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Superannuation Legislation Amendment (MySuper Measures) Regulations 2013

We refer our submission of today's date in response to the Government's Discussion Paper on Superannuation[1]. As indicated in that submission, AMP has significant concerns in relation to the fee disclosure changes introduced by the Superannuation Legislation Amendment (MySuper Measures) Regulations 2013 (Select Legislative Instrument No 155), made on 28 June 2013 (**Fee Measures**). This submission focuses on and provides further detail of those concerns.

The Fee Measures made a number of significant and unexpected changes to Enhanced Fee Disclosure[2] (which has been in operation since 2005) for choice and investment products. There was little consultation with industry on the application of the new requirements beyond MySuper.

In our view, these changes are detrimental to consumers. We believe that they will make fee disclosure less clear and make product comparisons more confusing and difficult. The Fee Measures were designed for relatively simple and homogenous MySuper products - their extension to more complex and varied choice and investment products is unworkable.

Our concerns may be summarised as follows:

1. **The regulations adopt confusing terminology:** In a number of cases, the new terminology and definitions will confuse and may even mislead consumers because they do not reflect the ordinary meaning of those terms.

2. **The disclosure of fees and costs is dependent on product structures:** The way in which fees will be disclosed will depend on product structures – fees and costs that are identical from a consumer's point of view would be disclosed differently if the product structures are technically different.

3. **Issuers can choose different methods of disclosure for the same fees:** Changes to the standardised terminology will mean that many common types of fees will now be able to be disclosed in a number of inconsistent yet still compliant ways. Consumers will not be able to easily compare fees and costs where different issuers choose different disclosure approaches – even where two products are identical.

[1] "Better regulation and governance, enhanced transparency and improved competition in superannuation - Discussion Paper" dated 28 November 2013.
[2] The Enhanced Fee Disclosure regime introduced standardised disclosure of fees and costs in PDSs and periodic statements. It is set out in Schedule 10 of the Corporations Regulations 2001 (Regulations).

4. **The regulations apply different definitions to the same terminology:** The new requirements have different definitions for the same terminology in different contexts. For example, ICR is defined and calculated differently for managed investment schemes versus superannuation funds. This is especially problematic for superannuation wrap platforms that give consumers access to a menu of underlying managed investments.

5. **The regulations do not cater for existing streamlined disclosure rules:** The new requirements interfere with existing rules that appropriately allocate responsibility for disclosure of financial products accessed via a wrap platform or master trust. They also make it more difficult to comply with the shorter PDS regime.

6. **Fees and charges for choice and investment products are not regulated in the same way as for MySuper products:** MySuper products are restricted by law to a limited number of named fee types. Choice and investment products are not restricted in number, type or name of fee and it is counterproductive to attempt to shoehorn choice and investment product fee disclosure into the permissible categories of MySuper fees.

7. **Implementation of the regulations will be costly with little consumer benefit:** Consumers will ultimately bear the considerable costs of implementation through higher fees and charges, for no apparent benefit. Further, if implemented in their current form, these requirements will themselves need to be replaced in the near future to address the issues that have already arisen, resulting in considerable waste and further increases in fees and charges.

Further detail is provided in the appendix to this letter.

We request your urgent attention to these concerns. We note that industry sought, and late last year was granted, relief under ASIC Class Order 13/1534 to delay implementation of the regulations until 1 July 2014. However, we believe that additional time is required to allow adequate consultation and legislative rectification and then for industry to implement the final form of the regulations.

AMP unreservedly supports the policy intent of the changes. Clear, comparable and relevant disclosure of fees and costs is critical for consumer decisions and to maximise competition in the industry. Our concern is that the new requirements do not achieve their aims and are, in fact, counterproductive.

We recommend that:

- The regulations be disallowed or rolled back;
- ASIC extend the relief delaying implementation of the Fee Measures to at least 1 July 2015 – this should be undertaken immediately to avoid significant costs being unnecessarily incurred and to give some certainty to the industry;
- The associated APRA Reporting obligation (SRS 540.0 Fees) should be deferred until the revised regulations are implemented in final form.

