Super Consumers Australia

Securing Australia's retirement:

It's time to protect retirees from dud investment options

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November 2025

ABOUT US

Super Consumers Australia is the advocate for people on low and middle incomes in Australia's superannuation system. Our vision is for an accountable and fair super system that delivers great service and great financial outcomes in retirement. Formed in 2013, we are an independent, not-for-profit organisation and a leading voice for consumers of superannuation products and services.

This research was supported by a philanthropic grant from Ecstra Foundation. Ecstra is committed to building the financial wellbeing of Australians within a fair financial system. We thank the Ecstra Foundation for funding this project.

Introduction

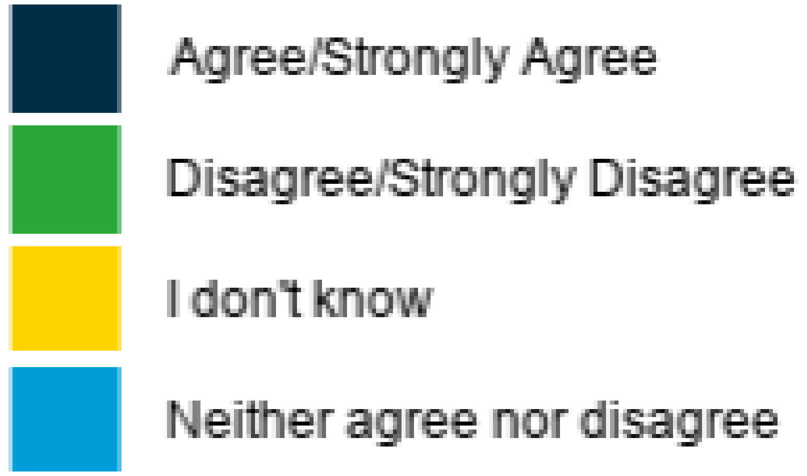
Performance Testing for Retirees

- There are currently far fewer safeguards in the superannuation system for consumers in the retirement phase compared to the accumulation phase.

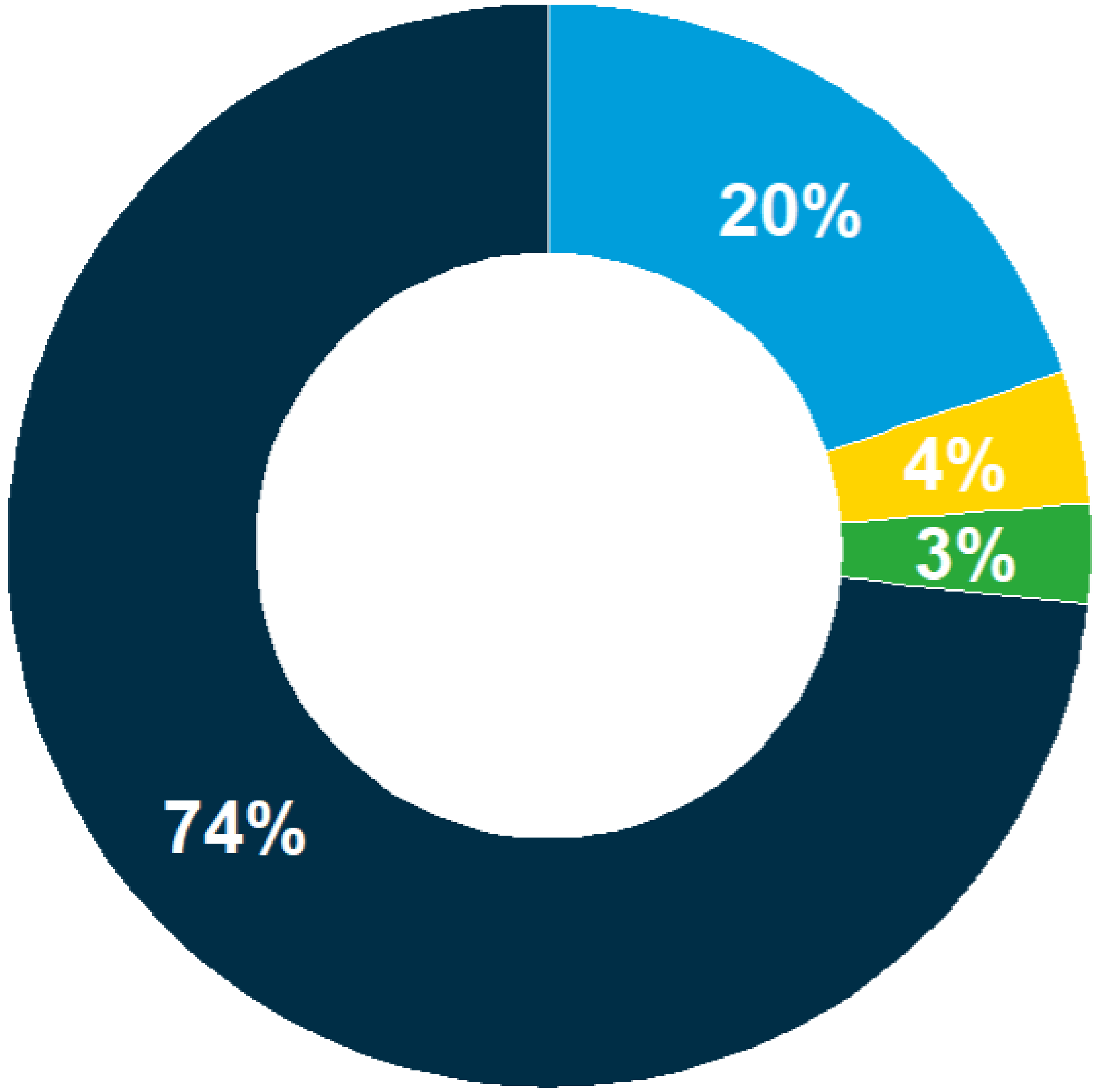
- One example: Performance Test
    - The test is currently limited to select *accumulation* products including default (MySuper) products.

