

These outcomes are broadly consistent with APRA's limited performance testing on Trustee Directed Platform investment options, where 25% of options assessed (76 of 305) failed the test in 2023, affecting \$2.3 billion in platform member funds super savings. In 2025, \$1.02 billion in option assets failed even after previously failed options exited³.

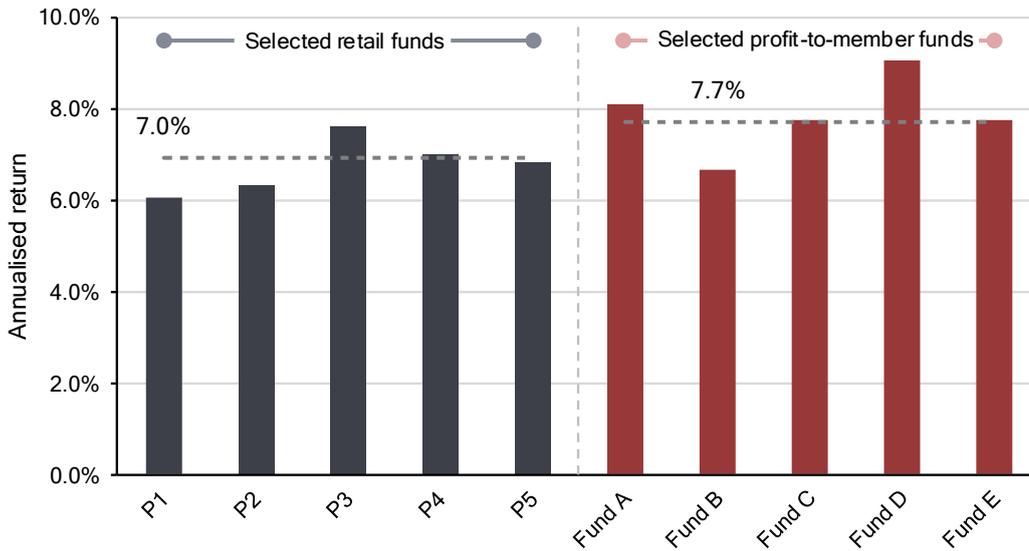
¹ See APRA Working Paper: Investment Performance Ranking of Superannuation Firms, Sy & Liu June 2009 - presented to the 17th Australian Colloquium of Superannuation Researchers 6-7 July 2009 at the University of New South Wales

² ISA Research Note: Gallagher & May April 2018. (Regression analysis using option to fund level returns found a high degree of correlation between relative performance of single asset class and multi asset class options across accumulation and pension phases and fund level returns)

³ See: <https://www.apra.gov.au/previous-performance-test-results>



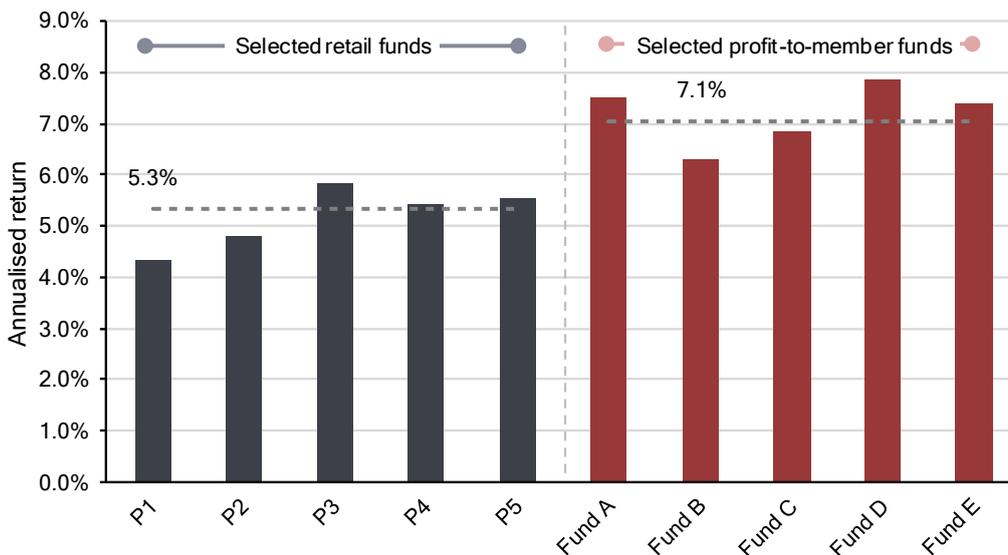
Figure 6. Comparison of retail and profit-to-member 5-year annualised return (June 2025)



Note: The dotted lines above represent asset weighted annualised returns for the five retail funds with the largest inward rollovers and the five profit-to-member funds with the largest outward rollovers in 2024-25.

Source: APRA Annual fund-level superannuation statistics back series, June 2025.