We would welcome the opportunity to meet with you to discuss these matters further. Please contact Theo Bouris (Manager, Platforms Legal) on (02) 9257 2969 or theo_bouris@amp.com.au.

Yours sincerely,

Patricia Montague

Patricia Montague
Director of Superannuation and Investment Platforms

Appendix

1 The regulations adopt confusing terminology

1.1 The definitions of 'investment fees', 'buy sell spread', 'advice fees', 'indirect costs' and 'ICR' actually exclude costs that most consumers would ordinarily expect to be caught by these definitions. This will result in fee disclosures that are not true to label. This is confusing and may even mislead consumers. The associated APRA reporting obligation (SRS 540.0 Fees) is impacted by these definitional issues. These issues are explored below.

Investment fees and buy sell spread

1.2 The definitions of 'investment fees' and 'buy sell spread' only capture costs '*incurred by the trustee*'. This will result in a 'nil' amount being disclosed for some funds because the trustee does not, in fact, incur these costs.

1.3 For example, the definition of 'investment fees' refers to "*costs incurred by the trustee*". For wrap platform funds however, the investment costs relating to an investment option are charged by a *fund manager* of the investment option and deducted by the fund manager before declaring the unit price – they are not incurred by the trustee.

1.4 Similarly, the definition of 'buy-sell spread' is now a "fee to recover the transaction costs incurred by the trustee". For a wrap platform fund, the ordinary meaning of 'buy-sell spread' is the cost charged by the *fund manager* (not the trustee) for the sale and acquisition of units in the fund - this cost is deducted by the fund manager prior to declaring the unit price. The cost is not, however, a cost incurred directly by the member or the trustee.

1.5 Technically, these costs could be disclosed as 'nil' in the Fees and Costs template since the costs inherent in the fees are not "costs incurred by the trustee". As a result, the costs would be disclosed as part of some other kind of fee such as an activity fee or could be buried in the "other fees and costs" section. While such disclosure is technically compliant, it is ultimately meaningless to consumers because it does not shows costs that are ordinarily treated as a buy-sell spread or an investment fee as a buy-sell spread or investment fee respectively.

Indirect costs and ICR

1.6 Under the Fee Measures, indirect costs (and therefore ICR) would include any amount that the trustee knows or ought to know will reduce investment returns and is not charged to the member as a fee. This definition would be understood to represent the costs charged for holding, administering and managing the investments that that the investor would not incur if they invested in the same way themselves. However:

(a) Unlike the previous definition of "other management costs", this new definition includes amounts that are not management, custody or administration expenses and would extend to any business or investment expenses (including interest, outgoings, overheads, and other amounts) that reduce returns but that clients would not consider to be included in the costs they pay or incur for the investment and related services they are acquiring as a result of investing through the product. There is also a possibility of double counting where these extra costs may already be incorporated into fees charged to members.

(b) The second leg of the definition ("is not charged to the member as a fee") also causes issues where indirect fees and indirect costs are now differentiated. This is examined further in section 2 of this submission.

(c) The now different definitions of an ICR for superannuation vs managed investments will mean that these products are harder for consumers to compare, and it also will cause major issues for consumers and trustees in the wrap platform space because the ICR of an investment option as disclosed in the superannuation wrap platform PDS will be inconsistent with the ICR disclosed in the PDS for the underlying investment option. This is examined further in section 4 of this submission.

(d) It is clear that past ICRs will not be consistent with future ICRs and therefore past disclosures to clients within past PDSs will be inconsistent to future disclosures yet the underlying indirect fees and costs may not, in fact, have changed.

Advice fees

1.7 The definition of 'advice fees'[3] may exclude fees for personal advice under Member Advice Fee (MAF) arrangements.[4] The definition of advice fee covers fees incurred by the trustee for the provision of financial product advice to a member by:

(a) a trustee; or

(b) another person acting as an employee of, or, under an arrangement with, a trustee.

1.8 Under a MAF arrangement, it is the fund member who enters into the arrangement directly with the adviser for the provision of financial product advice. The adviser is not acting as an employee or representative of the trustee. In the context of MAF, the role of the trustee is limited to facilitating the payment of fees that have been agreed to by the fund member and their adviser. The trustee facilitates the payment by deducting the relevant fees from a members' account. Arrangements regarding the timing of fee deductions and the amount of such fees are matters negotiated and agreed between the adviser and the fund member. A trustee does not control these matters, and is not responsible for the advice given.

