

Enhancing member protections in the super system

Supplementary Data Submission

About this Submission

This document is submitted by the Super Members Council of Australia (SMC) as a supplementary data attachment to SMC's primary submission to Treasury's consultation on Enhancing Member Protections in the Superannuation System (22 May 2026).

The submission identified escalating structural and system integrity concerns in recent switching patterns, major growth in advice fee deductions since the ASIC 781 Review, and a consumer protection gap between APRA-regulated profit-to-member funds and other vehicles – including platform-based super funds and self-managed superannuation funds (SMSFs).

This supplementary attachment shares empirical data from SMC's analysis of member-level switching records from five large profit-to-member funds, and from APRA's annual fund-level super statistics (back-series, June 2025), to support the analysis with quantitative evidence.

The data is presented in two sections:

- Section 1 examines flows into self-managed superannuation funds (SMSFs), highlighting the regulatory arbitrage created by the absence of equivalent safeguards.
- Section 2 examines recent switching into platform-based super funds, with a particular focus on advice fee settings and related switching patterns.

Where relevant, findings are cross-referenced to the proposals in SMC's primary submission. Taken together, the analysis is an empirical foundation for targeted policy interventions to address emerging consumer risks in parts of the superannuation system where consumer protections are weakest.

SMC strongly supports members having access to affordable, high-quality financial advice that assists them to be in the best financial position for retirement. Affordable, trusted, high-quality financial advice can make a material difference to super fund members' circumstances and confidence. There can be many reasons why an individual member may opt to switch their super fund – including pursuing better net returns, consolidating multiple accounts, or reassessing insurance coverage and costs. The data in this attachment, however, illuminates some recent aggregate system-level trends that have materially shifted in the past three years and that warrant much closer examination and oversight by regulators and policymakers. It sets out a strong empirical foundation for the structural consumer protections uplift proposed in SMC's primary submission.

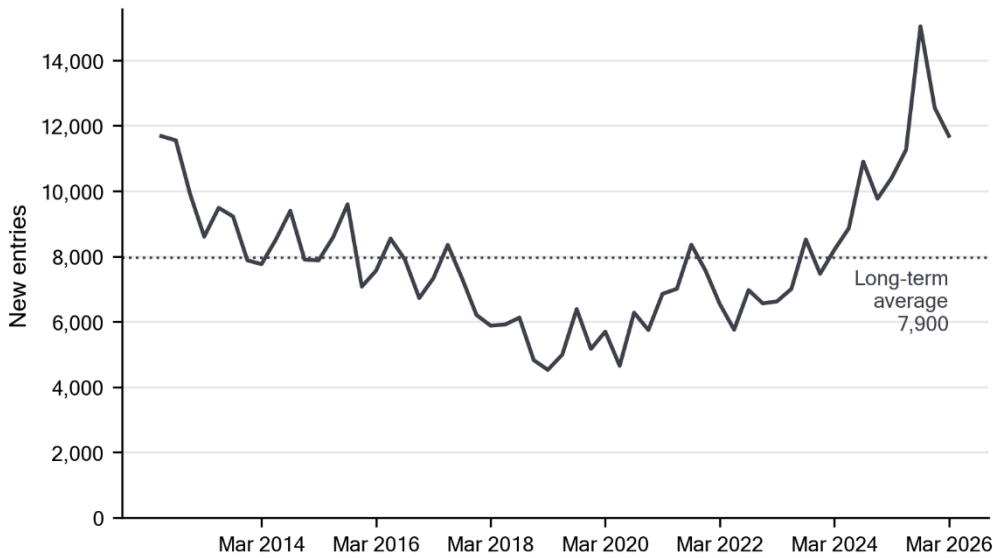
Section 1 - SMSF switching: costs and returns

1.1 Flows and establishment trends

Recent SMSF establishments data (Figure 1) shows flows into SMSFs have accelerated alongside platform switching in recent years.



Figure 1: Quarterly new entries into SMSFs

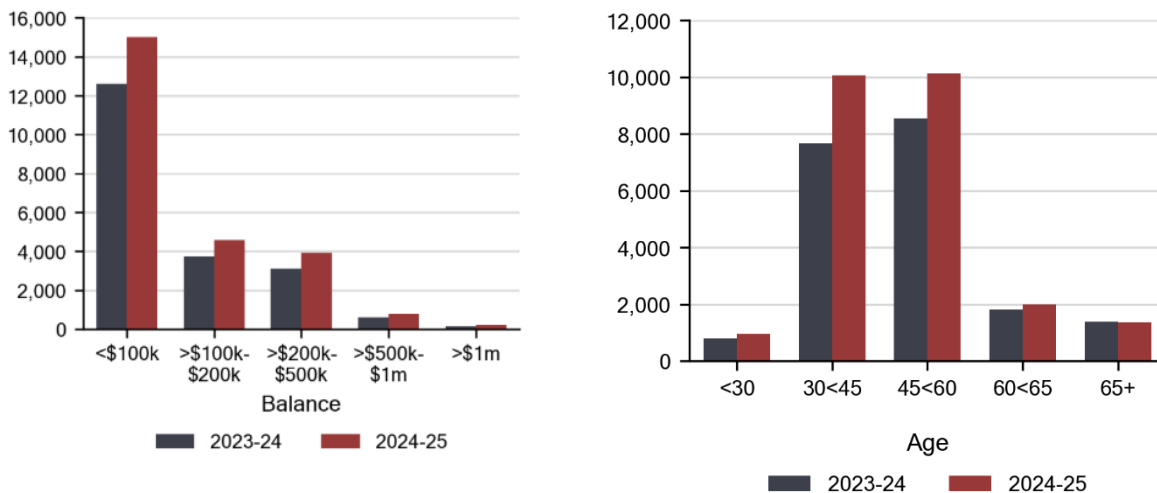


Source: ATO Self-managed super fund statistical report - March 2026 and historical.