- Thus, retirement phase products, despite their high risk of underperformance, are entirely excluded from the test.

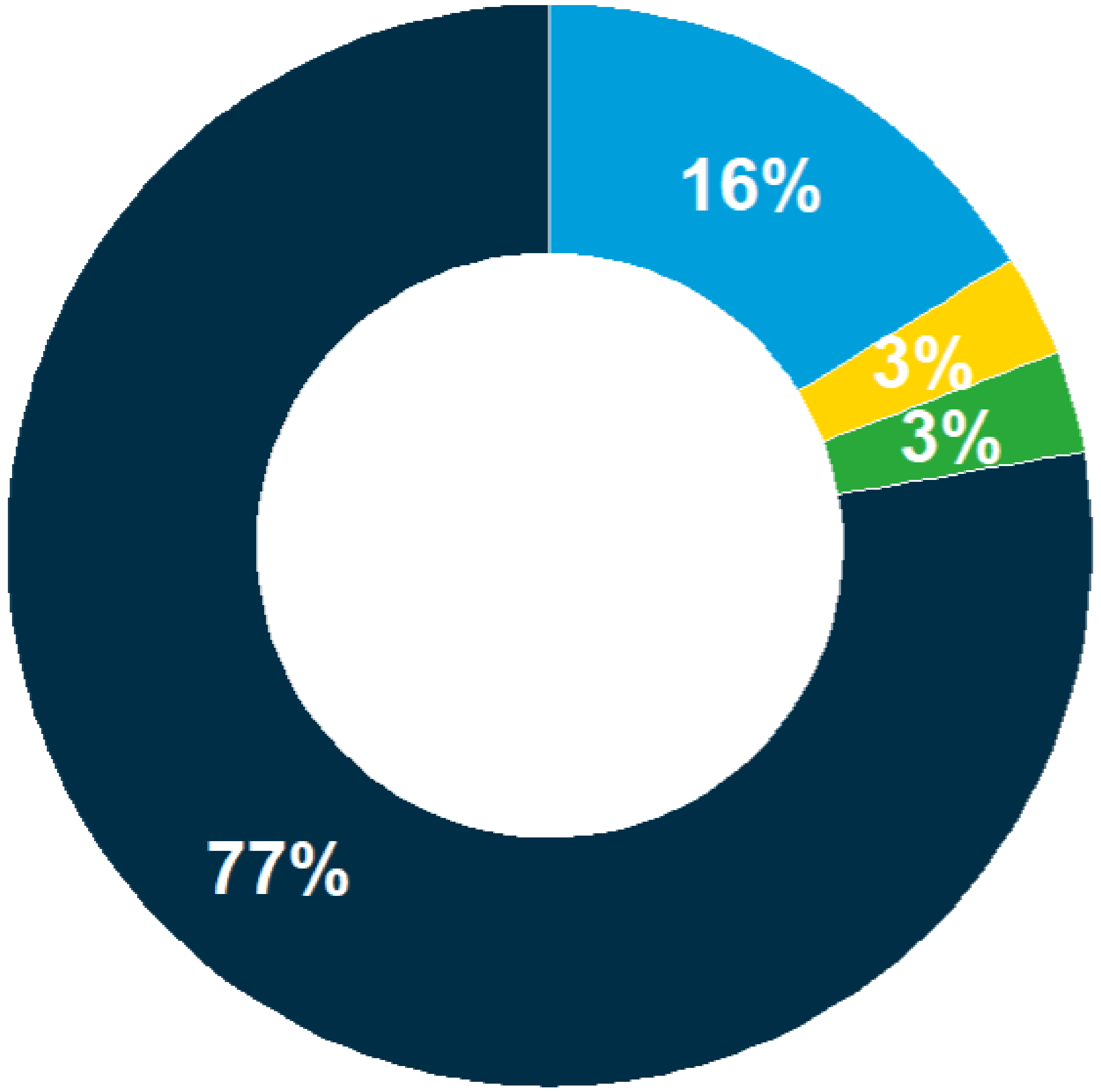
Australian Consumer Voice



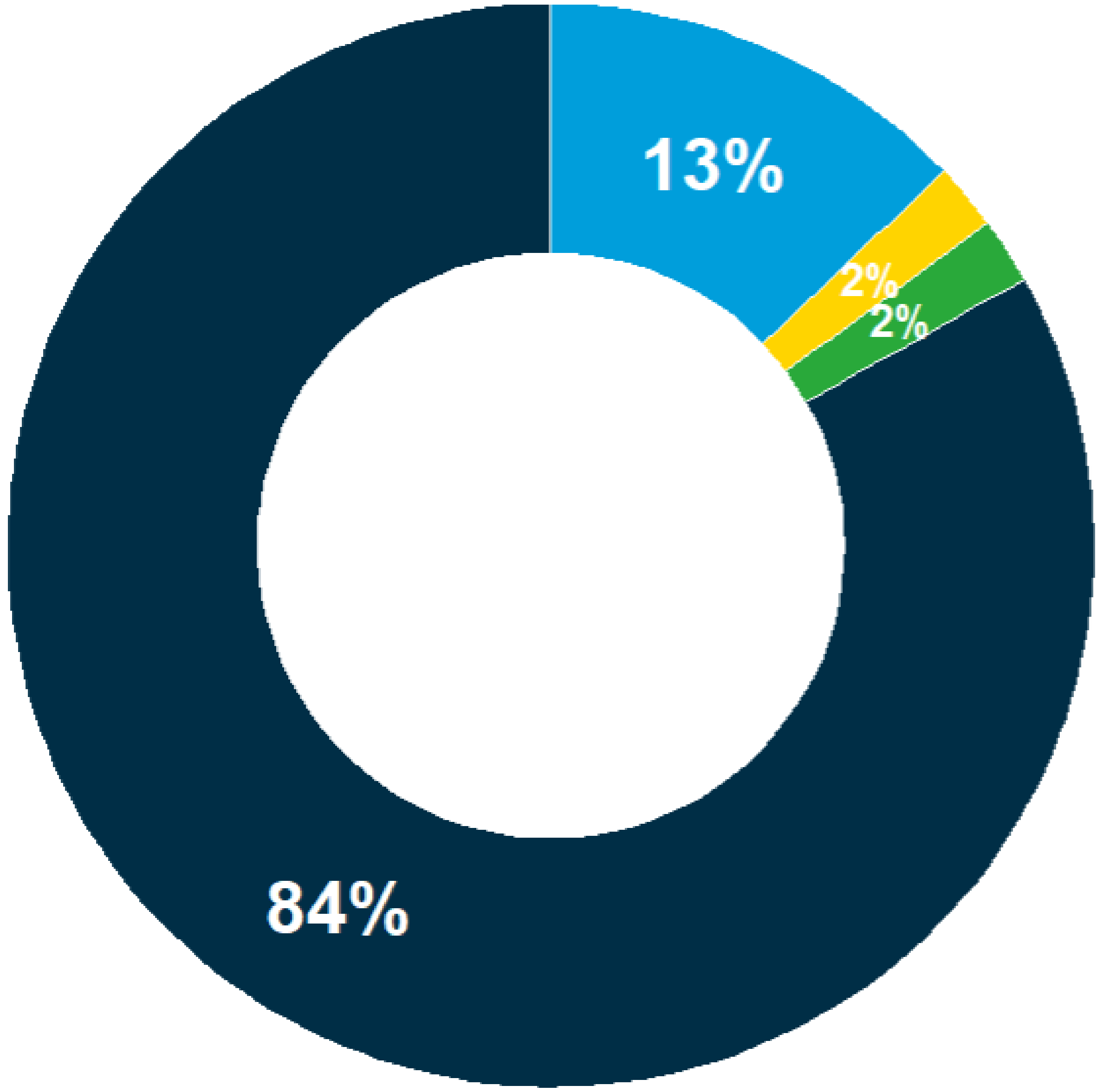
- Our nationally-representative cross-sectional repeated Pulse survey (N = 5081):



Performance testing for retirement products



Consequence for retirement products underperforming



Performance comparison tool for retirement

Aim and Methodology

Our aim

To assess the performance of retirement phase multi-sector superannuation products and to calculate the potential financial harm to consumers' retirement outcomes if they are invested in an underperforming option.

To identify investment options that have historically failed the Choice performance test but were still being offered in retirement at the time of testing.

Methodology

- Analysed APRA's Quarterly Superannuation Product Statistics (latest available at the time of publication: June 2025).

Filter Category	Criteria Applied
Date	2025-06-30
Investment Menu Type	Generic
Investment Option Type	Multi Manager
Investment Option Category	Multi Sector
RSE Public Offer Status	Public Offer
Open to New Members Indicator	Superannuation product, investment menu and investment option are open to new members
Growth Bands	20% – 40%; 40% – 60%; 60% – 75%; 75% – 90%; 90% – 100%

Methodology

Table 1
Number of retirement non-platform options, member assets ($) and accounts within each growth asset band for 10-year net investment returns.

Growth Assets Band	Retirement Options	Member Assets ($ billion)	Member Accounts*
0% – 20%	4	0.4	4,120
20% – 40%	19	21.1	150,240
40% – 60%	20	24.6	123,520
60% – 75%	24	80.7	453,720
75% – 90%	31	25.8	153,100
90% – 100%	20	4.0	162,430
Total	118	156.5	1,047,130

* *Note*. APRA does not provide the number of accounts when an option has <20 accounts. Rather than ignoring these options, any options that have <20 accounts, we assume that there is one account.

The number of accounts is rounded to the nearest 10. Two outliers were excluded overall: one from the 40%–60% growth band and one from the 90%–100% growth band.

Outliers (removed):

- 40% – 60%: "*Alternatives Investment Option*"
- 90% – 100%: "*Defensive Pension*"

Methodology

- Analysed APRA's Quarterly Superannuation Product Statistics (latest available at the time of publication: June 2025).

