Financial Services Intelligence

SENATE INQUIRY INTO THE STRUCTURE AND OPERATION OF THE SUPERANNUATION INDUSTRY

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1. Introduction

Thank you for the opportunity to make a submission to the Inquiry so late in the piece. I understand the Committee has finished calling evidence to supplement submissions, but I am happy to provide any material required in support of my submission.

I wish to address only one of the terms of reference: **the role of advice in superannuation**.

I am an experienced and successful management consultant, currently based in Singapore, who has specialised in providing strategic level advice to insurance companies and wealth management organisations across Australia/NZ, Asia Pacific and South Africa for 13 years. I have been engaged on numerous projects in the superannuation space in Australia and at least 70% of my assignments over 13 years have been distribution channel-related – typically establishment and review of tied agency, financial planner and broker channels.

I currently run my own management consulting firm, Pi Financial Services Intelligence, specialising in the financial services sector, based in Singapore – see www.pifsi.com.sg for more details.

The current problem

I am dismayed at how the lower and middle income segments of Australian superannuation investors are being poorly served by a laissez-faire disclosure regime that assumes high financial sophistication and awareness; by a corrupt financial planner community incentivised by ongoing trail commissions which taint its ability to give advice in investors' best interests, and by a retail fund management industry that thrives on pushing high cost and wealth-destroying products onto an unassuming and vulnerable investor base. Retail investors are losing an indicative one third of their superannuation balances through this confluence of factors and the ones who are suffering the most are the lower and middle income segments.

My relatively informed perspective, my sense of natural justice, and my observation that the financial planning community in Australia has still not grasped the nettle, despite many years of negative public pressure …these are the reasons why I have prepared this submission.

My desired outcome

I would like to see a stronger, more forceful disclosure regime re-oriented around fund and advice costs, the banning of commissions, rebates and other unconscionable incentives, and the encouragement of stripped-down financial planning tools and lifecycle funds that are linked to investor age in all the large superannuation funds.

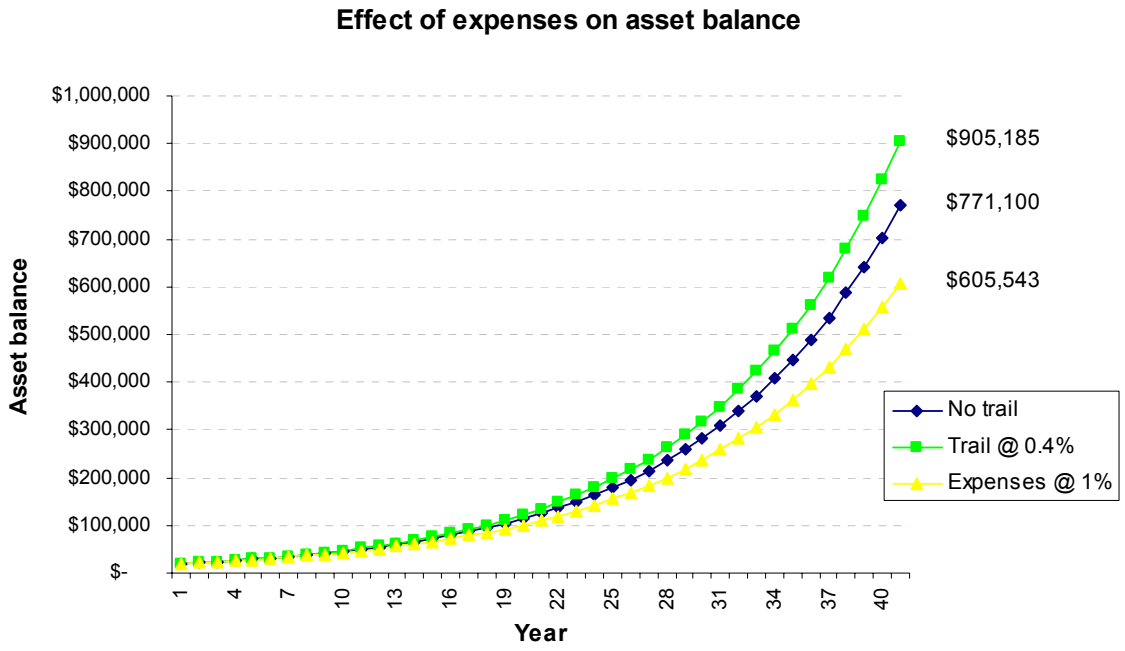
I will now address each of the key issues.

2. "Advice": the superannuation balance paint stripper

Current "advice" is little more than an asset balance paint stripper for unsophisticated investors.

Retail funds have a Management Expense Ratio (MER) currently around 1.6%, on average; Industry and Public sector funds are around 0.9%. It is no accident that for a given asset class, retail funds rarely appear in the top 10 league tables for net investment performance: they would need a 70 basis point lucky break to even put themselves in the right zone. As we will see later, their supposedly superior investment management skills are not sufficient to overcome their higher costs.

The following chart shows a simple modelling of the effect of expenses on asset balance, over a 40 year time period. For simplicity, the investor has merely deposited $20,000 at year 0, and left it to accumulate through investment returns of 10% p.a., tax-free.



