



ASIC
Australian Securities &
Investments Commission

REPORT 000

Consumer testing of the fees and costs tools for superannuation and managed investment schemes

November 2019

About this report

This report was commissioned by ASIC and produced by Susan Bell Research.

It sets out the results of consumer testing that was conducted to find out whether proposed changes to the way that fees and costs are disclosed in product disclosure statements (PDSs) and periodic statements for superannuation and managed investments are easier to understand and more useful to consumers than the current versions.

While this report was finalised by Susan Bell Research in May 2019, it was released in November 2019 to coincide with the release of updated Regulatory Guide 97 and Report XXX *Response to submissions on CP 308 Review of Regulatory Guide 97* (REP XXX).

**Consumer testing of the fees and costs
tools for superannuation and managed
investment schemes**

Prepared for

Australian Securities and Investments Commission

by

Susan Bell Research

www.sbresearch.com.au

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Who we are

Susan Bell Research is a market and social research agency which specialises in consumer testing. We are based in Sydney. The agency is Australian-owned and managed and AS/NZS ISO 20252 Market and social research certified. All researchers are members of the Australian Market and Social Research Society (AMSRS) and therefore bound by the AMSRS Code of Professional Behaviour. Susan Bell is a Fellow of the AMSRS.



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Background

Why this report was commissioned

The Australian Securities and Investments Commission (ASIC) commissioned Susan Bell Research to conduct consumer testing on some proposed changes to the way that fees and costs are disclosed in product disclosure statements (PDSs) and periodic statements for superannuation and managed investments. This followed on from a recommendation made by Darren McShane in his review of the fees and costs disclosure regime. The review was published by ASIC with the title REP 581¹. REP 581 discusses how difficult it can be for consumers to use the fees and costs information provided in PDSs and periodic statements.

Every PDS for superannuation and managed investments must display the fees and charges in the same format, using a fees and costs template, an example of annual fees and costs and an Additional Explanation of Fees and Costs. Fee and cost information must also be disclosed in periodic statements.

The fees and costs template is intended to provide an 'at a glance' summary of the most significant fees to help consumers compare products. The fee information in periodic statements also follows a prescribed format.

Report 581 suggested an alternative fees and costs template as well as other changes to the titles of the fee and cost information. The recommendation was subject to consumer testing.

ASIC released a consultation paper² to seek feedback on the changes from other stakeholders. Another input into the outcome of this consultation is consumer testing.

Consumer testing

In this context, 'consumer testing' means testing a document with members of its intended audience to determine whether the document is easy for them to read, use, and understand.

¹ [Report 581](#) Review of ASIC Regulatory Guide 97: Disclosing fees and costs in PDSs and periodic statements

² [CONSULTATION PAPER 308](#) Review of RG 97 Disclosing fees and costs in PDSs and periodic statements January 2019, which closed on 2 April 2019

Consumer testing objectives

Overall objectives

ASIC commissioned Susan Bell Research to conduct consumer testing to find out whether the proposed fees and costs templates and wording changes are easier and more useful to consumers than the current versions. Specifically, ASIC required the research to explore whether or not:

- Consumers consider the proposed templates to be easier to read, easier to understand and more useful than the existing templates. In this context, 'useful' means 'make decisions about their investment, products or options including joining or switching between investments, products and options'.
- Consumers can understand and apply the terminology in the new templates and examples.
- The new templates make it easier for consumers to compare between products.
- The proposed titles 'Fees and Costs Summary' (rather than 'Fees and Costs Template') and 'Fees and Costs Details' (rather than 'Additional Explanation of Fees and Costs') better describe these disclosure tools - and therefore make them easier to use or more likely to be used.
- The proposed cost of product information in superannuation and managed investments helps consumers better understand the fees and costs associated with each investment option.
- Re-arranging the template into two sections: ongoing vs member-initiated fee makes it easier for consumers to understand.
- Whether disclosing 'Transaction costs (net)' is understood by consumers and is useful.
- Consumers are better able to read and understand fee and cost disclosure in periodic statements in its new proposed format.
- To identify any other changes that consumers would find useful.

For the superannuation template

- Should 'Intrafund advice' be a separate line item (as it is now under the heading 'Advice fees') or part of 'administration fees and costs'?
- Should indirect costs be merged with 'investment fees and costs' or mentioned specifically?
- Should 'administration fees and costs' be merged with 'investment fees and costs'?