Data from five large profit-to-member funds with the highest outward rollover volumes that included 25,000 members transferring to SMSFs in 2024-25 shows approximately 61% of these more recent switchers into SMSFs had super balances below \$100,000, and growth was strongest among younger cohorts. These trends indicate that SMSF establishment is now increasingly occurring at super balance levels well below those traditionally associated with cost-effective SMSF operation - noting the costs of operating an SMSF are typically much higher for members than if they were in a high-performing, low-fee regulated super fund.

Similar patterns emerge for SMSF transfers (Figures 2 and 3). In 2024-25, 61% had super balances under \$100,000 and 80% had under \$200,000. Growth was strongest among the lowest balances (19% for those under \$100,000). Nearly half of these more recent SMSF switchers were aged under 45, and total SMSF switching grew by 21% year-on-year, with the 30-45 age group experiencing the highest growth at 31%.

Figures 2 and 3 - Number of members that transferred amounts to SMSFs by balance and age



Source: SMC analysis of switching data survey from five large PtM funds.

Cross-reference – Primary submission – Proposal 3 (SMSF establishment and rollover warnings): the acceleration of switching among the 30-45 cohort with low balances is a direct illustration of the emerging risk profile that the proposed SMSF establishment warning regime is designed to address.



1.2 Cost and performance consequences

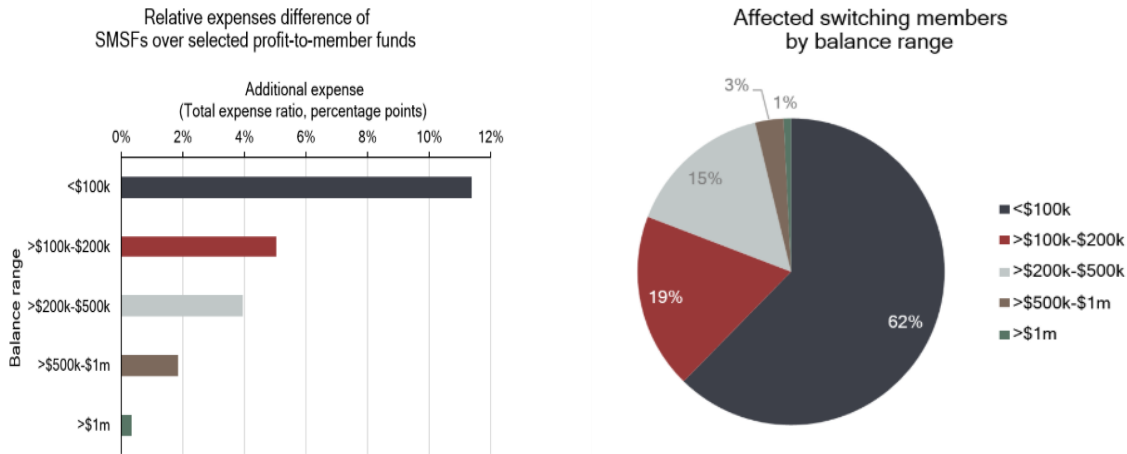
The data shows that most of these members more recently switching to SMSFs had super balances well below the level needed to achieve investment returns comparable to profit-to-member funds. Over 60% of SMSF switchers in both 2023-24 and 2024-25 had balances below \$100,000, with an average rollover of just under \$30,000 for that cohort.

Australians with super balances under \$100,000 face average total SMSF expenses of nearly 12% a year, versus costs of under 0.5% in profit-to-member funds.

Over the past ten years, SMSFs with \$100,000 or less delivered average annual investment returns of -9.5%, compared to +7.0% for profit-to-member funds – a performance gap of over 16 percentage points.

For members with modest super balances, this combination of much lower investment returns and higher fees can significantly erode a member’s super and retirement financial outlook - compared to being in high-return, low-fee, actively regulated super fund.

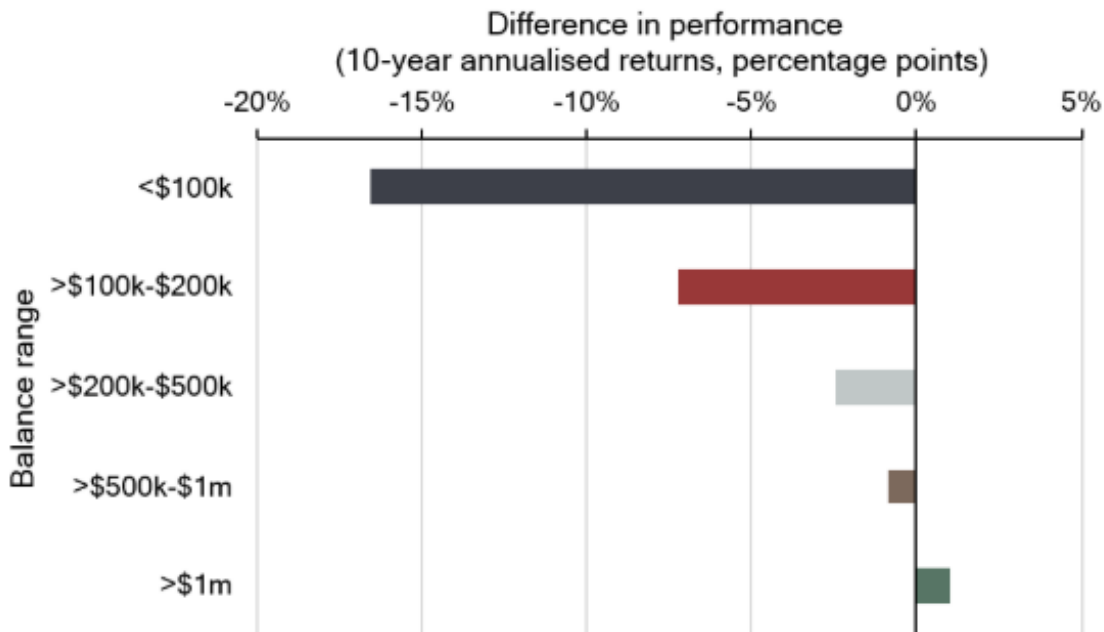
Figure 4 and 5 - Additional total expense outlay by balance range of members switched into an SMSF and Affected Switching Members by super balance



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 6 - 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. Note there are methodological differences in the calculation of returns by the ATO and APRA however they are not material to the relative findings here.