If the net investment return is 10% - say gross returns of 11% and an MER of 1% - the investor has a little more than $905,000 in assets after 40 years. Now let us assume that the investor is invested in a slightly different product – fees the same as before but loaded up by 0.4% p.a. to cover what is currently the average trail commission paid to a financial planner. This investor, after 40 years, achieves an asset balance of slightly more than $771,000. Now let us vary the scenario yet again, and allow the investor to invest through a master trust platform, such that total fees and charges are 1% p.a. **more** than the first investor whose net

return was 10% p.a. (a common scenario if investing through a platform). This investor receives slightly more than $605,000 at year 40.

In other words, the last investor, who has invested through, say, a master trust, reduces his final superannuation balance by one third after 40 years of this fee scenario: such is the silent cancer of high fees, and most investors will not realise this (a) because such a compounding of an annual fee over time is not intuitive, and (b) no financial planner or fund manager will voluntarily disclose such a relentless outcome of their (high) fees.

There are some mitigating factors – only about 35% of superannuation assets are in retail funds, presumably some investors are happy to pay these fees, superannuation assets are contributed over time not in one hit upfront, the effect of tax will reduce the absolute figures, and the large gap between retail fund fees and non-retail fund fees will narrow over the next 40 years. But note also that some investors will pay MERs significantly higher than 1.6%, particularly if they are invested through a master trust.

3. Lower and middle income segments hit the hardest

Lower and middle income investors are more likely to be subjected to unrebated trail commissions and higher MER products.

Commission-based financial planners will complain that upfront fees are unpalatable to many investors, and that trail commissions are the only practical way for them to be compensated. $1000 for a financial plan seems to be the absolute lowest threshold at which financial planners can operate profitably, and unsophisticated investors cannot stomach this, nor do their small investment amounts make it economical.

Think about this: by financial planners' own admission, the relentless exercise of trail commissions is the only way that they can profitably service the lower and middle income segments of Australia. So they are able to profit, and investors are apparently happy also: is this some sort of miracle cure where everyone wins ?

Of course not: investors are being taken advantage of, and they do not realise it. The only miracle is the so-called "miracle of compounding", and unfortunately it applies to expenses as much as it does to the investment balance. Pay 1% higher fees than you need to over 40 years and you lose one third of your superannuation balance: that is the miracle.

The double whammy here is that the service provided by financial planners to low and middle income investors is oriented towards pointless product and fund manager recommendations, when the real issues are asset allocation, time-to-retirement and risk profiles. These people do not need indepth and overengineered financial plans which advise them on fund manager products to buy. This is just confusing noise - expensive and confusing noise.

4. Disclosure regime not nearly adequate

The regulatory focus on black and white disclosure, as opposed to real investor understanding, constitutes an abrogation of responsibility in protecting investors.

The current laissez-faire regime of disclosure is not adequate to the task of protecting investors. Unsophisticated investors are being misled terribly, partly through disclosure's inadequacies, and they will suffer for it in their retirement. Shame on a regulatory system that is too weak to stand up to financial institutions and forge a fair advice system that is in investors' best interests.

How is a financially unsophisticated individual supposed to interpret a financial planner's support of a high risk equity fund, which made stellar annual returns over the past 3 years, accompanied by the "nudge nudge wink wink" caveat that past returns are no indicator of future performance, together with the fact that the fund manager has exploited survivorship bias by only mentioning this specific fund, and the fact that that whole asset class performed to this level ?

The disclosure regime makes fees clear, yet it fails to protect unsophisticated investors. Here's why:

> (1) Investors will listen to, but not hear, what is said about fees and charges; they will see, but not understand, what is written
>
> (2) If they overcome problem #1, and understand what they are hearing/seeing, they are likely to have no means of comparison. Is an upfront fee of 2% and an annual fee of 2.6% good or bad compared to whatever else they could be putting their money into ? The financial planner is declaring that he may receive soft dollar commissions from financial institutions – is that abnormal or not ? Is it something the investor should be worried about ? It is difficult to know
>
> (3) And then if they overcome problem #2, they are unlikely to intuitively understand the true financial effect of an annual charge to their fund balance year, after year, after year... It is probably not intuitive to financially sophisticated investors, let alone unsophisticated ones: an extra cost of 1% p.a., for 40 years, assuming 10% investment returns, lowers the final balance by an indicative **one third**.

No wonder, then, that the disclosure regime in its present incarnation has failed vulnerable investors terribly.

Disclosure needs to be much more direct and dramatic. We need not introduce the startling imagery of the AIDS grim reaper advertising campaign from 15 years ago. But we should be requiring disclosure which introduces a time dimension to capture the unintuitive effect of annual fund charges. Disclosure should:

- show the effect of expenses over time (say 30 years) on the fund balance, probably in a chart
- show the net performance of this particular fund against its asset class peers, mapped against expense ratio, as determined by an approved research house
- require that any advertising of fund returns be accompanied by an approved research house's ranking of that fund against peers over 1 year, 3 years, and 5 years, all with equal prominence. That will put a stop to selective use of fund performance data in order to bamboozle investors

Some considerable finessing will be required here. The research houses will achieve new prominence, and we need to find a way to pay them other than from financial institutions' pockets. But we will instantly see much less misleading fund manager advertising, and more questioning of the value that financial planners are adding to building the investor's nest egg.