1.9 It appears that the definition of "advice fees" may be limited to advice fees that are built into the product (as opposed to being optional for the client). The following wording, which is now mandated by the Fees and Costs Template, seems to suggest that 'advice fees' covers only advice provided in respect of MySuper products.

> "*Advice fees relating to all members investing in a particular MySuper product or investment option"*

1.10 If MAF arrangements are not treated as 'advice fees' for the purposes of product disclosure and the Fees and Costs Template, then:

(a) 'Advice fees' as defined by s29V(8) would have to be disclosed in the Fees and Costs Template with a 'nil' amount.

(b) Despite having a 'nil' amount, the PDS would still need to include the prescribed definition of 'advice fees' as required by s209 of Schedule 10.

(c) MAF would be disclosed in the '*Additional explanation of Fees and Costs*' section of the PDS where detailed information about personal advice fees (or, MAF) would be disclosed.

1.11 Arguably, a product issuer would also need to explain how, and why, MAF differs from 'advice fees' (as defined). Without such explanation, the information about fees and costs for financial product advice could be confusing to a consumer, which could potentially render a PDS not clear, concise and effective.

2 The disclosure of fees and costs is dependent on product structures

2.1 A key objective of a fee disclosure regime should be to facilitate comparability between products. This means that the way in which fees and costs are disclosed should not depend on distinctions that are not relevant to that comparison.

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[3] s29V(8) SIS Act

[4] MAF arrangements were originally implemented under the Financial Services Counsel (FSC) Standard 19 Advice Fees. FSC Standard 19 has been repealed as a result of the changes made by the Future of Financial Advice (FoFA) reforms.

2.2 One implication of this principle is that disclosure of fees and costs needs to take a “substance over form” approach. Fees and costs that are economically equivalent should be disclosed in the same way. Fee disclosure needs to be comparable across different products and different structures.

2.3 However, the definitions adopted by the new requirements will mean that fees and costs that are economically equivalent will need to be disclosed differently because of technical differences in the way products are structured. Many of the new definitions depend on whether the fee or cost is incurred directly by the client, directly by the trustee, or indirectly through changes in the value of underlying investments.

2.4 An example will help to illustrate this. Suppose there are three products:

(a) In the first product, the trustee has appointed an investment manager to manage the investments and recovers the investment fees from members under the trustee’s right of indemnity.

(b) In the second product, the trustee has appointed the same investment manager to manage the investments, but charges a separate management fee to members that is equivalent to the investment manager’s fee and pays the investment manager out of that management fee.

(c) In the third product, the trustee invests in a unit trust managed by the same investment manager, with management fees being charged to the unit trust by the investment manager.

2.5 In all three cases, the amount charged by the investment manager is economically equivalent from the members’ point of view. The Enhanced Disclosure regime would have treated all of these costs uniformly as “management costs”.

2.6 However, the changes introduced by the Fee Measures will now treat these three situations differently:

(a) In the first product, the management fees will be included in both “investment fees” (because it is an investment-related cost incurred by the trustee) and “indirect costs” (because it is not charged as a fee);

(b) In the second product, the management fees will be included in “investment fees” but not in indirect costs (because they are charged to members as a fee); and

(c) In the third product, the management fees will not be included in “investment fees” (because they are not charged as a fee and are not incurred by the trustee) but will be included in indirect costs.

2.7 Clearly, this means that the disclosure between these products will not be comparable. For example, a consumer wishing to compare two or more of these products will need to look for both the ICR and the investment fees and then carefully read the PDS to determine whether they will pay investment fees plus the ICR, or whether the ICR includes the investment fees.

2.8 Other definitions also produce similar anomalous results to the extent that they depend on whether the fee or cost is incurred by the member, the trustee or within an underlying investment. Examples where this problem occurs include the definitions of buy-sell spread, administration fee, activity fee, and advice fee. In contrast, the Enhanced Disclosure regime defined these terms in a substantive and functional way that did not depend on product structure and produced disclosure that was comparable across product types.