Cross-reference – Primary submission – Proposal 3 (SMSF establishment and rollover warnings) and the SMSF safety risk gap: the return and cost data for low-balance SMSF switchers is the clearest empirical justification for the proposed standardised SMSF establishment and rollover warning regime. Members with average balances of \$30,000 are incurring negative 10-year returns and expense ratios of nearly 12% annually.

In total, SMC estimates that these members who fully rolled over to SMSFs and platform funds in 2024-25 face \$163 million in extra fees and costs each year: \$139 million of those higher costs for members in SMSFs and \$24 million for members in platform products. With most switchers aged 30 to 60, higher costs and lower returns come at a critical stage of wealth accumulation. Higher fees and costs every year can compound to dramatically erode the amount of super a member will have by retirement.

1.3 The financial cost penalty for members in low balance SMSFs

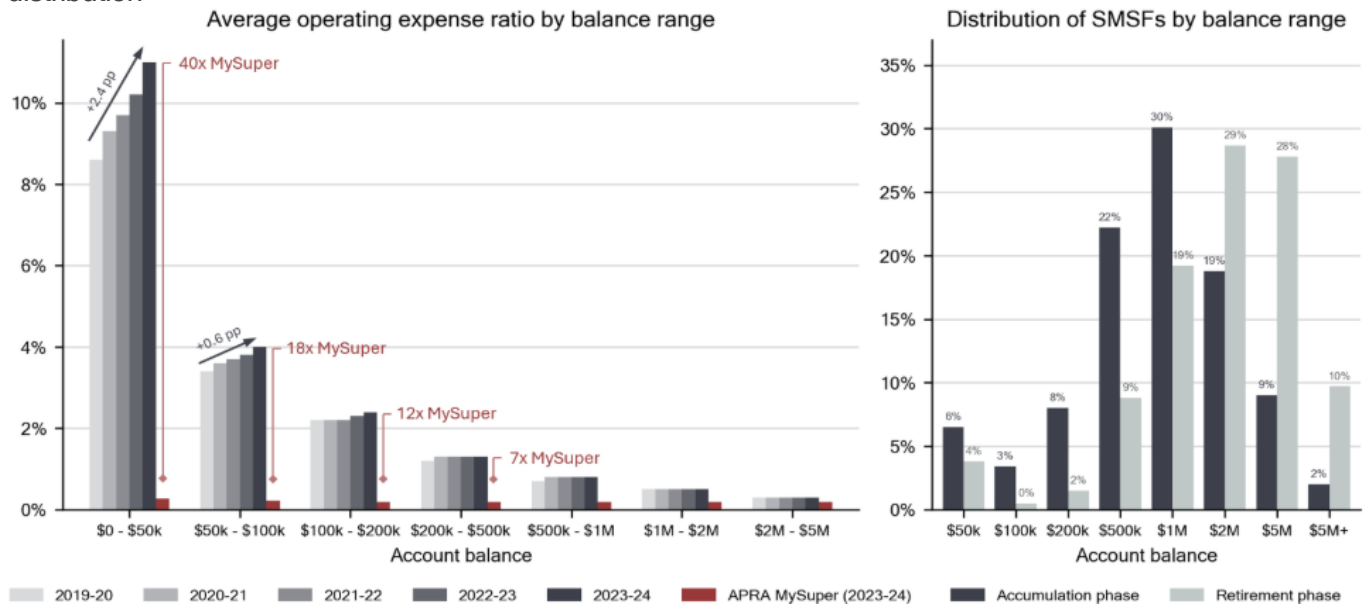
The cost disadvantages for low balance SMSF switchers are driven by the structure of typical SMSF running costs, which are dominated by fixed expenses. As a result, expense ratios rise sharply for members at lower balances – precisely the balance range where most of this recent detected switching activity is occurring.

At balances below \$100,000, SMSF operating costs are between 18 and 40 times higher than comparable APRA-regulated MySuper products and only become broadly comparable at balances approaching \$2 million. On a like-for-like operating cost basis, low-balance SMSFs cost many multiples of comparable APRA MySuper products (Figure 7).

Furthermore, the expense ratios for low balance SMSF’s are increasing in an unsustainable way, year on year, for balances up to \$200,000. This should ring alarm bells for prospective SMSF switchers, regulators and policymakers alike.



Figure 7 and 8 - SMSFs are substantially more expensive than APRA MySuper products, plus balance distribution



Note: For the left chart, the APRA MySuper comparison uses median representative member fee estimates at the closest available balance point. The \$250,000 APRA estimate is used for SMSF balance ranges of \$500,000 and above.

Source: ATO Self-managed super funds: A statistical overview 2023-24; APRA Quarterly Product Level Superannuation Statistics, September 2024.

Cross-reference – Primary submission – Proposal 4 (advice fee deductions, balance erosion protections) and the overarching level playing field principle: average SMSF costs at balances below \$100,000 are 18 to 40 times higher than an APRA-regulated MySuper product. SMSF operating costs only become broadly comparable to a MySuper product at around the \$2 million balance mark. These figures reinforce the strong case for consumer protections from structural balance erosion, and also for equivalent safeguards for advice fee deductions in the SMSF context.