5. High costs and low investment returns

Higher cost fund management products produce lower returns for investors.

Contrary to retail fund advertising and financial planner spiels, you do **not** get what you pay for in this business. In fact the more you pay, the **less you get** – strange but true, and the data will bear this out.

One caveat here though: we are assuming the investor is interested in actual fund performance, as opposed to bells and whistles in the product features.

High investment fees will typically come about from two sources:

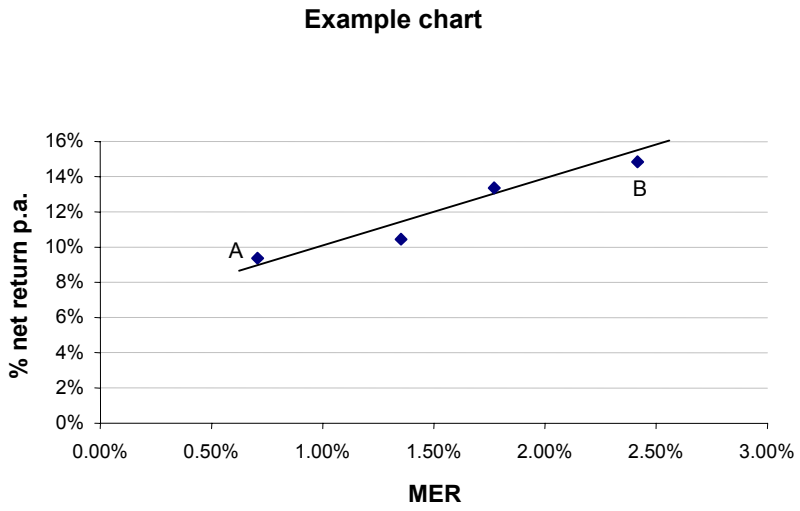
- Master trust platforms which charge around 1% additional to the investor, for administration and consolidation benefits. Financial planners love these platforms because they make life easier for both them and the investor, and there is a rebate and soft dollar benefit system available to financial planners in some cases, from the platform provider. Investors love them because they make life so easy and only cost 1% extra per year, which does not really sound very much, until you compound it over 40 years, when you realise it equals one third of the asset balance.

  Costs of the platform are fully disclosed, but not understood (who would willingly give away one third of their savings over a 40 year period for administration benefits ?). Rebates and assorted backhanders are fully disclosed also, but likewise not understood.

- High fee retail products which for some asset classes (such as international equities) can easily charge 1.5% p.a. more than the average fee for that peer group, and 2.0% more than the lowest. The investor is entitled to expect, therefore, that investment performance will be commensurably higher for the high fee product. Actually more than commensurably higher, otherwise there is no point investing in the superior performance that the high-fee product brings to the investor.

The more you pay, the more you lose

For a given asset class, over a sufficiently long time period, if it is true that high-cost fund managers more than compensate for their high costs by achieving higher returns for their investors, then if we map net investment returns to expense ratios for a given asset class, we should see a rising line-of-best-fit, as in the following chart:



So for example fund A, which has an MER of 0.72%, returned 9.4% net to the investor during this time period. This is a net figure, so the gross investment return was higher, but after fees are netted out, the return was 9.4%.

Fund B, on the other hand, has an MER of 2.45%, and a net investment return of 14.8%. Had fund B's net return been the same as fund A's, i.e. 9.4%, then one could say that although fund B was more expensive than fund A, superior investment performance had cancelled out the higher costs, and the net return was the same as the lower cost fund A. In this situation and for this time period, then, it would not have mattered either way whether the investor had invested in fund A or fund B. But we see in fact that fund B returned (net) 14.8%, so net returns were superior to fund A. Such data would support the contention that higher costs are **more** than met by higher (net) returns. And the example data points in the graph support that contention: the line-of-best-fit is sloping upwards, and so the higher cost funds are more than compensating for their higher costs through superior investment returns.

This is the rationale for buying higher cost funds, a rationale that it is important for high-cost fund managers and financial planners to have their investor clients believe. If the line-of-best-fit were horizontal (neither sloping upwards nor sloping downwards) then this would suggest that it is neither here nor there, as far as fund performance goes, whether the investor buys into a high cost fund or a low cost fund, because the superior investment management skills of the high cost fund cancel out the higher costs (but do nothing more).

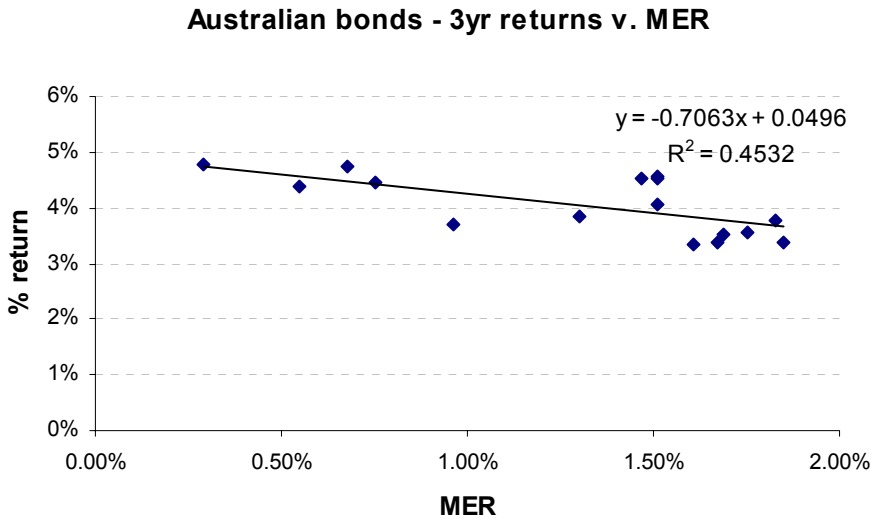
If the line-of-best-fit is sloping downward, however, this suggests that high cost fund managers destroy value: they should reward their investors with superior net returns, because that is what they are supposedly paying for, but they don't.

