

# Fees in the super industry: A framework for transparency

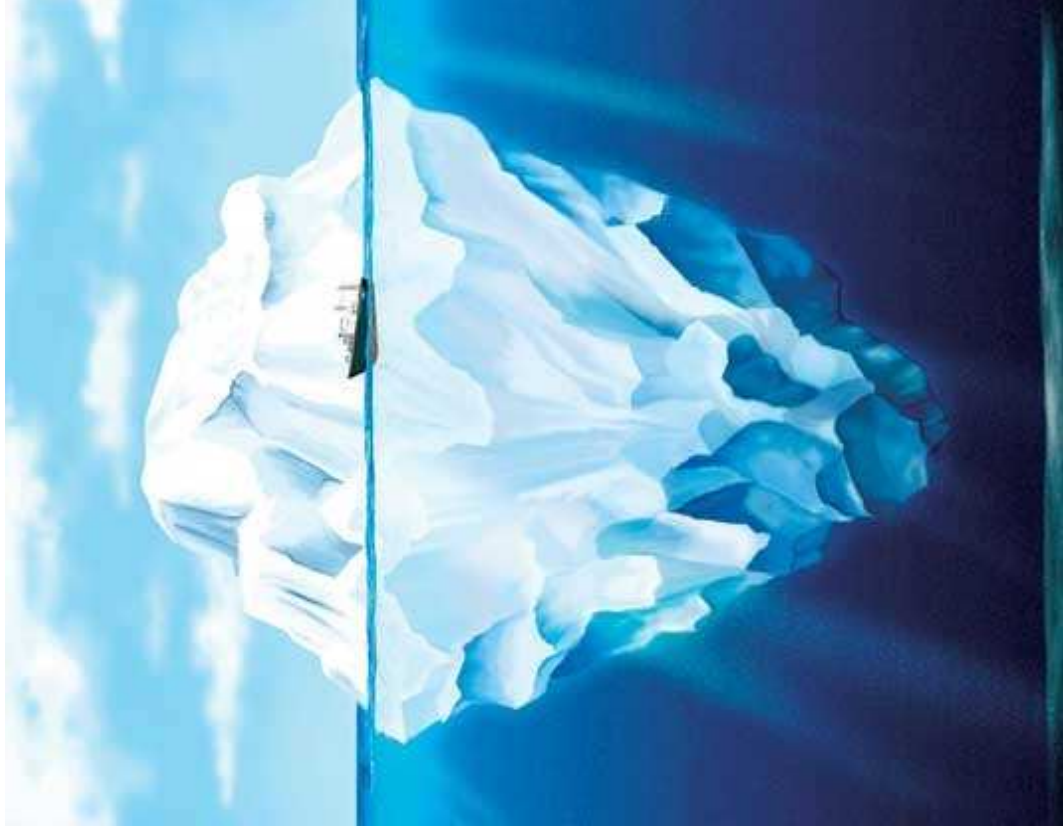
Brett Elvish  
Financial Viewpoint



# Fees in the super industry

- Enhanced fee disclosure regime
  - Distorting behaviour and creating inefficiency
- Are funds knowingly or inadvertently “enhancing” their fee competitiveness?
- How widespread are indirect fees and subsidies?
- Cooper Review Panel’s TAER:
  - Will it fix the problem or create further distortions?
- Is there a solution to the mess that we are in?

# “True” cost vs Disclosed fees



## Disclosed (ICR)

- Safekeeping
- Reporting







## Undisclosed (Non-ICR)

- Transaction fees
- Interest margins
- FX spreads
- Securities lending

# Are the differences material?



# Distorting investment behaviour

Investment vehicle	Investment management	Property management
Exchanged traded fund		
REIT mandate		
Unlisted or direct property		



# “Enhanced” fee competitiveness

Enhancement category	Number of enhancements
Master custody	9
Investment banking (inc transition management)	8
Investment management	7
Investment strategies	4
Product fees	3
Other	4



# Indirect fees and subsidies

- Fund researchers
- Dealer groups
- Platforms
- Trustees and executives

***“...money flows are often for mutual convenience and benefit, rather than a clean fee payment for an explicit service...”***

# Count 09/10 Annual financial statements

Revenue items	\$ million
Net fees and retail revenue	14.6
Asset-based fees	27.6
Other	3.2
<b>NET REVENUE</b>	<b>45.4</b>

“Count is able to use its buying power to improve financial arrangements from platforms and fund managers and so charge franchisees less. In return franchisees are able to pass on better terms to their clients.”





# Cooper Review Panel's TAER

Another acronym that:

- Member's won't understand
- Will be manipulated for self-serving purposes
- Will create further market distortions
- Will support the promotion of self managed super



# New requirements

- Brokerage fees
- First non-associated entity level
- Gross minus net earnings



# Alternative disclosure regime

- Fees paid to the trustee acting as our fiduciary
- Related party dealings of the trustee
- Conflicts of interest



# Important information

This document has been prepared by Financial Viewpoint (Brett Elvish Pty Ltd ATF The Trustee for Elvish Family Trust ABN 21 707 605 811). This document is for the exclusive use of the person to whom it is provided and must not be used by, relied upon or distributed to any other person. Various data sources have been relied upon in preparing this document. No representation, warranty or undertaking is given or made in relation to the accuracy or completeness of the information. This document does not constitute financial product advice, general financial product advice, legal or taxation advice. You should seek such advice if necessary in considering the information within this document.