1.4 Regulatory arbitrage and policy response

These consumer warning bells reflect a clear regulatory asymmetry between the oversight applied to APRA-regulated funds and SMSFs, yet strong consumer safety requires system-wide protections. While APRA-regulated funds are subject to performance testing, fee disclosure standards, and trustee oversight duties on advice fee deductions, no equivalent consumer safeguards or regulator oversight apply at the point of SMSF establishment or rollover. This yawning consumer safety gap leaves 1 million Australians in SMSFs exposed to major risks of underperformance, balance erosion, and outsized costs. The result is a form of regulatory arbitrage, where members can be moved into significantly higher-cost and lower-performing structures without the crucial performance and consumer safety protections that apply in the mainstream super system. The data evidence in this attachment strongly supports the reinstatement of clear minimum balance requirements for SMSFs - to give consumers a clear, consistent indicator of when SMSF structures are unlikely to be in a member's best financial interests. Such a minimum balance requirement would complement the proposed rollout warnings framework and help address the structural consumer protection gaps identified in SMC's primary submission.

Section 2 - Platform switching and advice fee settings

2.1 Who is now switching to platforms?

This section presents analysis of recent member switching patterns from five large profit-to-member funds, including a comprehensive examination of who is switching, where their savings are going, and the financial consequences for members.

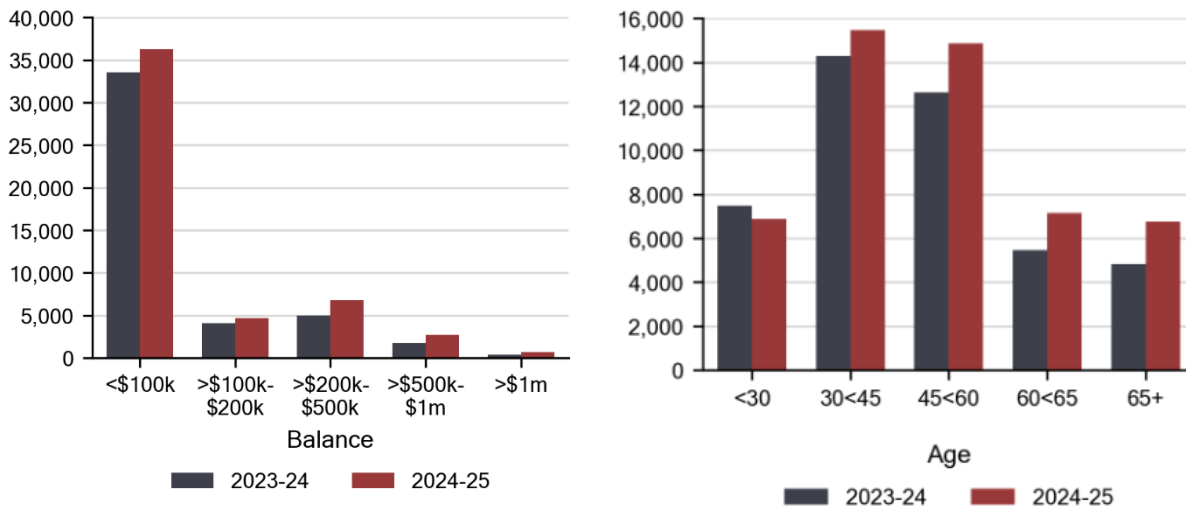
The analysis examined outward rollovers from the five large profit-to-member funds with the



highest volumes of outward rollovers to platform-based funds in 2024-25, in a clear snapshot of where switching activity is most concentrated. The survey covered 51,000 members switching to platforms in 2024-25 – a significant share of total switchers. Members making partial rollovers were excluded.

Most of these members more recently transferring to platform products had lower super balances: in 2024-25, around 71% of them had less than \$100,000 and 80% held less than \$200,000 (Figures 9 and 10). Members aged under 45 represent a substantial share of newer switchers, indicating that this recent switching is concentrated among early and mid-accumulation cohorts rather than individuals approaching retirement. While this analysis does not capture household-level assets or advice decisions made jointly across a household, the member count of observed individual account balances and age profiles indicates that this switching is concentrated among early and mid-accumulation cohorts rather than individuals approaching retirement. Overall switching to platforms grew by 15% between 2023-24 and 2024-25.

Figures 9 and 10 - Number of members that transferred amounts to platform funds by balance and age



Source: SMC analysis of fund survey data, switching patterns from five large PtM funds with highest outflows.

Cross-reference – Primary submission – Proposal 1 (Platform trustee governance uplift): the concentration of switching activity among low-balance members is not consistent with wealth-driven switching and supports the case for standardised warnings and stronger platform-level gatekeeping.

2.2 Recent growth in advice expenses - concentrated in platforms

Access to affordable, quality, trusted financial advice is important for super fund members – and it is a critical element of the consumer protection framework. The long-promised Delivering Better Financial Outcomes reforms are urgently needed to strengthen access to affordable guidance and advice for millions of Australians, especially for those with modest amounts of super - such as many of the Australians who lost their life savings in the Shield and First Guardian investment schemes which were listed on four super platforms.

Recent APRA data reveals a sharp increase in total advice expenses - especially over the past two years - deducted from members’ super accounts, concentrated heavily in parts of the platform sector. This section analyses the recent growth in those advice expenses by fund type and how it relates to recent fund flow trends. Of course, some of this growth reflects the fact that more members are now accessing advice through super platforms – but the scale and concentration of the recent increases in a small number of super products is a pattern worth closer scrutiny by regulators.