Examining the evidence

Well let us look at the evidence, methodologically rough and ready and not without faults, to be sure, but the message emerging is clear enough.

All data are from the van Eyk website showing fund performance, as at 20 May 2007, using only asset classes and investment styles where there are at least four data points available. The equation for the line-of-best-fit can be shown on each chart, and because we have instructed Excel to look for a straight line, it is in the form of y=mx+c, with "m" being the gradient of the line and "c" being where the line hits the y intercept.

Here are the 3 year[1] net annual returns for Australian bond funds[2]:



Analysis: We do not even need the Excel-generated line-of-best-fit to tell us that the higher the MER for the fund, the less the net return is. For this line-of-best fit, the gradient is –0.7 and the R squared figure shows the extent to which the data fits the line-of-best-fit[3]. In this particular data set, the lowest expense fund is an index tracker, with 0.29% MER and 4.77% net return. The highest expense fund had an MER of 1.85%, and a net return of 3.39%. From the limited data and all else equal[4], we can say that not only did the high cost fund fail to neutralise the cost burden of its high fees, but it hardly created any superior value to the index tracker on a gross basis. The net return of the highest cost fund was 1.38% lower than the index tracker, and its fees were 1.56% higher, meaning its gross investment outperformance was 0.18%. The slightly superior investment performance of the fund manager hardly closed the gap at all.

For this chart, the gradient is –0.7, suggesting superior investment management skills that are not quite superior enough to climb above the higher costs. There is about a 1% net difference in investment returns between the lowest cost fund and the highest cost fund. An investor in the latter over 40 years would walk away with two thirds of the asset balance of an investor in the former: that's the effect of the 1% net return difference.

[1] I.e. Performance figures gathered over three years, so we might expect that most short term volatility effects have been ironed out.

[2] From the van Eyk website, 20 May 2007. van Eyk reports MER and 3 year performance figures for all funds, and categorises them according to asset class.

[3] "1" being the highest value possible, meaning all data points in fact fall on the line.

[4] We should be concerned with risk-adjusted returns, not just absolute returns, and we should also see how the fund compares in other time periods.

Other data sets …

It is unfair of course to look at one data set from a particular time period – I could easily have been selective in choosing my asset class to demonstrate my point that high cost retain fund managers are sapping investors' superannuation accounts. Also the current investment climate might result in bias one way or the other. So let us look at some other asset classes, still over three years, which should be enough to iron out most short term wrinkles.

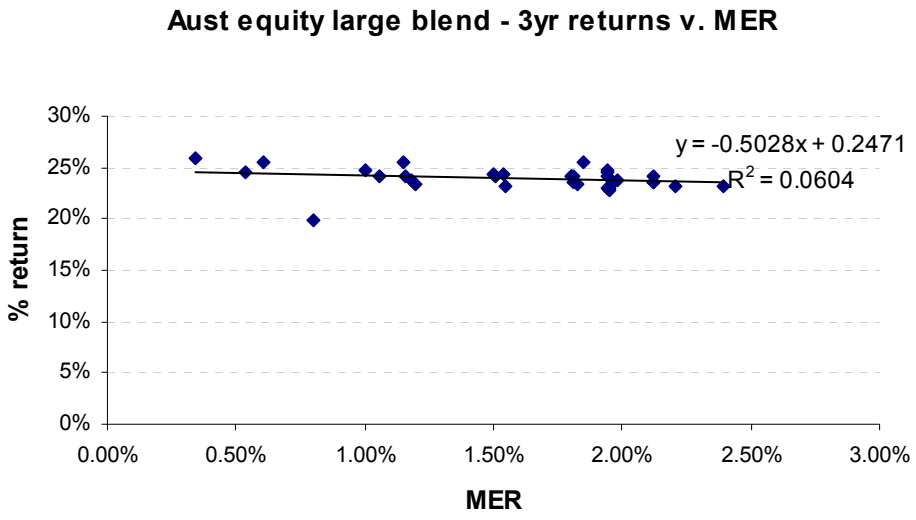
So let us look at other data sets.

Note that the gradient of the line-of-best-fit determines the extent to which fund managers been able to deploy their superior investment management expertise by closing the gap generated by their higher fees. The scale is different on each graph so the y=mx+c equation shown on each graph is the best way to determine the gradient, by looking at the "m" value. Visual inspection of the gradients will be misleading since the left hand scale is different in each chart.