- We assumed $250,000 account balance (ATO, 2023).

- We conducted linear regression analyses within each growth band for 10-year net investment returns.

Key Findings

1. Picking a retirement investment option is a game of chance, with a wide variation in net investment returns

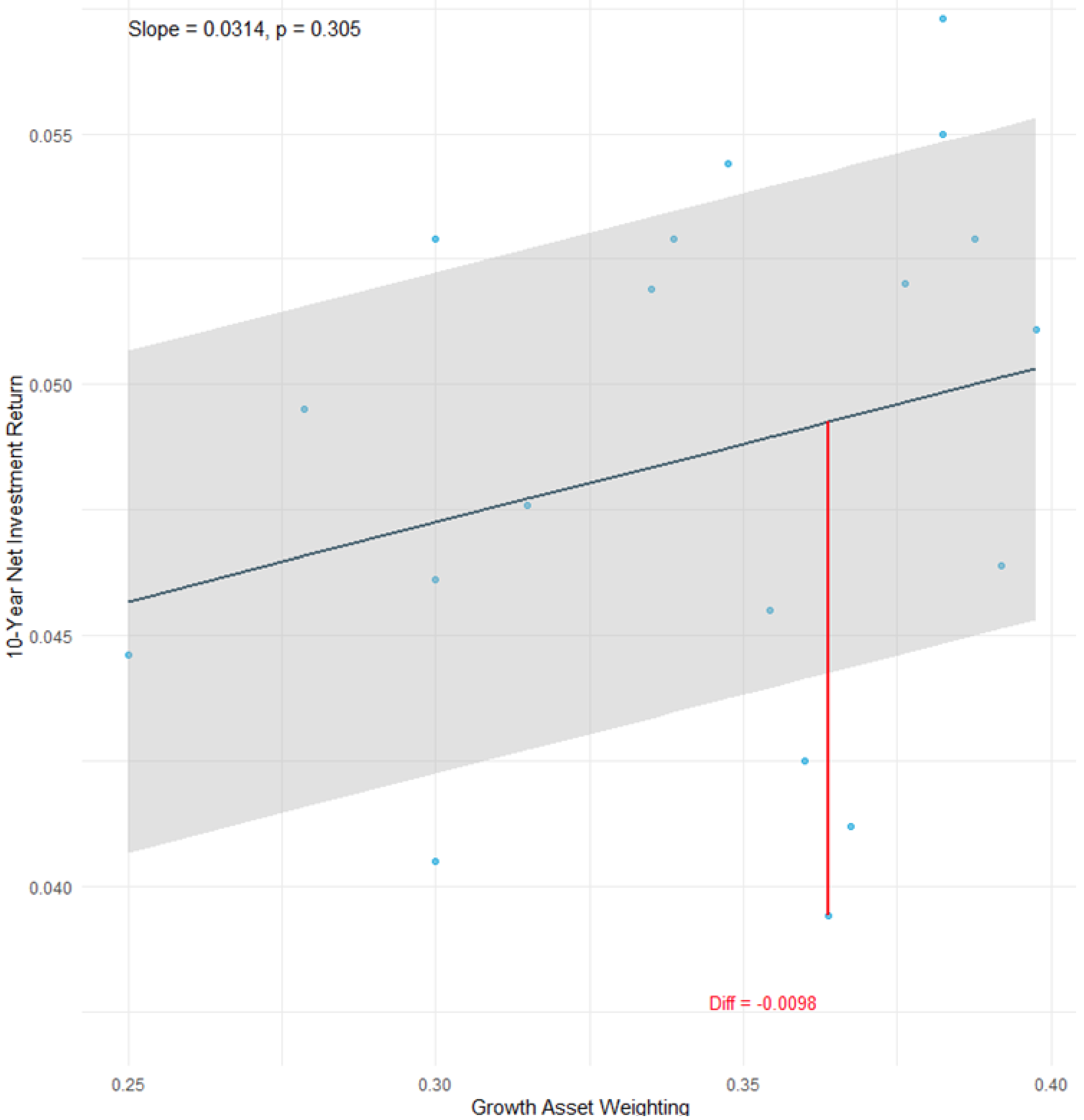
Table 2

Number of retirement options, member assets ($) and accounts within each growth asset band for 10-year net investment returns.