For the managed investments template

- Is the proposed disclosure of the 'buy-sell spread' understood by consumers and considered useful?
- Does moving 'management fees' to the top of the fees and costs template and grouping ongoing vs member-initiated fees make it easier for consumers to understand?

Research method

A hybrid consumer test

Susan Bell Research custom-designed a hybrid consumer test to meet the objectives of this project. That is, we incorporated structured questions into a conversational-style qualitative research interview. This method enabled us to gain comparative data for the two templates on how easy or difficult the material was to understand and how useful it was in decision-making. The qualitative component gave insight into *why* people understood or misunderstood the two templates.

Mix of individual interviews and group discussions

The interviews were conducted as:

- Two mini groups each lasting 90 minutes, one for superannuation and one for managed funds, and
- Thirty individual interviews lasting up to an hour conducted via webcam.

The templates, examples, and periodic statements were tested using dummy data. All the test material is in the Appendix.

Sample definition

The test was conducted with people who claimed to understand their fees and charges very well, fairly well or a little. This was based on the belief that people who had no understanding of their fees would not be able to engage well enough with the templates to be able to provide meaningful feedback. Everyone who took part was able to read and converse in English as all the material was in English.

We excluded people who delegate all their financial decision-making to others and people who work in the field, e.g. financial planners. Please refer to the Appendix for more details.

Sample size

The sample size for this project was 40 people, divided as follow:

- 20 people tested the superannuation material. Five of these were in the mini group and 15 were interviewed individually.
- 20 people tested the managed funds material. Five of these were in the mini group and 15 were interviewed individually.

The method is described in more detail in the Appendix.

Sample breakdown

The sample structure is shown in the Appendix. The sample comprised:

- Men and women
- Aged from 37 to 78
- From varied socio-economic backgrounds (based on occupation)
- With balances ranging from under \$50,000 to over \$250,000, and
- For superannuation, from industry, government, corporate and retail funds.

How we interpreted the findings

The tested templates included elements that are or would be mandated by modification of the legal requirements as well as other information that would not be mandated, as shown below.

Table 1. Mandated and not mandated elements

Mandated elements	Not mandated elements
The name of the fee, for example 'administration fees and costs'.	The amount of the fee
The structure of the template, with columns for type of fee, amount of fee and how and when paid	The words used to describe how much the fee is
The order in which the fees are shown	How and when it is paid.
Any headings used to categorise different fees and Fee definitions in the Fee Definitions table.	The wording of the How and When it is paid section

Both the mandated and the non-mandated elements of the templates had an impact on how readable and usable the templates were. While our report focuses on the findings about the mandated features of the template as this was the purpose of the test, we nevertheless identify the impact of non-mandated features when relevant and in some cases make suggestions for wording and layout based on these findings. The non-mandated part of the template was drafted to provide a realistic example, having regard to industry practices.

Executive summary

Overview

How much information do consumers and investors want or need?

Consumers and investors want to know what their fees and costs are so they know how much they are paying for their superannuation or managed investment and why. Part of this is knowing what the fees and cost are *for*. Another way to say this is that they want ‘transparency’ but not at the expense of clarity.

How should fee information be displayed or expressed?

All four templates used words that some people did not know, or which they misunderstood. For example, some wondered whether the phrase ‘assets of the fund’ -a phrase used in the How and When paid column of the current and proposed superannuation templates - referred to their own account or to the broader fund. Other unfamiliar terms included ‘superannuation entity’ and ‘trustee of the superannuation fund’ - both used in the Definitions. Several people asked for a Glossary in plain language.

One of the key issues raised by this test is that consumers and investors may be unfamiliar with fees and costs that ASIC and others believe they should become aware of. The clear lesson from this research is that any new or unfamiliar fees introduced on the template need to be explained in non-technical, plain language. This is not just about using familiar terminology; it is also about how the fees and costs are described numerically. Many people have had little practice with complex mental calculations of the type ‘a dollar amount per week plus a percentage per year’, as some of the fees were expressed in the templates.

A second important point on the issue of transparency: some consumers ask for transparency because they have learned to be suspicious of financial services organisations ‘hiding’ fees. It is important that changes made to the template are not misjudged as ‘hiding fees’.