If fund managers had superior investment management skills but they were exactly neutralised by the higher costs, then the gradient (i.e. the "m" value) would be exactly –1: i.e. a 1% MER will reduce net performance by 1%. If high cost fund managers actually had worse investment management skills than cheaper fund managers, then "m" would have a value less than –1 (eg. –1.3). But if high cost investment managers partly neutralise the effect of higher costs through investment management expertise, we would see "m" having a value > -1 but < 0: eg –0.6. Only if "m" is positive will the graph support the contention that added expense is **more** than compensated for by extra returns.

So just to be clear, we are looking for an upward-sloping line-of-best-fit (which would vindicate the belief that higher cost fund managers are giving higher net returns to investors) or, at the very least, a horizontal line-of-best-fit (which would suggest that an investor is neither better nor worse off by investing in a higher-cost fund).

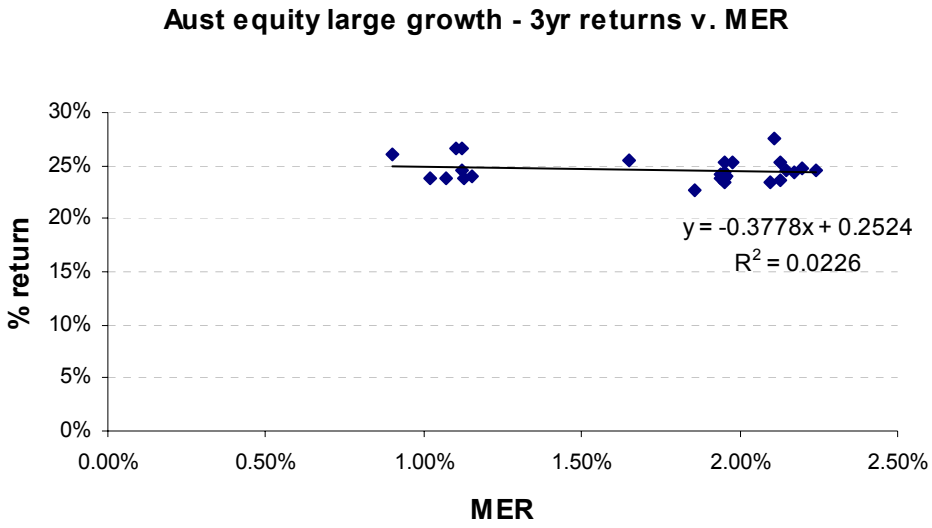
Here is the performance of Australian equity large company blended funds over the same time period:



Analysis: For Australian equity large company blended funds, the gradient is also negative, indicating that the more expensive fund managers are not compensating for higher costs with superior investment returns. A 1% increase in expenses is accompanied by a 0.5%[5] increase in gross investment returns, on average.

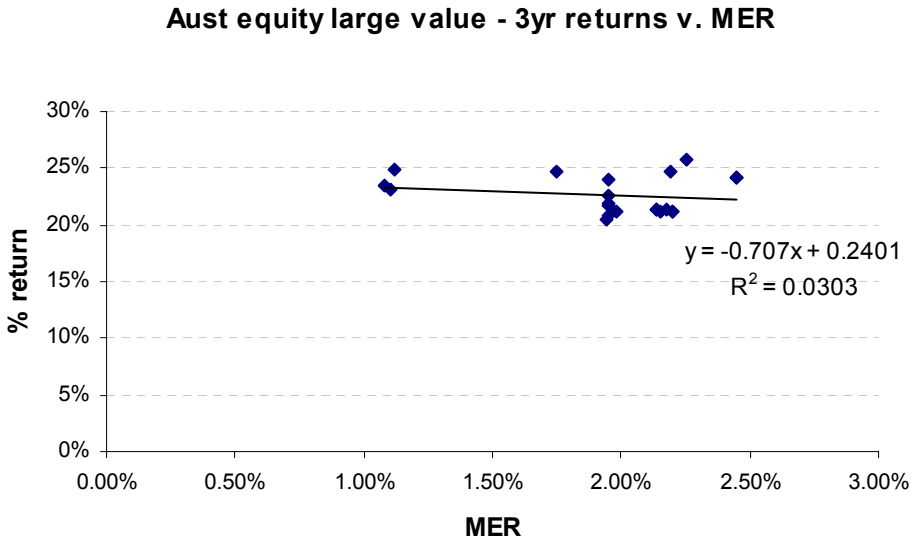
Here is the performance of Australian equity large company growth funds over the same time period:

[5] I.e. 1 – 0.5% = 0.5%



Analysis: For Australian equity large company growth funds, the gradient is also negative, indicating that the more expensive fund managers are not compensating for higher costs with superior investment returns. A 1% increase in expenses is accompanied by a 0.62% increase[6] in gross investment returns, on average.

