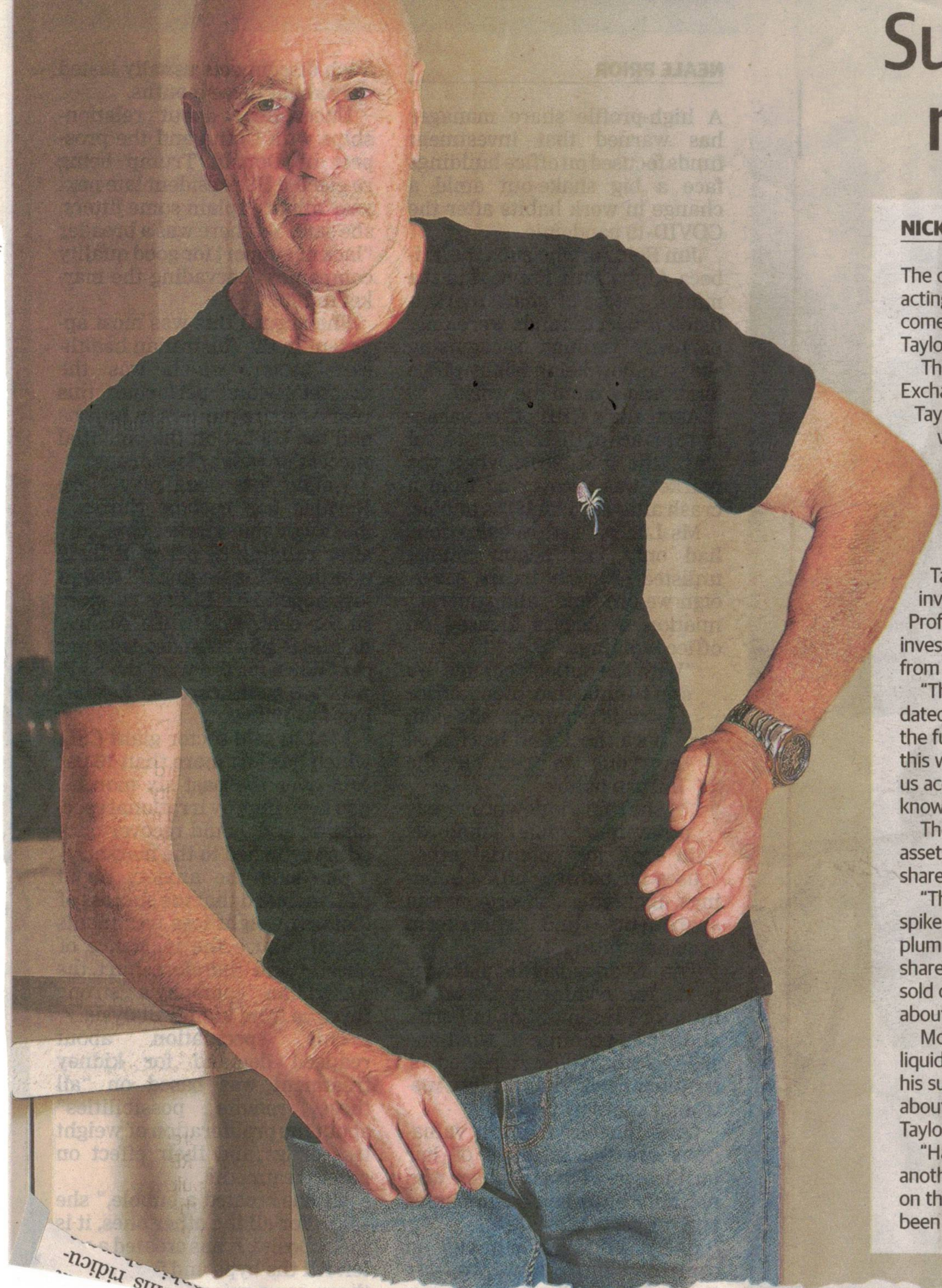
Super bad sale timing cost retiree couple $40,000



NICK BRUINING

The crackdown on super fund trustees not acting in a member's best interests can't come soon enough for Madeley retiree Ray Taylor.

The actions of Australian Securities Exchange-listed Insignia Financial saw Mr Taylor and his wife lose about $40,000 when an investment option in their IOOF superannuation fund was closed and the underlying assets sold at close to market lows.

Insignia also owns the MLC and Plum super brands. In May last year, Mr Taylor received notification that an IOOF investment option he was invested in — Profile 75 — was to be closed. The investment arm of IOOF operates separately from the IOOF superannuation fund.

"The letter arrived in late May and was dated the 23rd but they had already frozen the funds on May 12. There was no warning this was going to happen, they just stopped us accessing our own money without our knowledge or permission," Mr Taylor said.

The letter indicated that the underlying assets of the fund — in the main, listed shares — would be sold around June 10.

"This all occurred when an interest rate spike in the US caused the share markets to plummet. They certainly didn't sell the shares on the 10th. It turns out, they were sold close to a market low that occurred about two weeks later," Mr Taylor said.

Most of the assets of the super fund were liquidated and the proceeds deposited into his super fund as cash. This amount was about $40,000 less than the amount in the Taylors' super funds in early June.

"Had they allowed us to switch across to another fund with a similar share exposure on the same day, we would have probably been OK, because the markets rebounded quickly," Mr Taylor, left, said. "They told us that they could not do this until we got financial advice, which was impossible because it was too late to do anything."

Insignia did not respond to specific questions about the Taylors' fund but a spokesperson said the company took its trustee responsibilities seriously and exercised a high standard of professionalism. The Profile 75 investment option was one of many available to investors and operated separately from IOOF's role as trustee of the super fund.

"The approach of withdrawing members' investments unilaterally provides equitable treatment for members," the spokesperson said. "It is in line with the trustee's rights in the trust deed, the investment guide disclosed to members and industry best practice."

Super fund trustees must treat all members equally. Financial disputes lawyer David Huggins said the issue highlighted a potential conflict of interest where super fund trustees were closely associated with in-house investment managers.

It is not a problem unique to Insignia.

"If the super fund is going to offer managed investments that are part of the same group, I don't think that it can argue that this matter should be viewed as though the super fund was investing in an entirely unrelated investment," Mr Huggins said.

"I suspect that the super fund and the responsible entity of the Profile 75 product could have worked together to achieve a better outcome for the clients."

Mr Taylor remains angry over Insignia's response. "Over the years, IOOF have collected tens of thousands of dollars in management fees from us and this is how they treat us," he said. "Forty thousand dollars might not seem like much to Insignia, but it's very upsetting for us."