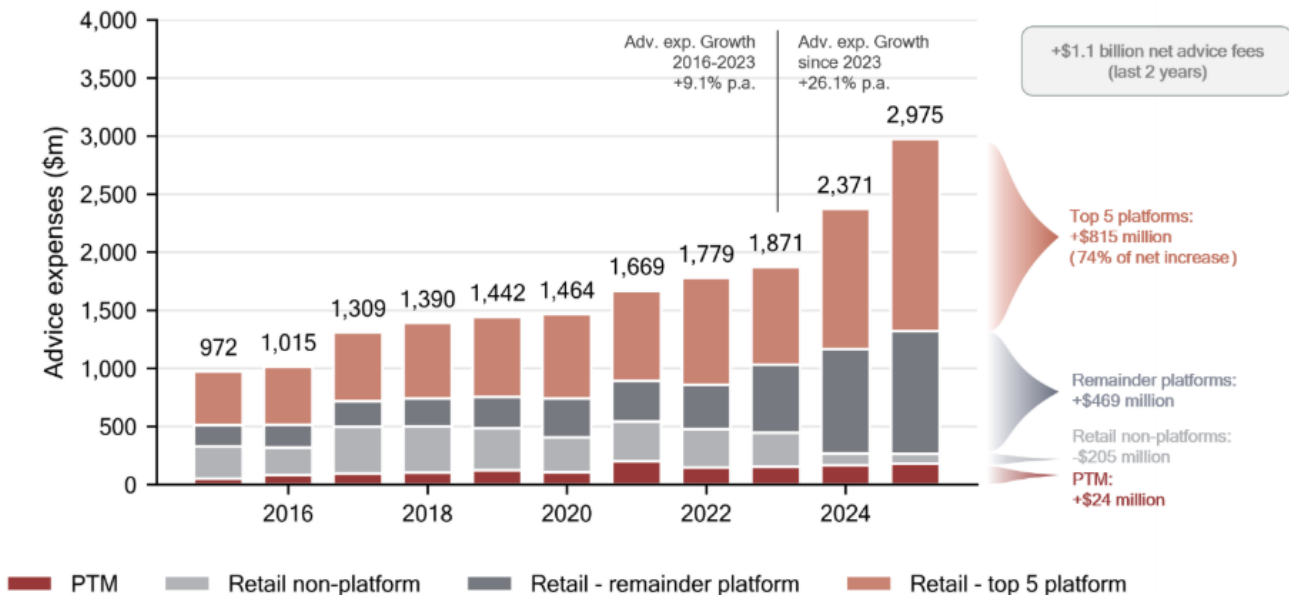
Advice can play an important role in helping members make informed decisions about their



super that strengthen their financial circumstances, and the deduction of reasonable advice fees directly from super balances can help facilitate that access – particularly for members who might otherwise be unable or unwilling to pay out of pocket. Growth in advice fee deductions could reflect several things including an increase in the volume of advice or cost of advice delivered to existing or newly advised members (or a combination of both).

APRA fund-level statistics show total advice expenses deducted from member accounts have grown steadily through until 2023 - broadly in line with growth in members and balances (Figure 11), however the pace of growth has nearly tripled from the historic norm in the last two years - a highly unusual development. At the fund level, five platform funds with the strongest inward rollovers account for \$815 million of the \$1.1 billion total increase in advice fees deducted from member accounts between 2023 and 2025 – a concentration that, while drawn from aggregate rather than member-level data, warrants closer scrutiny of how these fees are being applied and trustee oversights on them. APRA's data does not allow this growth in fee deductions to be tested against a comparable uplift in members actually accessing advice on these platforms – an important question in its own right, given known constraints on adviser numbers and the gatekeeping and fee-cap concerns that ASIC identified in detail in its REP 781.

Figure 11 - Advice expenses by fund type, 2016 to 2025



Note: Top 5 platform funds are retail funds with highest inward rollovers ex SFT (year to June 2025). If a fund has a platform status in June 2025, it is assumed to be a platform fund throughout the history of this analysis. No adjustments have been made for fund mergers. Year ending in June.

Source: SMC analysis of APRA Annual fund-level statistics (back-series) June 2025.

Cross-reference – Primary submission – Proposal 4 (advice fee deductions, annual global caps, standardised APRA reporting): the sharp acceleration in advice expense growth – tripling the compound growth rate in two years – is the core quantitative justification for the mandatory trustee-level cap framework and the APRA reporting standardisation recommendations.

2.3 Advice fee arrangements and switching

Publicly available data does not allow the major recent increase in advice fee deductions from member accounts on a handful of super platforms to be fully explained, and no data exists on the volume or specific types of advice provided – though external advice (rather than internal intra fund advice) is the primary source. Within these limits, the pattern in fee settings and switching activity warrants closer scrutiny. There is, however, an apparent relationship



between advice expense growth and net rollover activity (Figure 12). A majority of the platform funds with the highest net inflows (7 of the top 10 funds on inflows) also reported significant increases in advice expense deductions from member accounts.

The data shows the largest recent increases in advice expenses are concentrated in a small number of platform funds with both high advice expense ratios and strong rollover inflows. Some of this reflects advice incidence – platforms are advice-led distribution channels where most members have an adviser – but a controlled regression analysis finds the platform-specific relationship between advice fee settings (that is the magnitude of advice fees that are deducted) and rollover inflows survives after accounting for timing effects, fund size, costs and performance, and strengthens when funds are weighted by member assets. This is consistent with the incentive effects that can drive inappropriate switching identified by ASIC in its REP781 in 2024. ASIC's report's key findings and concerns included:

- **Fee Deductions:** The review identified that over \$990 million in advice fees were charged across more than 476,000 member accounts.
- **High Advice Fee Caps:** Advice fee deductions for 70% of trustees exceeded \$15,000, with some caps reaching as high as \$20,000 or 5% of a member's balance.
- **Poor Gatekeeping:** Trustees had inadequate monitoring processes. Many failed to proactively check samples of advice documents and lacked clear onboarding processes to check the credentials of new advisers.
- **Limited Controls for Low Balances:** Very few trustees had adequate controls in place to protect members with low superannuation balances from excessive advice fee erosion.

ASIC also warned that: "Trustees with high fee caps, particularly percentage-based fee caps without a fee ceiling, or easily permissible exceptions processes may attract unscrupulous advisers and licensees, including those associated with cold calling operators seeking higher advice fees".

In the two years since ASIC's 2024 report, the level of switching has accelerated even further and faster, highlighting the urgent need for the proposed stronger consumer safeguards in the Government's reform package currently out for consultation. It is an essential consumer protection to require and verify that switches are based on robust evidence that categorically demonstrates it will make the member better off overall financially inclusive of all fees, charges and costs to the member - including advice fees.