Here is the performance of Australian equity large company value funds over the same time period:

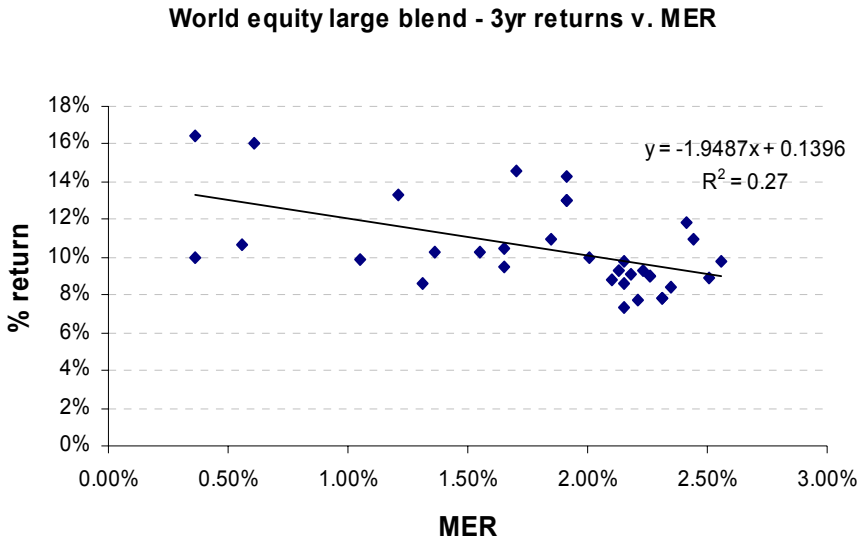


Analysis: For Australian equity large company value funds, the gradient is also negative, indicating that the more expensive fund managers are not compensating for higher costs with superior investment returns. A 1% increase in expenses is accompanied by a 0.29% increase[7] in gross investment returns, on average.

Here is the performance of World equity large company blended funds over the same time period:

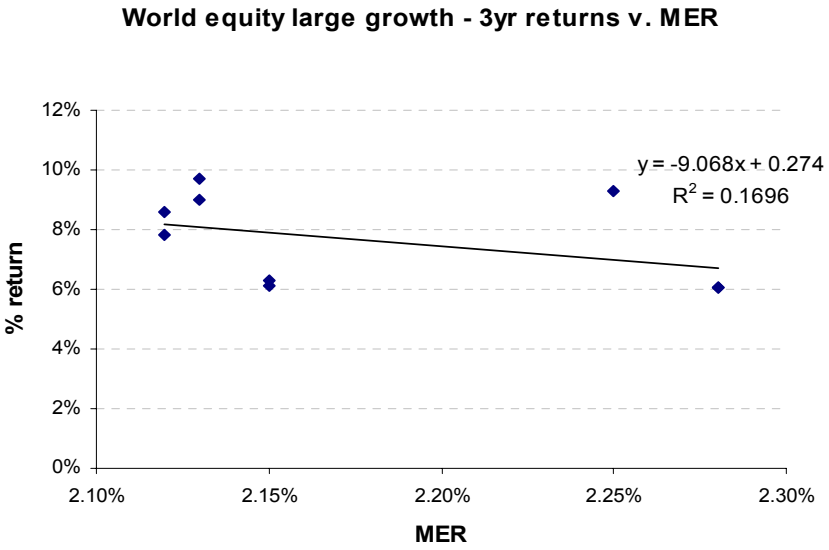
[6] I.e. 1 - 0.38% = 0.62%

[7] I.e. 1 - 0.71% = 0.29%



Analysis: For World equity large company blend funds, the gradient is **very** negative, indicating that the more expensive fund managers are clearly not compensating for higher costs with superior investment returns. In fact, in this case, a 1% increase in expenses is accompanied by a 0.9% **decrease**[8] in **gross** investment returns, on average. So the more expensive fund managers are not only unable to recover the higher costs, they appear to be doing worse than lower cost funds, even ignoring the expenses entirely. This would seem to be an anomaly: there is no reason why a high cost fund manager would have inferior investment management skills to a low cost manager. Note that there is considerable scatter around the line-of-best-fit so maybe we cannot trust this chart as much. Nevertheless, the line of best fit appears reasonable.

Here is the performance of World equity large company growth funds over the same time period:

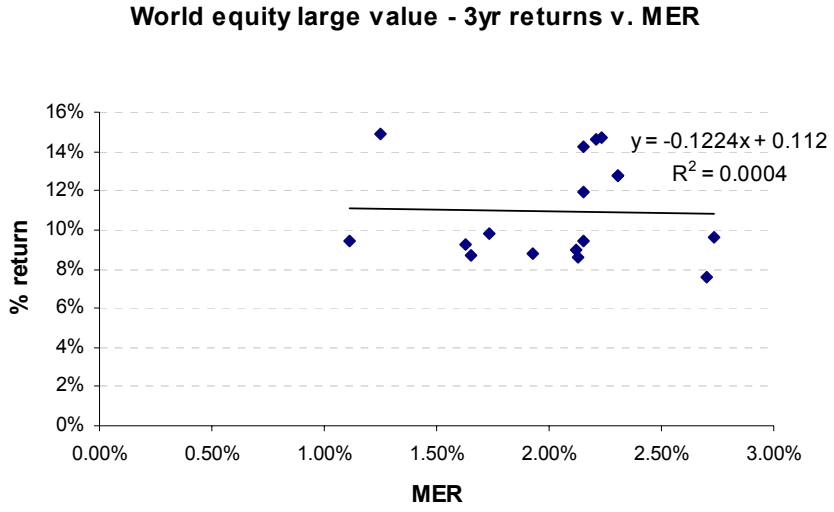


[8] I.e. 1 – 1.95% = -0.95%

Analysis: For World equity large company growth funds, the gradient is **extremely** negative, indicating that the more expensive fund managers are not compensating for higher costs with superior investment returns. In this case, a 1% increase in expenses is accompanied by a 8.1% **decrease**[9] in **gross** investment returns, on average. So the more expensive fund managers are not only unable to recover the higher costs, they appear to be doing worse than lower cost funds, even ignoring the expenses entirely. This would seem to be another anomaly: there is no obvious reason why a high cost fund manager would have inferior investment management skills to a low cost manager.

