

Morton, Sue (SEN)

From: Colin Grenfell [colnbarb@hotmail.com]
Sent: Monday, 22 July 2002 4:14 PM
To: Sue.Morton@aph.gov.au
Cc: Peter.Downes@aph.gov.au
Subject: Senate Select Committee on Superannuation



Aussie_UK.xls

Sue, 22/7/02

When questioned about fees and charges at last week's Committee hearing in Melbourne, I realised that the power of "Figure 1" is only really evident when you use it to compare two plans.

I have therefore produced a Figure 1 for a 'typical' Industry Plan with an admin charge of 95 cents a week and a benefit payment charge of \$20. Refer enclosed.

When you compare it with the Figure 1 for a 'typical' Retail Plan (which you have seen previously) you can see why this form of disclosure is apparently known in the UK as "the full-monty". Senator Watson was concerned about asset-based plan management fees. I believe that the enclosed shows up the full impact of these (and other) fees. The bases underlying both versions of Figure 1 is set out on the third spreadsheet.

Would you please pass the enclosed onto Senator Watson and if appropriate to other Committee members.

Regards,

Colin

cc Peter Downes

MSN Photos is the easiest way to share and print your photos:
<http://photos.msn.com/support/worldwide.aspx>

<u>Plan Design</u>		Retail Plan	Industry Plan
Non-Investment Fees			
Contribution 1st Yr Fee	(Add'l)	3.00%	0.00%
Contribution Annual Fee		2.00%	0.00%
Annual Charge		\$48.00	\$49.40
Charges linked to		CPI	AWOTE
Annual Charge Inflation		3.00%	4.50%
Management Fee	(of Assets)	1.00%	0.00%
Benefit Charge		\$60.00	\$20.00
Benefit Charge Inflation		3.00%	4.50%
Investment Fee	(of Assets)	0.50%	0.50%
 <u>Assumptions</u>			
Earning Rate (net of tax)		7.50%	7.50%
Salary Increases		4.50%	4.50%
SG Rate		9.00%	9.00%
Earning Rate net of Investment Fee		7.00%	7.00%
Earning Rate net of Investment and asset based Management Fees		6.00%	7.00%