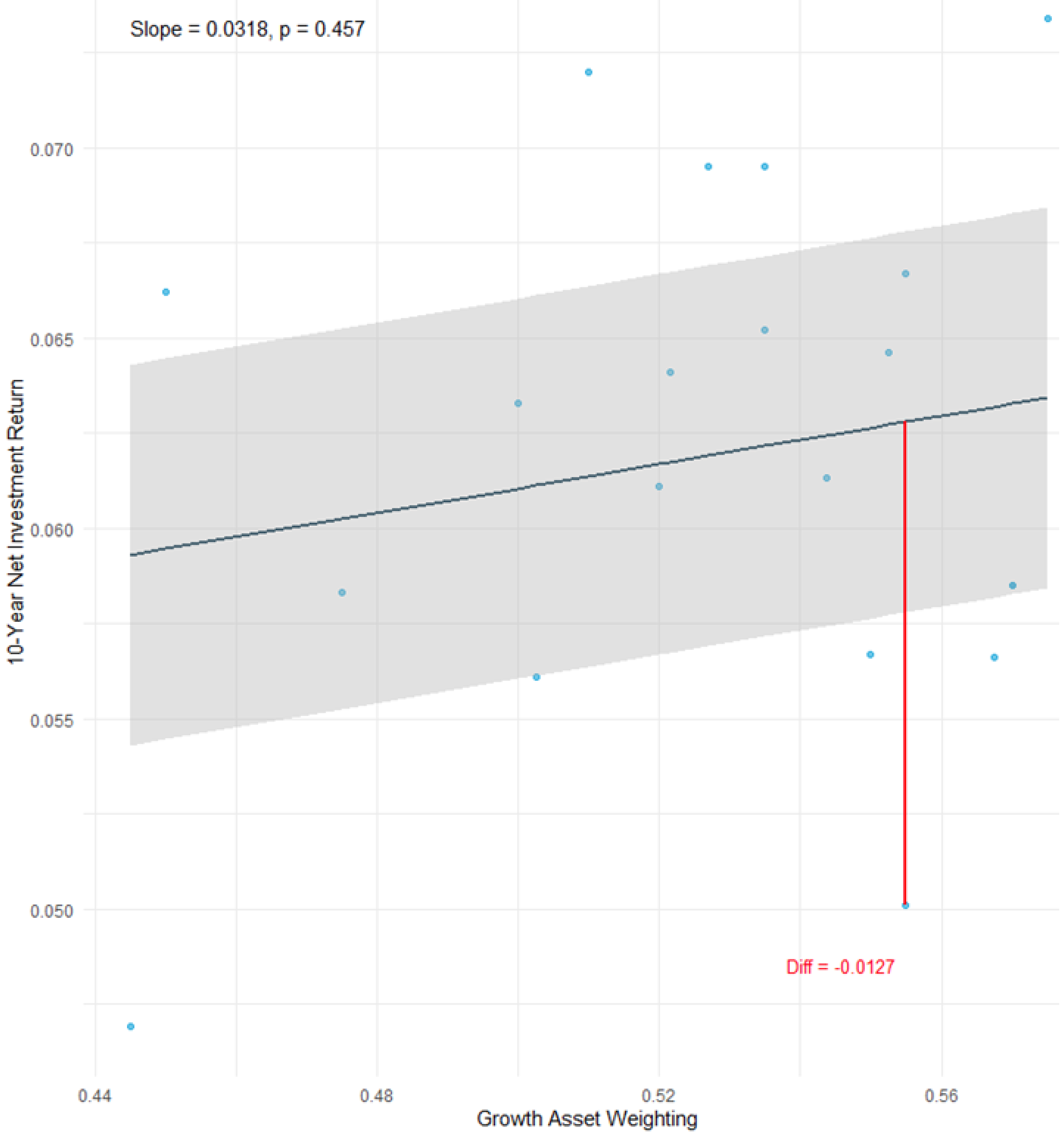
	20% – 40%	40% – 60%	60% – 75%	75% – 90%	90% – 100%
Minimum	3.94%	4.69%	6.20%	7.20%	8.43%
25th percentile (Q1)	4.50%	5.79%	7.16%	7.91%	9.25%
Median	4.95%	6.23%	7.90%	8.47%	9.87%
75th percentile (Q3)	5.29%	6.63%	8.49%	9.35%	10.43%
Maximum	5.73%	7.34%	9.23%	10.40%	11.79%
Interquartile Range	0.79%	0.84%	1.33%	1.44%	1.18%
Range	1.79%	2.65%	3.03%	3.20%	3.36%

Note. One outlier option within the 40-60% and the 90-100% growth band with a 10-year return of 9.18% and 5.71% respectively were excluded. See methodology section for explanation.