Figure 7. Comparison of retail and profit-to-member 10-year annualised return (June 2025)



Note: The dotted lines above represent asset weighted annualised returns for the five retail funds with the largest inward rollovers and the five profit-to-member funds with the largest outward rollovers in 2024-25.

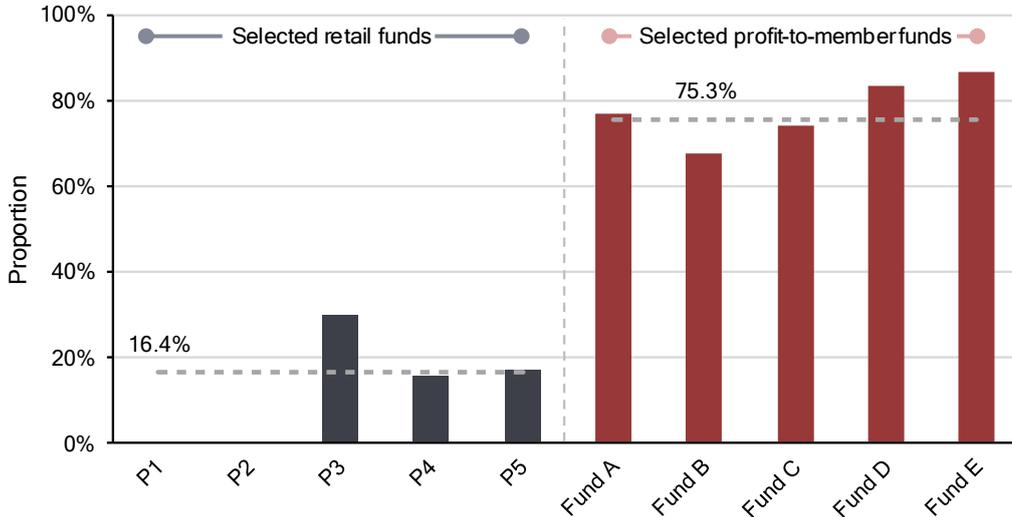
Source: APRA Annual fund-level superannuation statistics back series, June 2025.

Switching into a platform product can present new potential risk to members, when their super will no longer be covered by the performance test that is applied to MySuper and Choice accumulation trustee directed products. It is unclear whether many consumers are even aware of this difference.



As shown in Figure 8 below, the vast majority of assets in profit-to-member funds are covered by the performance test, while just 16% of assets in the five largest recipients of retail inflows are covered by the performance test. For the two largest retail recipients of inflows, none of their assets are subject to the performance test, and the average performance for these funds is substantially lower than even the retail average as shown in figures 6 and 7.

Figure 8. Proportion of net assets tested under APRA MySuper and Choice performance test (June 2025)

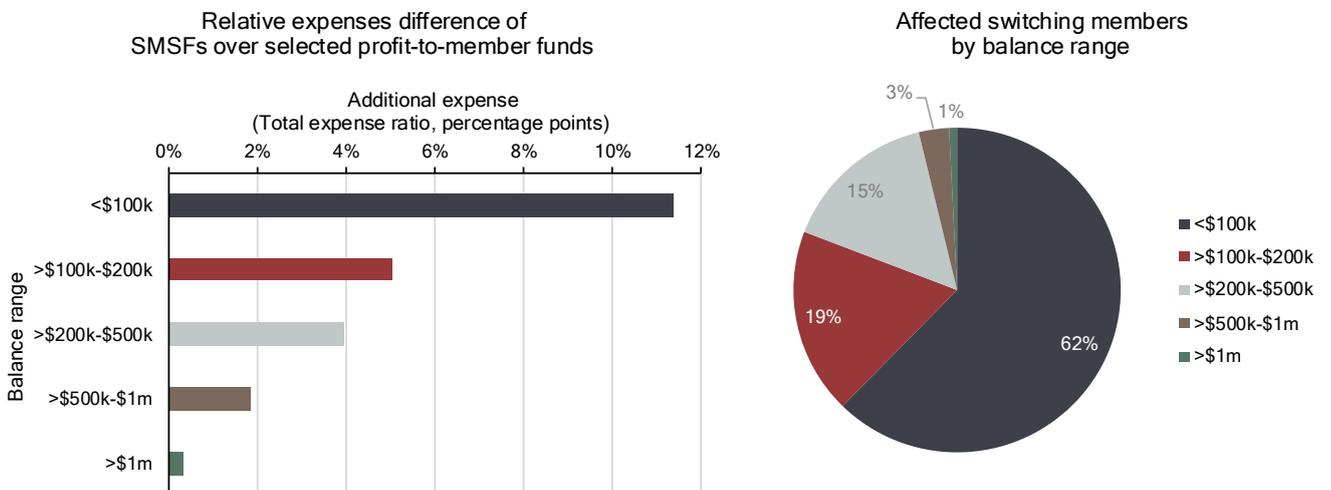


Note: The dotted lines above represent asset weighted performance test coverage for the five retail funds with the largest inward rollovers and the five profit-to-member funds with the largest outward rollovers in 2024-25.