3 Issuers can choose different methods of disclosure for the same fees

3.1 The regulations change the current standardised terminology for fee disclosure in superannuation products. For many common fees however, the changes will now permit a number of different approaches to disclosure of many common types of fees. As a result, consumers will not be able to easily compare fees and costs where different issuers choose different approaches – even where the two products are identical.

3.2 One of the key issues is that many common fees fit within more than one of the new fee definitions. For example, costs in relation to listed security transactions (i.e., costs such as brokerage fees, third party broker fees, or in specie transfer fees) may be treated either as an investment fee or an activity fee. The costs could be investment fees as they are incurred by the trustee as a result of transactions in relation to the "investment of the fund assets". The costs could also be treated as activity fees if the fees relate to transactions undertaken by the trustee at the specific request of a member. Previously, these costs would have been disclosed together in a PDS as 'Service fees'.

3.3 Similar issues occur in relation to fees for risk insurance, which could be disclosed as an 'insurance fee' or 'activity fee'. In some cases, the insurer for a product may also charge a fee for administering insurance. In this case, it would also be possible under the definition to disclose this fee as an 'administration fee'.

3.4 The treatment of these costs as one fee or another appears to be largely dependent on the preferences of the product issuer. It would be entirely consistent with the regulations to disclose, for example, in specie transfer fees as an investment fee, but, disclose brokerage fees as activity fees and vice versa.

3.5 The distinction between treating a fee as an administration fee, investment fee, insurance fee or activity fee is a critical one for the purposes of disclosure. Any fee classified as an administration fee or an investment fee is expressly included as an item in the Fees and Costs Template. Any fee classified as an activity fee (which includes an insurance fee) however, is disclosed in the Fees and Costs Template by way of a footnote reference to the category 'Other fees and costs'. The footnote refers consumers to the 'Additional Explanation of Fees and Costs' section of the PDS.

3.6 The inconsistent approaches to disclosure allowed by the Fee Measures will, in our view, reduce the transparency of fees and costs and lead to the inability of consumers to appropriately compare financial products because it expressly allows product issuers to choose how these fees are disclosed and whether or not these fees are, or are not, included in the Fees and Costs Template. Some product issuers could choose the method that diminishes scrutiny in the disclosure of their fees.

3.7 We have looked at a number of PDSs from various superannuation providers in the industry that have already applied the regulations to their MySuper products. It is clear that a number of different interpretations have been applied to the new regulations, resulting in different treatments of fees and costs, making it more difficult for consumers to compare products.

3.8 As further illustration of the way in which the new fee disclosure regime allows a product issuer to choose to disclose the same fees in different ways, we have prepared and attach three different fee disclosures for one of our wrap platform products. Each of the three disclosures is for the same product with the same fees and costs, and we believe that each method of disclosure complies with the new regime. Clearly, if product issuers can choose between substantially different disclosure methods, the regulations do not achieve standardisation and comparability between products.

4 The regulations apply different definitions to the same terminology

4.1 The regulations have introduced different definitions for the same defined terms in different contexts. Most of the fee definitions will now be different for superannuation and managed investments.

4.2 The differences between the definitions are substantive and go further than merely adapting a concept to fit with the different contexts. For example:

(a) In a managed investment context, ICR is the ratio of the **management costs for the**

option that are not deducted directly from a product holder's account, to the total average net assets of the managed investment scheme that relates to the investment option; whereas

(b) In a superannuation context, ICR is the ratio of the total of the **indirect costs** for the investment option, to the total average net assets of the **superannuation entity attributed to the investment option**

4.3 This means that, strictly speaking, the ICR for a superannuation investment option that invests exclusively into a managed fund would be different to the ICR of that managed fund as disclosed in the managed fund's PDS. This is because the two definitions include and exclude different costs in the numerator and also use a different denominator.