1. Picking a retirement investment option is a game of chance, with a wide variation in net investment returns

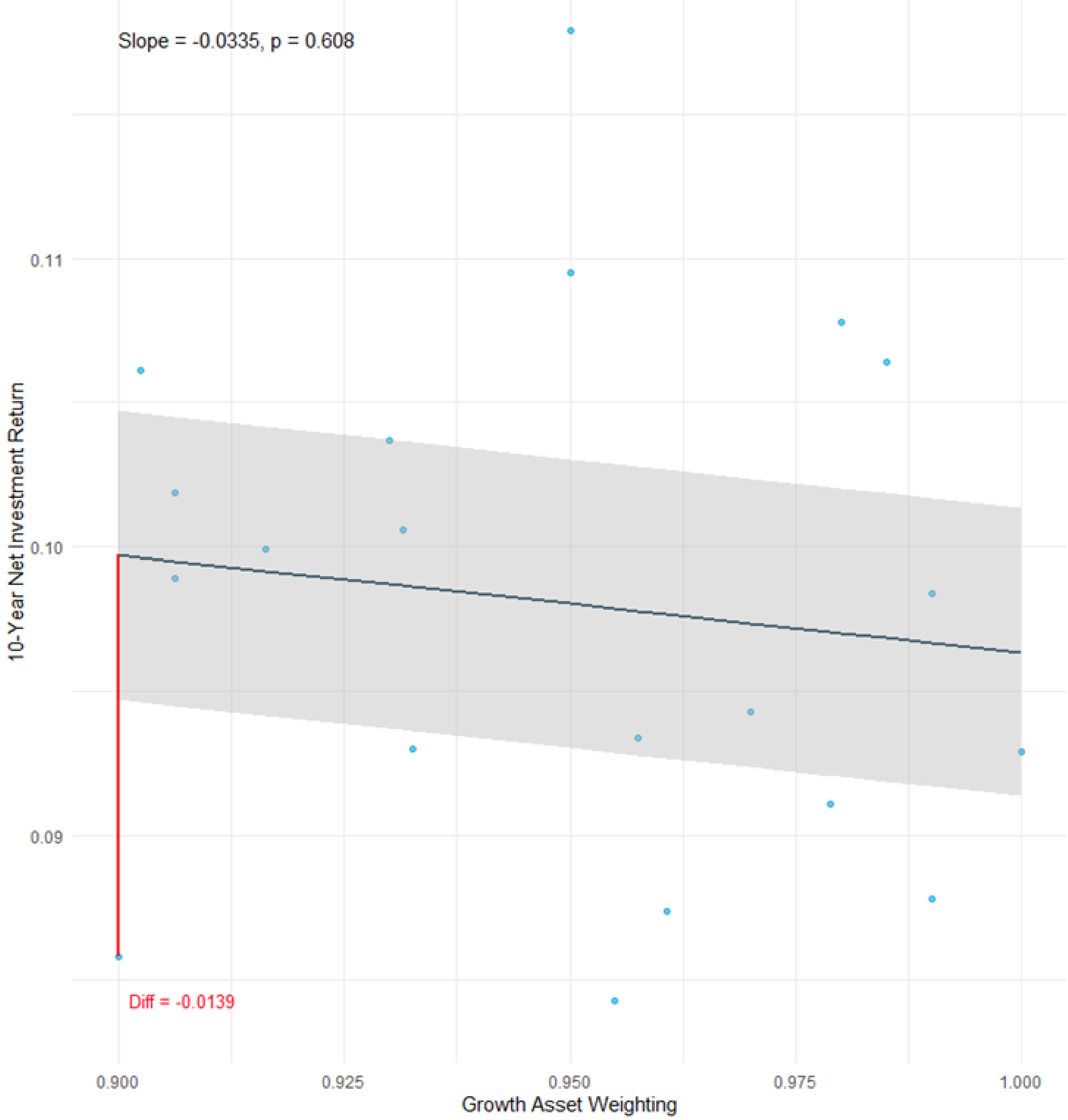


20% – 40%



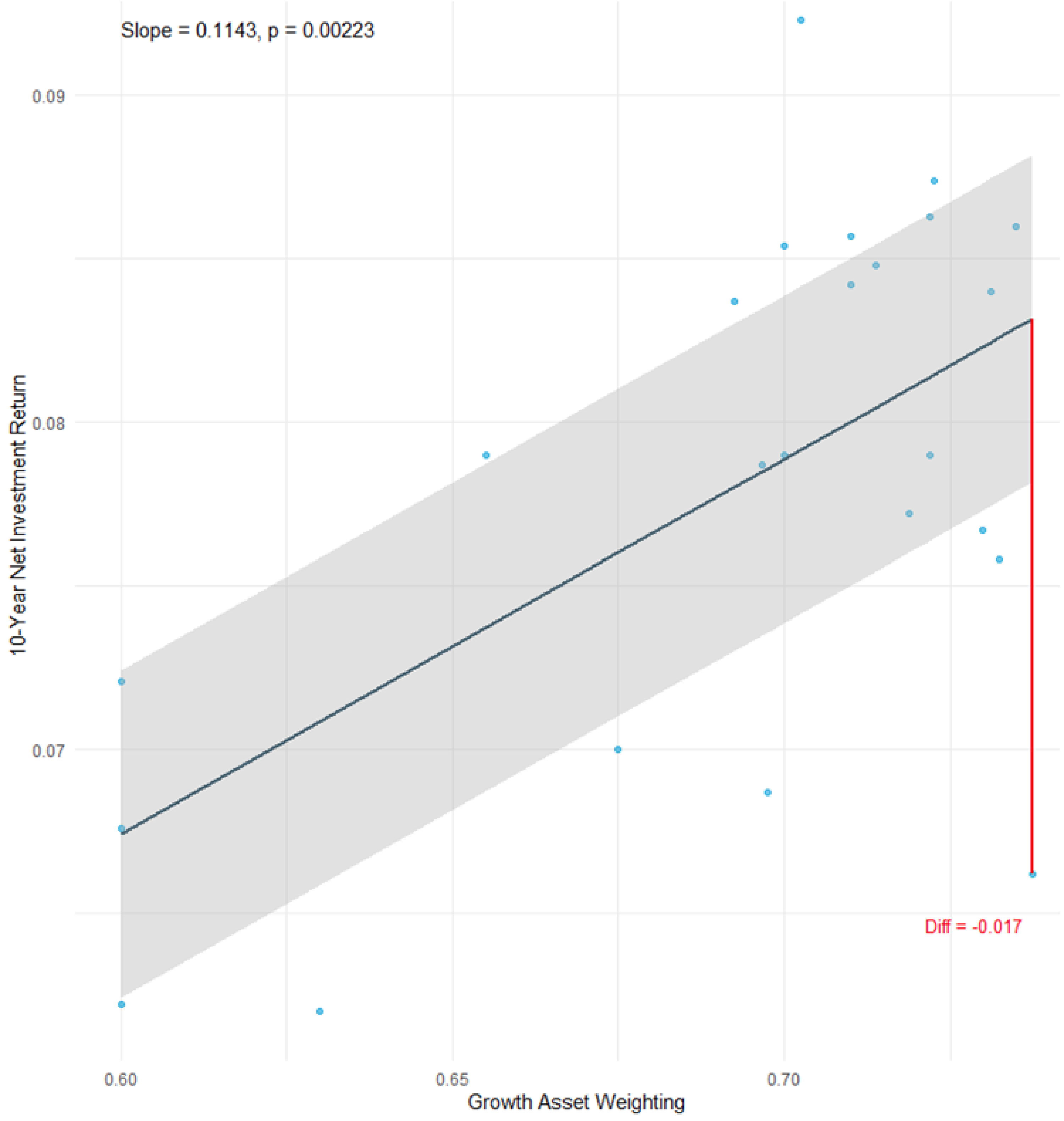
40% – 60%

1. Picking a retirement investment option is a game of chance, with a wide variation in net investment returns

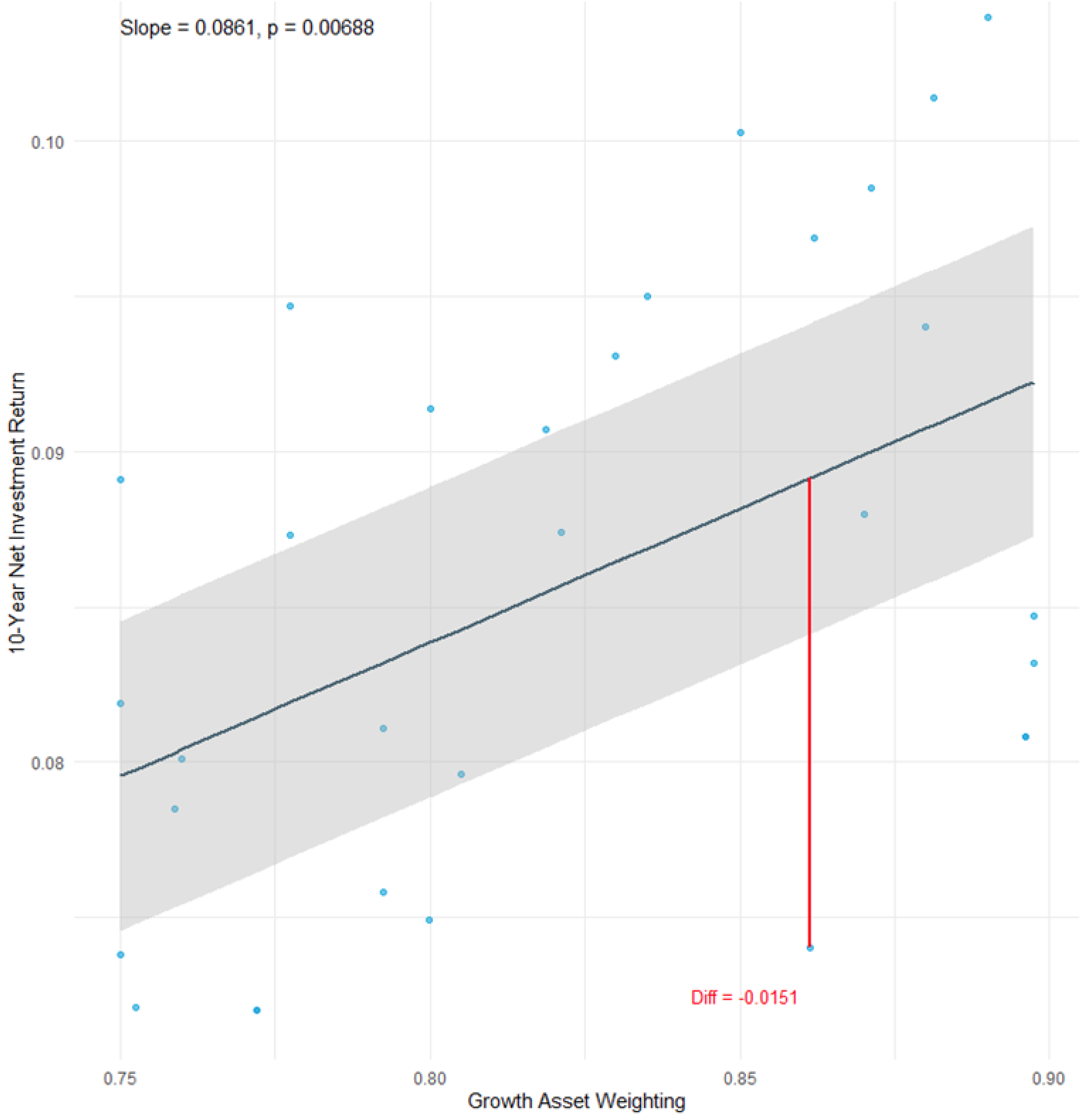


90% – 100%

1. Picking a retirement investment option is a game of chance, with a wide variation in net investment returns



60% – 75%



75% – 90%

1. Picking a retirement investment option is a game of chance, with a wide variation in net investment returns

Table 3

Number and proportion of non-platform retirement phase investment options with more than 0.5% below the expected 10-year net investment returns and largest negative residual by growth band.