We are dealing with a relatively small number of data points here and perhaps there was something particular about the highest cost fund's investments which brought about the dramatically poorer result. Also note that the range of MERs is quite small, magnifying the chance of drawing an incorrect conclusion from the data. But most importantly, the line-of-best-fit seems highly dependent on the highest cost fund, and had its performance been better, the line-of-best-fit could have changed dramatically.

Here is the performance of World equity large company value funds over the same time period:

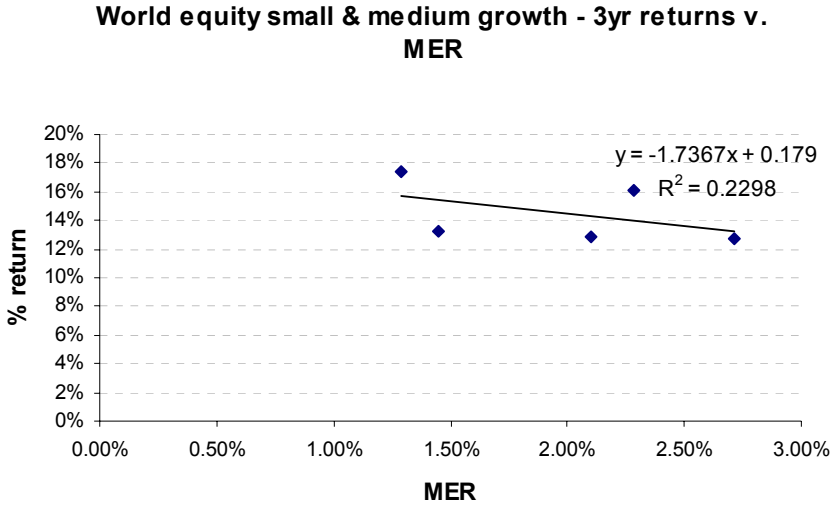


Analysis: For World equity large company value funds, the gradient is also negative, indicating that the more expensive fund managers are not compensating for higher costs with superior investment returns. This is the best result of all the asset classes however: a 1% increase in expenses is accompanied by a 0.88% increase[10] in gross investment returns, on average. Note also that there is high variability around the line-of-best-fit, indicating that the trends are not so clear with this asset class, based on this particular set of datapoints.

Here is the performance of World equity small and medium company growth funds over the same time period:

[9] I.e. 1 – 9.08% = -8.08%

[10] I.e. 1 - 0.12% = 0.88%



Analysis: And finally for World equity small and medium company growth funds, the gradient is also very negative, indicating that the more expensive fund managers are not compensating for higher costs with superior investment returns. Again in this case, the higher cost funds are doing even worse than the lower cost funds even on a gross return basis, because "m" <-1.

What can we conclude ?

Well the key conclusion is that **cheaper is better**. Investors should try to avoid transferring their price-to-value consumer experiences - from buying washing machines, televisions, and loaves of bread - to the superannuation sector. In superannuation, cheap is good.

It is hard to argue that, if an investor can do nothing else in order to judge which fund to invest in for a given asset class, he/she should be guided by the expense ratio of the fund.

The key messages we should take away are:

- You do not get what you pay for in investment management – in fact you get less the more you pay
- It is quite easy to find a fund that has an MER more than 1% higher than another fund in its peer group. And if you are really unlucky, you can be stuck in a fund that is more than 2% more (see Australian equity large company blended funds).

Let me just preemptively defend the rough and ready methodology above by stating that one would expect that eight different asset class/investment style combinations might give up at least one or two contrary outcomes. But no, all the lines-of-best-fit have a negative gradient. In three out of eight cases not only did the higher cost fund managers fail to recover the extra cost of their fees through investment performance, but they in fact did worse than the cheaper fund managers on a gross basis. I would imagine there is a reasonable explanation for this last finding, and I have no desire to pursue this further here.

6. Consistently good fund managers ?

Consistently good fund managers are few in number and difficult to identify and access.

But some fund managers are better than others, are they not ? Occasionally.

Sometimes they are better than others because their investment style is favoured by the markets at particular points in time; sometimes they simply get lucky; and sometimes there appears to be something fundamental in their DNA which allows them to beat others consistently. But there are very few free lunches in this business, and we can assume that if there **are** free lunches around they are unlikely to be eaten by unsophisticated low and middle income investors who access their investments through financial planners.

Financial planners have an easy enough time as it is pushing these investors into unsuitable products – they simply do not need to burn up their credits needlessly by pushing them into **suitable** products.

The graphs shown above illustrate the sub-universe of fund manager products by asset class. The lines of best fit do not have an R squared of 1 (which would mean a perfect fit), and there is dispersion either side of the line: some are clearly better than others, at least for this time period if not others. Implicit in my argument above has been the assertion that an investor is unable to determine which fund managers are better than others and that there is randomness in allocating money to funds.