While switching decisions are multifactorial, the recent concentration of advice fees and inflows into a handful of platform funds permitting higher fee deductions raises the question addressed below – whether this points to a link between higher fee cap arrangements and member inflows, tested through Figure 13 and the regression analysis at Appendix A.

While account consolidation may explain some individual switching decisions, the available data suggests it explains very little of the observed aggregate switching behaviour to this subset of platforms¹. At a system level, a growing majority of members now hold only one superannuation account. The balance distribution within platform funds also shows that low-balance single accounts persist, notwithstanding that average member balances in platforms are higher than in profit-to-member funds. Further, the strength of the relationship between net rollover flows and advice expense growth does not point to fund consolidation as a material factor in recent platform inflows.

Analysis of advice expense ratios relative to net rollover flows indicates a strong association between the magnitude of advice fees and the scale of member switching into platform products. Figure 13 tests

¹ The latest ATO data ([October 2025](#)) shows 80% of individuals have a single super account, and SMC analysis from the profit to member fund switching survey found average age cohort rollover amounts to platforms and SMSF's to closely mirror median and average total super balances for age matched cohorts in the 2023-24 Taxation Statistics.



this relationship directly by comparing net rollover activity with each fund's advice expense ratio. While the relationship is less meaningful for a number of very small niche platform funds, among platform funds of scale, the data shows a clear association between higher advice expense ratios and stronger net rollovers, with an R^2 of almost 0.7. This bivariate relationship, while compelling at face value, does not on its own establish the direction of causation. To test this, we undertook a controlled regression of net rollover rates against lagged advice expense ratios, controlling for fund size, costs, performance and timing effects, with a platform-specific interaction term (see Appendix A). That analysis finds the platform-specific effect for this subset of platforms survives these controls and strengthens when funds are weighted by member assets, while conventional explanations – performance, lower costs – do not hold up. This indicates that the level of advice fees that these trustees allow to be deducted from member accounts is a material factor in advised switching activity consistent with ASIC's REP78.



Figure 12 - Change in advice expense (2023-25) by net rollover ranking (high to low) - top 50 funds

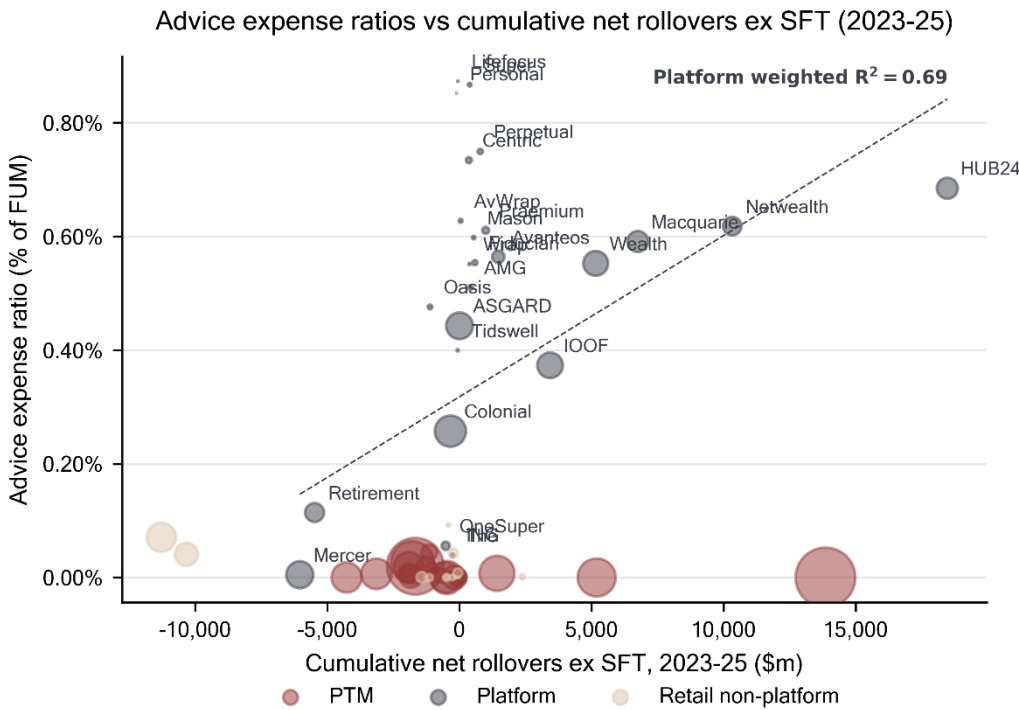


Note: Top 50 funds shown. Public offer funds only. Net rollovers exclude SFT. Funds are ranked by net rollovers, from highest at the top to lowest at the bottom.

Source: SMC analysis of APRA Annual fund-level statistics (back-series), June 2025, Table 3a/3b.



Figure 13: Advice expense ratios vs net rollovers ex SFT (FY2023-25)



Note: Note: Bubble sizes represent relative magnitude of FUM. Advice expense ratios reflect differences in advice incidence across fund types as well as fee levels; see Appendix A for the controlled regression analysis.

Source: SMC analysis of APRA Annual fund-level statistics (back-series), June 2025.

Cross-reference – Primary submission – Proposal 4 (advice fee deductions): the relationship between net rollover inflows and advice expense growth at the fund level is consistent with the incentive misalignment identified by ASIC in REP 781 and provides empirical support for the key consumer protection recommendation that trustee-level caps be set by reference to each fund’s own member demographics and advice cost assessments, not by industry peer comparison.

2.4 Consumer expectations and advice fee transparency

Recent consumer research reinforces the case for stronger consumer protection safeguards on advice fee settings. It confirms gaps in member awareness, engagement, price signals and complex disclosure of advice fee information. This information asymmetry for consumers reinforces the need for the system settings to have stronger universal minimum protections.