	20% – 40%	40% – 60%	60% – 75%	75% – 90%	90% – 100%
No. of Options (% of Total)	4 (21.1%)	5 (25.0%)	7 (29.2%)	11 (35.5%)	6 (30.0%)
Residual of Worst Performer	-0.98%	-1.27%	-1.70%	-1.51%	-1.39%

Note. As in Table 2, outliers have been excluded from the analysis.

- Considering large number of products performing substantially below their expected returns, consumers may inadvertently end up in underperforming options, significantly undermining their financial security during retirement.

- Regulators and funds should take immediate steps to improve the transparency of retirement options.

2. Poor performance hits retirement incomes and lowers quality of life in retirement

Assumptions

- 65 year old retiree
- Retirement period age 65 - 92.
- Minimum drawdown (Super Consumers Australia, 2023)
- Constant returns at the 10-year average rate of each option
- Retirement option: Worst performing in each growth band, based on growth weighting.

Values deflated to 2025 dollars, using a CPI growth rate of 2.5%

2. Poor performance hits retirement incomes and lowers quality of life in retirement

Table 4

Cumulative difference between the observed 10-year investment returns and expected returns over retirement (ages 65 to 92) for the investment option with the largest negative regression residual, assuming minimum drawdown.

Growth Band	Investment Option	10-year historical return	Total drawdown (2025 $)	Total earnings (2025 $)	Ending balance (2025 $)
20% - 40%	Russell - IQ Retirement RIMT DEFENSIVE	3.94%	$254,753	$152,682	$50,931
	Expected return	4.92%	$286,319	$210,346	$66,236
	Difference over retirement		$31,566	$57,664	$15,305
40% – 60%	Russell - IQ Retirement RIMT DIVERSIFIED 50	5.01%	$289,473	$216,179	$67,846
	Expected return	6.28%	$339,233	$309,780	$94,996
	Difference over retirement		$49,760	$93,601	$27,151
60% – 75%	Russell - IQ Retirement RIMT BALANCED GROWTH	6.62%	$354,393	$338,851	$103,883
	Expected return	8.32%	$444,361	$516,059	$161,773
	Difference over retirement		$89,968	$177,208	$57,889
75% – 90%	Russell - IQ Retirement RIMT GROWTH	7.40%	$392,546	$413,061	$127,404
	Expected return	8.91%	$482,032	$592,398	$188,348
	Difference over retirement		$89,487	$179,337	$60,944
90% – 100%	AMP SignatureSuper Alloc Pen - Growth Index	8.58%	$460,504	$548,628	$173,005
	Expected return	9.97%	$559,864	$753,603	$247,025
	Difference over retirement		$99,360	$204,975	$74,020

- Difference in financial outcomes and earnings are highly sensitive to the performance of the retirement investment option they happen to be in.
- Consumers should be warned about underperforming retirement products via an annual performance test.

3. Several funds consistently offer poor performing retirement options

- Across 22 funds that have non-platform retirement options in our sample, some funds consistently offer poor performing retirement options to consumers.

Table 5
Non-platform funds with a majority of underperforming retirement options with 10-year investment returns.

RSE	Below 0.5% of Expected Returns	% of Total Assets
AMP	9/10 (90%)	58%
Russell Investments	10/13 (77%)	56%
REST	3/4 (75%)	86%
Colonial First State	6/12 (50%)	9%
BUSSQ	1/2 (50%)	79%
Team Super	1/2 (50%)	4%

Note. For the list of all options performing below 0.5% of expected investment returns for each growth band, see appendix.

3. Several funds consistently offer poor performing retirement options

Implies that it is not random.

Reflects broader investment strategies and decision-making practices within specific funds

Need regulatory scrutiny not only on individual retirement products and options but also at the fund-level

Concerns for Delivering Better Financial Outcomes for funds.

4. Products that fail the performance test are also offered to retirees

- Included all choice investment options (platforms and non-platforms) offered in the accumulation or retirement phase.

1. Used APIR codes (a unique identifier used in the wealth management industry to identify financial products)

2. Used internal identifiers from superannuation funds

3. Used growth asset allocation and name to match

4. Products that fail the performance test are also offered to retirees

- Overall, 59% of choice options (301 out of 511) tested in 2025 are offered in the retirement phase.
  - For platform options: 99% (135 out of 137)
  - For non-platform options: 44% (116 out of 274)

- Choice options that failed the performance test:
  - 91% of failed options were also offered as retirement phase investment option at the time of failure with
    - 100% of platform investment options
    - 40% of non-platform options

Conclusion

Conclusion

- **Our findings highlight risks faced by retirees in the superannuation system.**
  - Retirees could lose up to $205,000 over the course of retirement simply by being in one of the worst performing options.

- **Retirees in underperforming options need to be notified and given alternatives.**
  - Over the past 3 years, 91% of the failing options were also offered as retirement options at the time they failed.

We recommend:

- **Performance testing of account-based pension investment options, including the same consequences for failing as accumulation options.**
- **Developing a retirement phase comparison tool for consumers including historical returns and fees.**

Contact Us

Thank you!
Any questions?

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