Two super funds tipped to reach $1tn by 2040

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At least two Australian super funds could have over $1 trillion in assets by 2040, according to KPMG.

In its annual Super Insights review of the local sector, the firm has tipped AustralianSuper and Australian Retirement Trust (ART) – which have both quintupled in size from $200 billion since 2021 – as the two funds to first reach the trillion mark.

According to KPMG's research, which used the latest data available from APRA and the ATO, the total value of funds grew from $2.4 trillion to $2.8 trillion from the 12 months to 30 June 2021.

However, a reported 5 per cent decrease came in member numbers (down to 20.8 from 22 million) which has been attributed to the first stage closure of eligible rollover funds and the impact of the superannuation early release payments.

Despite this, contribution levels increased by 13 per cent from members and 8 per cent from employers, with retail super funds having the biggest impact (44 per cent) followed by industry funds (19 per cent).

The average account balance across all funds (excluding SMSFs) was $93,165, ranging from an average of $75,397 in the industry fund sector to $226,714 across corporate funds. Meanwhile, the average net cashflow ratio of all funds surged from 1.13 per cent to 1.4 per cent and the number of funds in net outflow dipped from 50 out of 83 in 2019/20 to 38 out of 75 in 2020/21.

KPMG National Sector Leader, Asset and Wealth Management, Linda Elkins, said the report highlights the need for the sector to shift its focus from the accumulation phase to the retirement system.

“The Your Future, Your Super legislation – in particular stapling and the Annual Performance Test - will continue to put pressure on a segment of the sector and result in further consolidation, while continuing funds need to look forward to meeting their current and future member needs,” Ms Elkins said.

“In the context of inflows which are no longer driven by default arrangements, retaining scale will be about attraction and retention of members. With around 20 percent of total member benefits now in the retirement phase, the requirements of the Retirement Incomes Covenant formalise the need for funds to develop strategies and products for members approaching and in retirement.

“These need to be delivered in the context of increased regulatory scrutiny and the overarching requirement to act in members’ best financial interests. To succeed, funds will need to increase their access to data for identification and analysis purposes.”