Data from a May 2026 survey, conducted by Pyxis for SMC, found super fund members felt they typically had limited visibility of the advice fees they ultimately pay, particularly where those fees are deducted directly from their superannuation balances. Consistent with this, two thirds of survey respondents reported that fee deductions from super means they’re less likely to think about the cost of advice.

Importantly, this is not an argument against fee deduction mechanisms. To the contrary. The deduction of reasonable and proportionate advice fees from super can play an important role in facilitating access to financial advice, particularly for members who may otherwise be unable or unwilling to pay out-of-pocket. However, where fees are less visible to members, effective price discipline is weakened, increasing members’ reliance on diligent trustee oversights and strong regulatory visibility and verification to ensure the level of fees deducted are appropriate and in members’ best financial interests, as ASIC’s 2024 report highlighted.

The survey also detected clear support from the Australian public for strong system-level consumer safeguards: 81% of those surveyed indicated they support ASIC publishing clear fee benchmarks, 79% support caps on advice fees, and only a minority believe pricing should be left to market forces. This affirms an overwhelming desire from Australians for greater consistency, clearer boundaries, and stronger transparency in how advice is priced and



delivered across the full breadth of the super system.

These consumer insights reinforce that current arrangements do not consistently generate strong or informed consumer engagement with advice pricing. This affirms the importance of reforms that both strengthen trustee and regulator oversights of fee deductions and expand the availability of lower-cost, scalable advice models in the regulated system.

In this context, it is critical to urgently legislate the DBFO reforms. Enabling super funds to deliver simple, affordable and scalable forms of advice to their own members will improve access to affordable advice for all members alongside access to higher-cost, episodic advice models for the members who need it. It will ensure that members can get the guidance and advice they need in a trusted model that delivers both accessibility and consumer protection.

The survey insights are a strong indicator of Australian community sentiment for the concepts outlined in policy proposal 4 of SMC's submission: that advice fee settings require greater consistency across the breadth of the system architecture, clearer boundaries, improved transparency, and trustee-level controls to ensure all advice fees deducted from superannuation accounts are squarely in members' best financial interests.

Conclusion

The data in this supplementary attachment to our primary submission sets out a clear empirical evidence foundation for the reforms endorsed in SMC's primary submission on Enhancing Member Protections in the Superannuation System. Those reforms would deliver a consistently high standard of consumer protection right across the super system architecture.

Three system-level conclusions emerge from the combined analysis.

First, switching to both platform-based super funds and SMSFs is increasingly shifting to younger members and members with lower balances. Across both channels, a substantial majority of newer switchers have super balances below \$100,000 or \$200,000, and this recent switching growth is strongest in younger age cohorts. These patterns are not consistent with a commonly asserted view that such switching is primarily driven by wealth, retirement complexity, or more sophisticated member needs.

Second, the more recent platform switching data points to clear and growing consumer protection risks associated with widely variable advice fee deduction settings – including higher fee-cap arrangements – and rapid advice expense growth concentrated in a small number of platform funds. While switching decisions are multifactorial, a controlled regression analysis (Appendix A) finds advice fee settings (that is the magnitude of allowable fee deductions) remain associated with stronger inflows into platform products even after accounting for fund size, costs, performance and advice incidence, consistent with the incentive risks identified by ASIC in REP 781. This supports the case for much stronger and more consistent trustee oversights, clearer reporting, and structural consumer protections.

Third, the SMSF data highlights a clear regulatory asymmetry which results in Australians with low and modest super balances facing significant risks of both investment underperformance and outsized expense costs which can materially erode their super and retirement outlook. Recent data shows thousands of Australians are now increasingly switching into SMSFs at balance levels far below those traditionally associated with the higher costs associated with SMSF establishment and operation, exposing these members to materially higher costs and weaker long-term returns without equivalent consumer safeguards yet with no official warning at the point of SMSF establishment or rollover. This creates a major consumer protection gap that supports the case for mandatory regulator-issued warnings, clear minimum balance requirements for SMSFs, and more consistent consumer protections across the super system.

Taken together, these insights and findings support the urgency of the reforms outlined in SMC's primary submission – including swift legislative passage of the crucial DBFO Tranche 2 reforms, which can fix the current advice vacuum that puts consumers at greater risk of switches that will make them poorer in retirement. The data also highlights an urgent



imperative for the system regulators to prioritise surveillance of platform-level fund flows and advice expense patterns as leading indicators of emerging consumer harm risks.

SMC welcomes the opportunity to discuss this analysis further with Treasury and regulators.



Appendix A: Advice fee deductions and member switching – regression analysis

A.1 Objective of the Regression Analysis

This submission shows a strong descriptive statistical relationship between advice expense ratios and cumulative dollar rollover inflows into platform products. This appendix tests whether the relationship remains after switching is measured on a comparable rate basis and after accounting for other plausible drivers of switching such as costs, size and performance.

This matters because a simple correlation, without assessing other plausible factors, could be misleading. Funds with stronger inflows may differ from others in ways that could legitimately attract members, including better historical performance, lower operating costs, different investment cost structures, greater scale or product features that are not directly observable in available data.

The question tested is specific: does the association between advice expense ratios and switching survive once timing effects, scale, costs and performance are accounted for? We find that it does, particularly when funds are weighted by member assets.

A.2 Methodology and controls

The analysis uses APRA fund-level data for FY2021 to FY2025, limited to public offer funds and excluding eligible rollover funds and cases where switching rates could not be meaningfully calculated. The main sample contains 378 complete fund-year observations.

Switching is measured using a net rollover rate rather than dollar rollovers. The dependent variable is net rollovers divided by opening fund assets, which puts small and large funds on a comparable basis and avoids the analysis being dominated mechanically by fund size. Separate asset-weighted results are then used to restore policy relevance by giving greater weight to the funds holding most member assets.