4.4 This is especially problematic for consumers and providers of superannuation wrap platforms that give access to a menu of underlying managed investments (300 or more). The PDS for the superannuation wrap platform will apply the superannuation definitions, while the managed investment PDSs given to customers in relation to the underlying investment options will use the managed investment definitions. Further, each superannuation trustee who gives access to the managed fund would need to independently calculate ICR for the underlying managed investment scheme, and would need to give each client two potentially inconsistent disclosures about the investment option's fees and costs.

4.5 Further, many superannuation platforms have a common investment menu with non-super platforms operated by the same institution. Because the fee definitions will now be different for the superannuation platforms and the non-super platforms:

(a) the PDS or IDPS-Guide for the non-super platform will apply the managed investment definitions while the superannuation definitions that must be applied are used in the superannuation PDS, meaning that disclosures will be inconsistent and difficult to compare; and

(b) the platform provider will need to maintain two sets of system functionality to cater for the inconsistent fee definitions and treatment, including in relation to investment returns, fee calculators and periodic statements. This will require significant system modifications, the cost of which will ultimately be borne by consumers.

5 The regulations do not cater for existing streamlined disclosure rules

Disclosure for investment options in a superannuation wrap or master trust

5.1 The regulations interfere with current disclosure rules for superannuation wrap platforms and master trusts that appropriately allocate responsibility for disclosure between the superannuation trustee and the issuers of underlying investment options. This will mean longer and more confusing disclosure for consumers, duplication of effort between trustees and underlying issuers, and a lack of clarity as to who is responsible for disclosure to clients.

5.2 Superannuation wrap platforms and master trusts currently rely on relief provided by ASIC under Class Order 06/636 *Superannuation: Delivery of product disclosure for investment strategies* [**CO 06/636**]. Under CO 06/636, the disclosure requirements in s1012IA, 1013D, 1013E and 1013F have been modified to facilitate disclosure about the "accessible financial products made available for investment to members of the fund. For example, the relief allows a superannuation trustee to include only limited information in its PDSs about the accessible financial products, on condition that it informs members of their right to obtain a copy of the PDS for the accessible financial products that have been prepared by the issuers of those products. The relief includes the PDS information requirements about fees and costs set out in s1013D of Act (which, under the new regulations would include ICR).

5.3 Based on the relief in CO 06/636, superannuation platforms commonly disclose an ICR range in the Fees and Costs Template. The range is based on the highest and lowest ICRs for the investment options included on the investment menu. The PDS also includes a cross reference to an investment option's PDS, which lists in table format the specific ICR for each investment option, among other details. In compiling this information, the trustee relies on the information publicly available in the PDS for the relevant investment option. The ICR disclosed for each investment option is based on the management costs disclosed by each fund manager in their PDS that was current at the time the platform investment options PDS was produced. Further, consumers are directed to refer to the underlying fund manager PDS for current fees and costs. We consider that this approach, based on the original Enhanced Fee Disclosure regime, provides members with more effective disclosure on the impact of indirect costs to their investments.

5.4 As stated above, the new regime does not allow this approach because it requires trustees to apply different fee definitions to those applied by the underlying fund manager. Further, the modified definition of ICR assumes that a trustee knows and is able to disclose in PDSs and periodic statements the "*total indirect costs*" that will be, or have been, charged by the fund manager for a particular investment option. This is not the case – fund managers' do not provide, and are not required to provide, such information.

5.5 This has a number of important implications, including:

(a) the trustee's disclosure about the fees and costs of accessible financial products will be different from the disclosures in the PDSs for those accessible financial products, which will be confusing for clients;

(b) the trustees will be required to obtain and verify and constantly obtain updates of indirect cost information from fund managers to ensure PDSs and periodic statements are up to date and accurate;

(c) trustees and fund managers will need to negotiate the terms on which such information will be provided and kept up to date (e.g. indemnities in relation to the accuracy and use of the information); and

(d) customers who are misled by such disclosure may have to determine who is responsible for the inaccuracy of the disclosure before they can recover compensation. Consumers benefit from clear allocation of responsibility rather than having to deal with different providers in an effort to have one or more of them accept responsibility and/or agree as to how liability is shared.