Source: APRA CPPP - MySuper and Choice (June 2025), APRA Annual fund-level superannuation, June 2025.

The vast majority of members switching to SMSFs, meanwhile, have balances well below those that would be required to reliably achieve returns comparable to profit-to-member funds. As demonstrated in Figures 9 and 10, over 60% of members switching in both 2023-24 and 2024-25 had balances below \$100,000. In 2024-25, the average rollout for the sub-\$100,000 cohort was slightly under \$30,000. Members with balances below \$100,000 face average total expenses of nearly 12% of their balance each year, compared to under 0.5% for profit-to-member funds. All but the largest SMSFs demonstrate inferior returns to profit-to-member funds over a 10-year period, with funds under \$100,000 balance having an average 10-year annualised return of -9.5% compared to the profit-to-member average of 7.0% over the same period, an underperformance of over 16 percentage points. For an SMSF with \$50,000, this difference would mean an additional \$5,700 in fees and costs every year.

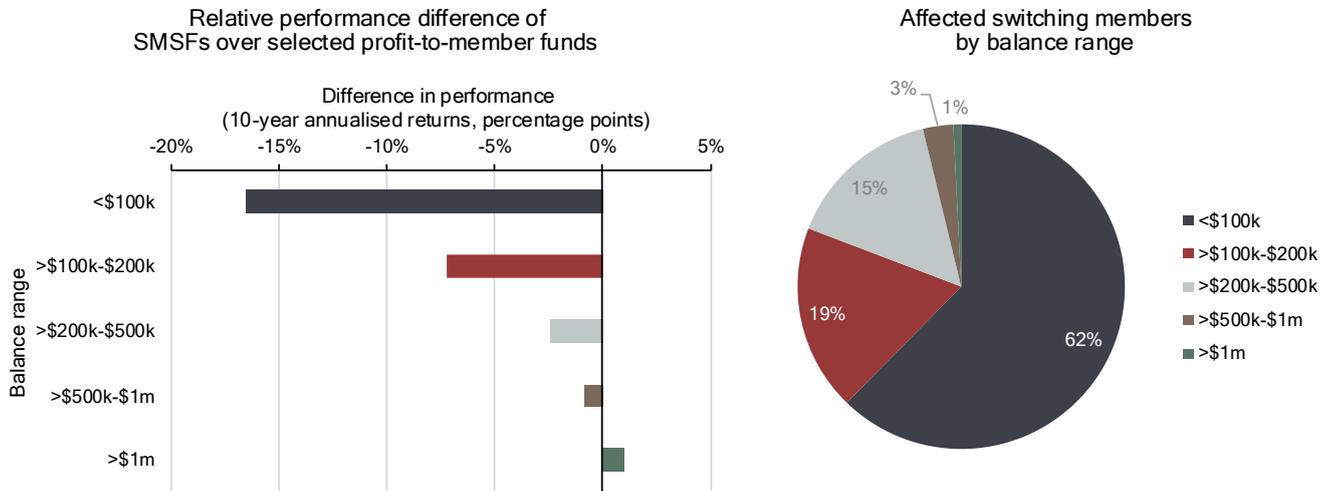
Figure 9. Additional total expense outlay by balance range of members switched into an SMSF





Source: SMC analysis of fund survey data, full transfers to SMSFs in the 2023-24 financial year. ATO SMSF - a statistical overview 2023-24.

Figure 10. Difference in return performance by balance range of members switched into an SMSF



Source: SMC analysis of fund survey data, full transfers to SMSFs in the 2023-24 financial year. ATO SMSF - a statistical overview 2023-24.

For the members who fully rolled over their super assets to SMSFs and platform based super funds in 2024/-25, these additional fees and costs are estimated to add up to \$163 million every year - \$139 million for SMSFs and \$24 million for platform products. With the vast majority of switching members aged 30 to 60, this means higher fees and lower net returns at a critical time in their wealth accumulation trajectory.

Most switchers don't have a pre-existing advice relationship

In 2024-25, only 38% of members transferring to platforms funds and 17% of members transferring funds to SMSFs did so with a third-party authority or advice relationship known to the fund from which they transferred. Overall, almost seven in ten did not have a pre-existing advice relationship in place - suggesting a potentially significant role by third party lead generation in funnelling members to switch to a platform or SMSF.



Table 1. Percentage of members that transferred funds with a pre-existing advice relationship in place (2024-25)

Recipient fund type	Percent
Platforms	38%
SMSFs	17%
Overall	31%

Source: SMC analysis of switching data from five large profit-to-member funds

Next steps

An urgent uplift in consumer safeguards is needed which should at a minimum:

- systematically address social media lead generation targeting vulnerable members, including through changes to anti-hawking measures;
- require robust fee, cost and performance comparisons (including advice costs related to the switch);
- ensure consistent application of the performance test to platform based super products; and
- ASIC should bring back its minimum recommended balance for SMSFs.