The preferred specification uses the prior year's advice expense ratio to explain the current year's net rollover rate, reducing circularity and timing bias. This helps test whether more higher fee deduction settings are associated with subsequent switching, rather than simply moving at the same time as inflows. The use of net rollover rates and lagged advice expense ratios, rather than dollar rollovers and total fees, seeks to distinguish high fee settings attract advised flows from flows to popular platforms mechanically generate fee revenue.

The model also controls for the main factors that would ordinarily be expected to influence rational fund choice: operating costs, investment costs, trailing five-year investment performance, fund size and year fixed effects. It also includes a platform interaction term to test whether any advice fee relationship is specific to any platform products rather than the system as a whole.

Technical safeguards include trimming extreme switching rates to reduce the influence of very small funds, clustering standard errors by fund, and testing alternative specifications to assess whether the result depended on a particular modelling choice.

Statistical test	Fund-level regression of net rollover rate on lagged advice expense ratio, with standard controls and a platform interaction. Main sample: 378 fund-year observations.
Headline result	The platform-specific advice fee effect is positive and becomes larger and statistically significant in the asset-weighted model. See Section A.6.
Cross-check	Platform inflows are associated with weaker five-year returns, while operating costs are not significant. See Section A.6.



A.3 Key findings

Higher advice expense ratios are associated with stronger switching inflows into a specific subset of platform funds even after controlling for size, costs, performance and year effects. The effect is most pronounced in the asset-weighted model, indicating that it is concentrated in larger platform funds (Section A.6).

The pattern does not look like ordinary consumer switching based on better value. Operating costs are not significant, and platform inflows are associated with weaker historical returns rather than stronger returns (Section A.6).

Robustness checks point in the same direction. The platform-specific coefficient remains positive across alternative specifications, including a shorter return window, analyses using the full range of observed outcomes and contemporaneous advice ratios. Some variants are less statistically precise, but the direction of the relationship is consistent throughout (Section A.6).

These results should be read in a balanced way: they are strongest for the largest platform funds and do not establish causation in a strict sense. They do, however, show a robust and policy-relevant association that survives standard controls.

A.4 Addressing likely objections

Could other factors still explain the result? Possibly. But the analysis controls for the main observable alternatives – costs, size, performance and year effects – and the association remains.

Could this simply reflect more sophisticated platform products? Available data cannot fully test that possibility. APRA fund-level data do not directly observe platform functionality, advice quality, member complexity or the broader service proposition that may accompany platform products. Even so, a sophisticated tailored-investor explanation sits uneasily with the pattern in the results: if stronger inflows were mainly reflecting superior value or product quality, one would ordinarily expect those funds also to show stronger trailing returns or lower costs. Instead, the analysis finds that stronger platform inflows are associated with weaker, not stronger, five-year returns, while operating costs are not statistically significant. That does not rule out product differences, but it does weaken the argument that the observed switching pattern can be explained simply by members moving to objectively better-performing products.

Is the result driven by only a few large funds? To an important extent, yes. That does not remove policy significance, because those funds account for most switched member assets.

A.5 Key take-outs

- The analysis tests whether advice fee deductions remain associated with switching once standard rational-choice explanations are controlled for.
- That association remains and is strongest in a subset of platform funds, particularly in the asset-weighted specification most relevant to member impact.
- Conventional markers of rational fund choice do not explain the flows: operating costs are not significant, and platform inflows are associated with weaker historical returns.
- The findings are consistent with adviser-directed switching being an important contributor to rollover flows into platform products.
- The evidence is persuasive but not definitive on causation; it is best read as robust evidence of a material association that warrants regulator and policy attention.



A.6 Supporting statistical test results

Table 1 reports the main regression results. The baseline model tests the overall relationship between advice expense ratios and net rollover rates across public offer funds. The interaction models then test whether that relationship differs for platform products, including when funds are weighted by FUM.

The key result is the advice ratio \times platform interaction. It is positive in both interaction models. In the equal-weighted model, the coefficient is economically large but falls short of conventional statistical significance. When funds are weighted by FUM, the coefficient becomes larger and statistically significant, indicating the relationship is strongest where larger volumes of member assets are exposed.

Table 1 – Main models (dependent variable: net rollover rate)

	M1 Baseline	M2 Interaction	M3 FUM-weighted
Advice ratio (t-1), base effect	1.34 (p = .76)	-4.47 (p = .26)	3.56 (p = .50)
Advice ratio (t-1) \times Platform	–	+14.22 (p = .12)	+22.38 (p = .01)
Controls, year FE	Yes	Yes	Yes
N / R ²	378 / .10	378 / .12	378 / .38

Controls: five-year trailing return, operating expense ratio, investment expense ratio, log fund size, platform indicator and year fixed effects. Expense ratios and returns are measured at t-1. Standard errors clustered by fund. Full output available on request.

Note: The R² values in Table 1 are not directly comparable to the asset-weighted R² of 0.69 reported in Figure 13. In Figure 13, the fitted line and R² relate only to platform funds and show the bivariate relationship between advice expense ratios and cumulative dollar rollovers. Table 1 reports controlled regressions across all public offer funds, using annual net rollover rates as the dependent variable and including performance, costs, fund size and year effects.

Table 2 – Robustness and diagnostic checks (advice \times platform interaction)

Check	Advice \times Platform	Interpretation
Exclude HUB24 and Netwealth	+8.86 (p = .28)	Coefficient falls and is no longer statistically significant, indicating the result is concentrated in the largest platform funds
3-year return window	+15.21 (p = .08)	Similar direction and stronger precision when shorter-history platform funds are included
Contemporaneous advice ratio	+12.37 (p = .15)	Similar positive platform interaction; lagged model preferred because current-year advice expenses can be mechanically linked to current-year inflows
Operating expenses – platform only	-1.19 (p = .82)	Operating costs do not explain platform inflows
5-year return – platform only	-7.82 (p = .002)	Platform inflows are associated with weaker five-year returns, not stronger returns

The first three rows are robustness checks on the advice \times platform interaction. The final two rows test whether conventional drivers of fund choice explain the observed flows. Standard errors are clustered by fund.