Shorter PDS regime

5.6 The MySuper Fee Measures increase in the amount of information required to be disclosed in a PDS which and may make it difficult for product issuers to meet the 8 page requirement for shorter PDS. This is particularly the case for products with life-cycle investment options or multiple investment options. Of particular concern is the potential for some fees or costs to be disclosed outside the 8 page PDS and put into less prominent supplementary material (specifically items noted under "additional explanation of fees and costs").

6 Fees and charges for choice and investment products are not regulated in the same way as for MySuper products

6.1 MySuper products are restricted by law to a limited number of named fee types. It is therefore appropriate to seek to regulate the way those fees are disclosed as all MySuper products are required to structure their fees on the same basis.

6.2 However, there is no restriction on the number, type or name of fees that may be charged in a Choice or investment product. It is counterproductive to attempt to shoehorn Choice and investment product fees into being disclosed in the same way as MySuper products. Fee disclosure for choice and investment products must be flexible enough to accommodate different fee structures in such a way as to ensure comparability between products and relevance to client decisions, whether they are MySuper, choice or managed investments products.

7 Implementation of the regulations will be costly with little consumer benefit

7.1 The new requirements will be very costly for industry to implement, with no apparent benefit to consumers. These costs will eventually be passed on to consumers through higher fees and charges.

7.2 To implement the changes, product issuers will need to:

(a) prepare new disclosure documents for each superannuation, pension, IDPS-like and IDPS product on issue;

(b) explain the new fee naming regime to existing members - while assuring them that the product's fee structure and their fees have not changed. This will be very confusing for consumers'

(c) update all forms, marketing material and other customer communications;

(d) make substantial systems changes to support the new ICR definition and the new periodic reporting framework for superannuation and pension products – while still maintaining the existing systems for non-super products;

(e) make systems changes to support the new definition of ICR for managed investments, IDPS and IDPS-like products; and

(f) update other systems, including marketing material, interfaces with external systems (e.g. research houses), product calculators and tools for financial advisers.

7.3 Further, if implemented in their current form, these requirements will themselves need to be replaced in the near future to address the issues that will arise, resulting in considerable waste and further increases in fees and charges.

7.4 We have included an estimate of the implementation costs for our products as a separate and confidential submission. AMP is not alone in this issue and our peers will also be spending comparable amounts of money to display inconsistent and non-comparable information that would have been properly disclosed under the previous Enhanced Fee Disclosure regime.

Attachment

Example 1 – North Personal Super – fees and costs template

Fee	Amount	How and when paid
Investment fee	Nil	Not Applicable
Administration fees		
Account Fee	$0 or $91[1]	Deducted from your cash account month from the date that your account commenced.
Administration fee	0.30 – 0.95% pa	Deducted from your cash account monthly from the date that your account commenced and calculated on the opening value on the day that the fee is deducted.
Stronger Super Fee	0.03% pa	Deducted from your cash account monthly from the date that your account commenced and calculated on the opening value on the day that the fee is deducted.
Buy-Sell Spread	Nil	Not Applicable
Switching fee	Nil	Not Applicable
Exit fee	Nil	Not Applicable
Advice fee	Nil	Not Applicable
Other fees and costs	Refer to Additional Explanation of Fees and Costs on page 15	
Indirect cost ratio	0 – 4.66% pa	Calculated as a percentage of the amount you have invested in each investment option and included in the unit price or crediting rate.

Comment: In this example (which fully complies) quite a few of the fees show as "nil" however members are directed to "Additional Explanation of Fees and Costs on page 15". While it complies with the new Fee Measures, if members compare this one table against another product which discloses based on example 2 or 3 or even the "as is" model, then this product (which is identical) looks better or cheaper when in fact it is no different.