We can accept that some fund managers are consistently better than others, but I would make the following points:

- The number of consistently good fund managers is something measured on one hand, and bears little relationship to the sub-universe of "consistently good fund managers" claimed in advertising and marketing puffery. It is not difficult to fool most unsophisticated investors most of the time: asset class performance and fund performance are inextricably linked in the eyes of most investors, and there is little understanding of risk-adjusted returns, survivorship bias and selective use of time periods
- It is not always easy for retail investors to access "consistently good fund managers", even if they find them – they usually inhabit the institutional investment space only
- Fund managers with the right DNA will either close the fund to new investors or charge higher fees to milk their better performance

The upshot is that for a select few investors, superior returns may be available through means other than luck. For a much larger proportion of investors they may blithely **believe** they are with a fund manager with the right DNA. But for the vast majority of investors, they do not really understand anything about investing at all, although they are in what appears to be a good product, introduced to them by a financial planner who has gained their trust, and the total fees and charges appear low (eg. 2.3% per year).

Why are investors duped so easily ?

It is easy to see why unsophisticated investors might be tempted into thinking that high cost funds are good:

- In many areas of retail consumption you **do** get what you pay for
- Fund managers are well paid, well educated, well groomed, articulate, persuasive, and they discuss fundamentally sound investment principles like portfolio diversification, and market return vs alpha. But fund costs – quite possibly the most important criterion for selecting a fund management product within a given asset class - achieve little profile
- Financial planners are also, typically, well educated, well groomed, articulate, persuasive, and discuss those same fundamentally sound investment principles. But where they do disclose costs it is not done in a way that allows the investor to make an informed decision
- Retail funds market themselves and advertise heavily, and the current regulatory regime allows them to hoodwink investors shamelessly through selective use of performance figures and that silly caveat that past performance is no indication of future performance, which even unsophisticated investors realise is simply a meaningless regulatory requirement.
- There is far less objective analysis of the cost issue than there should be, because specialist research houses and management consultants are typically paid by retail financial institutions with deep pockets: I speak from experience when I say that government regulators and consumer associations are not dream clients to a management consultant, and I cannot imagine that they would be dream clients to a research house, either.

7. Financial planner incentives

Financial planner incentives are inimical to providing advice in the investor's best interests.

I do not wish to review here the witch's brew of unconscionable incentives – differential trail commissions, soft dollar incentives, platform rebates - provided by fund managers and platform providers, which lead financial planners onto the path of temptation, and the ignorance and blind faith of unsophisticated investors, which then leads them to put their foot down on the throttle.

Nor do I wish to review the many ways in which incentives might restrict the universe of financial products offered by the financial planner to the investor, so that it is not even a galaxy, more like a solar system with a few planets inexplicably missing.

Financial planner conflicts of interest is a well-trodden path.

That the bias, incentives, and advice limitations are all disclosed is almost completely irrelevant: we are not usually dealing with informed investors here, who are able to evaluate the meaning of the disclosure. Financial planners are trusted to provide advice that is in the best interests of the investor. The regulatory regime, tipping its hat to the vested interests of powerful financial institutions, has deemed that "appropriate advice" is good enough. Behind that word "appropriate" a multitude of sins is allowed to hide.

My contention is that it is **not appropriate** to place an investor into a high cost fund which predictably chips away at the asset balance with no compensating investment return. Unfortunately, industry normal practice is not on the side of my contention, but there may yet come a day when the industry looks back in horror, shame and disbelief at these dark ages of financial advice.

Financial planners are trusted to provide advice in the best interests of the investor but this trust is misplaced, clearly.

8. Whither ?

Investors' SGC components can be protected by restricting access to financial planners and retail funds, and the sensible application of default fund requirements based on investor age and risk profile.

The skill sets of financial planners are well suited to helping investors with their retirement plans, but the motivations are not.

We must create disincentives for financial planners to persuade their clients that a key plank of the advisory process is to advise on which fund to select – this is just misleading noise, and potentially damaging to the investor.

There is probably a role for financial planners in providing advice to lower and middle income superannuation investors. Financial planners could perform valuable functions such as:

- Risk profiling
- Advising on asset allocation and portfolio mix
- Tax planning
- Technical superannuation advice
- Estate planning

But we should not let financial planners loose on unsophisticated superannuation investors. However trail commissions, and the close ties between fund managers and financial planners, have corrupted the latter's ability to advise in the investors' best interests. We need to:

- Ban trail commissions, along with all other rebates, backhanders and other inducements
- Refocus the disclosure regime more on actual understanding and less on simply disclosing. This would entail –
    - Requiring fund managers, platform providers and asset-based-fee financial planners to clearly show the compounding effect on the superannuation balance of their fees and charges, and alternative fee scenarios
    - More information on peer group and time period comparisons if they choose to advertise fund performance
- Tinker with the default fund requirements for superannuation funds: some simple combination of lifestyle funds (which change their asset mix based on the investor's age) with basic risk profiling on entry to the superannuation fund, will be effective in placing investors into appropriate asset allocations, without unnecessary cost
- Provide more incentives for low cost products and services to flourish – specialist index funds, Exchange Traded Funds, simplified personal financial planning software

We need to protect the SGC component of unsophisticated investors from the paint stripper of financial advice, and force financial planners and retail funds to move to pastures where vulnerable and unsophisticated investors do not graze.