Example 2 – North Personal Super – fees and costs template

Fee	Amount	How and when paid
Investment fee	Nil	Not Applicable
Administration fees		
Account Fee	$0 or $91[1]	Deducted from your cash account monthly from the date that your account commenced.
Administration fee	0.30 – 0.95% pa	Deducted from your cash account monthly from the date that your account commenced and calculated on the opening value on the day that the fee is deducted.
Stronger Super Fee	0.03% pa	Deducted from your cash account monthly from the date that your account commenced and calculated on the opening value on the day that the fee is deducted.
Buy-Sell Spread	Nil	Not Applicable
Switching fee	Nil	Not Applicable
Exit fee	Nil	Not Applicable
Advice fee	Nil	Not Applicable
Other fees and costs		
Brokerage	0.11% of the total of each listed security purchase or sale subject to a minimum fee of $34	Deducted from your cash account at the time the trade is settled
Brokerage – Panel Broker	If you use a third-party broker, a settlement fee of $10.25 applies in addition to any brokerage negotiated between you and the broker.	Deducted from your cash account on the day your broker sends us the trade information.
In-specie transfer fee	$25.63 for each transfer of each listed security. Stamp duty may apply.	Deducted from your cash account upon confirmation of the asset transfer
Member Advice Fee **(initial, ad hoc, ongoing and listed securities)**	0 – 2.51% pa plus $5,125	The member advice fee can be a percentage of your account value or a dollar amount deducted at a time agreed on with your financial adviser.
Member Advice Fee (contributions)	0 – 4.1% of a contribution or rollover	Deducted from contributions and rollovers as agreed on with your financial adviser

Guarantee Fee	0.60 – 2.45%	Deducted from your cash account monthly based on the opening account value on the day the fee is deducted.
Additional Contribution Guarantee Fee	Up to 7% per contribution	
Indirect cost ratio	0 – 4.66% pa	Calculated as a percentage of the amount you have invested in each investment option and included in the unit price or crediting rate.

Comment: In this example (which fully complies) quite a few of the fees show as “nil” however members can see details under “Other Fees and Costs”. A member looking at this table would see Advice fee as “nil” but then see two Member Advice Fees which is confusing. A member comparing this product against the one in Example 1 would find this one more costly because disclosure of the fees is not buried on page 15 – but they are exactly the same.

Example 3 – North Personal Super – fees and costs template

Fee	Amount	How and when paid
Investment fee	Nil	Not Applicable
Administration fees		
Account Fee	$0 or $91[1]	Deducted from your cash account monthly from the date that your account commenced.
Administration fee	0.30 – 0.95% pa	Deducted from your cash account monthly from the date that your account commenced and calculated on the opening value on the day that the fee is deducted.
Stronger Super Fee	0.03% pa	Deducted from your cash account monthly from the date that your account commenced and calculated on the opening value on the day that the fee is deducted.
Buy-Sell Spread	0 – 1.3%	Calculated as a percentage reflecting the difference between the buy and sell prices of units in a managed fund and included in the unit price.
Switching fee	Nil	Not Applicable
Exit fee	Nil	Not Applicable
Advice fee		
Member Advice Fee **(initial, ad hoc, ongoing and listed securities)**	0 – 2.51% pa plus $5,125	The member advice fee can be a percentage of your account value or a dollar amount deducted at a time agreed on with your financial adviser.
Member Advice Fee (contributions)	0 – 4.1% of a contribution or rollover	Deducted from contributions and rollovers as agreed on with your financial adviser
Other fees and costs		
Brokerage	0.11% of the total of each listed security purchase or sale subject to a minimum fee of $34	Deducted from your cash account at the time the trade is settled
Brokerage – Panel Broker	If you use a third-party broker, a settlement fee of $10.25 applies in addition to any brokerage negotiated between you and the broker.	Deducted from your cash account on the day your broker sends us the trade information.

In-specie transfer fee	$25.63 for each transfer of each listed security. Stamp duty may apply.	Deducted from your cash account upon confirmation of the asset transfer
Guarantee Fee	0.60 – 2.45%	Deducted from your cash account monthly based on the opening account value on the day the fee is deducted.
Additional Contribution Guarantee Fee	Up to 7% per contribution	
Indirect cost ratio	0 – 4.66% pa	Calculated as a percentage of the amount you have invested in each investment option and included in the unit price or crediting rate.

Comment: In this example the Member Advice Fees are grouped with Advice fees and only 3 fee types show as “nil”. In addition, the Buy Sell Spread (fund manager imposed) is noted and not buried. There are several service fees with no home other than “other fees and costs”. A member comparing this product against the one in Example 1 and 2 would still find this one more costly due to the buy sell spread. However, the fees are more meaningfully displayed.