When looking at a table of fees and costs, what readers focus on will vary according to their objective at the time. Consumers who are actively comparing funds may look at one or two specific fees with which they are already familiar such as ‘administration fees’, ‘investment fees’, and ‘management fees’. Therefore the templates will be more effective if they use familiar words and phrases throughout. At other times, consumers look only at the fees and costs of one fund to get a sense of what they should expect to pay.

How the template *looks* is also important, because it affects how much people read. For example:

- People will often avoid a table of information that looks dense. Tables with more white space typically attract more readers.
- If the information at the top of the table seems familiar or is expressed in familiar language, most will keep reading. If it is not, many will stop reading altogether or start to skim.

Some people had very little experience working with information presented as percentages. The more percentages there were, the more confused they became. These readers needed concrete examples to make these percentages make sense.

The next page summarises the findings for the superannuation template.

Superannuation: key findings

The proposed superannuation template has a better structure than the current template but some of the tested wording confused consumers

Participants in the test rated each template using two six-point scales, one from 'extremely easy' to 'extremely difficult', and one from 'extremely useful' to 'not at all useful'. Each scale had a 'don't know' option. The current and proposed superannuation templates received equivalent scores on overall ease of understanding and overall usefulness. The current template was rated as extremely or somewhat easy to understand by nine out of twenty testers. The proposed template achieved an identical rating.

This result shows that the current superannuation template needs to be improved and that some of the proposed improvements helped consumers understand their fees and costs. However other changes made the template seem more difficult to use.

The summary below shows the strengths and weaknesses of each template, divided between 'mandated' elements and 'non-mandated' elements.

Table 2. The superannuation templates: strengths of both templates

Mandated or not mandated	Existing superannuation template	Proposed superannuation template
Mandated elements	1. Administration and investment fees were understood because they were familiar	1. Administration and investment fees and costs were understood because they were familiar 2. Dividing the template into ongoing fees and costs and member activity related fees and costs helped consumers think about their fees in a more active way.
Non mandated elements	None mentioned	None mentioned

Table 3. The superannuation templates: weaknesses of both templates

Mandated or not mandated	Existing superannuation template	Proposed superannuation template
Mandated elements	1. The buy-sell spread and indirect cost ratio were not understood because they were unfamiliar and defined in a technical manner	1. Transaction costs and the buy-sell spread were not understood because they were unfamiliar and defined in a technical manner
Non mandated elements	1. The explanation of the buy-sell spread was poorly understood 2. Multi-part numeric expressions such as '\$1.25 per week plus 0.20% p.a.' were difficult to understand	1. The explanations of transaction costs and the buy-sell spread were poorly understood 2. Multi-part numeric expressions such as '\$1.93 per week plus 0.30% p.a.' were difficult to understand

As summarised above, the proposed superannuation template improves the current template by re-ordering the fees into ongoing costs and member-activity related costs. This structure encourages consumers to think about their investment, specifically to understand that some costs are ongoing and some only occur when they do something that triggers them.

However, the proposed template was made more complicated by complex explanations of unfamiliar fees especially transaction costs. Why are 'unfamiliar' fees described as a weakness in the summary table above? It could be argued that one role of the template is to bring unfamiliar fees to public attention. The problem we are highlighting here is how people react to seeing unfamiliar fees:

- Unfamiliar fees cannot be understood 'at a glance' without a clear verbal and numeric explanation on the table itself.
- Some people look at the numbers to see if they can make sense of the information that way.
- Others look to the verbal explanation on the table, and then (perhaps) seek out a Glossary.
- If they still cannot understand the words or numbers, many will skim over the rest of the table or stop reading altogether.

We have categorised the wording of the explanation of fees as 'non-mandated element' as Funds may be able to use their own words to describe this fee. The test results highlight though how important it is to ensure that unfamiliar fees like this are explained clearly to consumers. Arguably, it is only worthwhile including unfamiliar fees in the template if readers are going to understand them, unless there is some other rationale.

Superannuation: advice fees potentially confuse but there are risks in 'hiding' fees

The test explored consumer reactions to some specific questions raised by ASIC. One of these was whether or not 'advice fees' should be listed as a line item as they are on the current template or included in administration fees as they are on the proposed template.

The test shows that the term 'advice fees' has the potential to confuse some consumers who presume that this fee is only paid if they seek advice, although there is no evidence that this is a widespread assumption. The definition of intrafund advice did help to correct this kind of misunderstanding.

However, it was difficult for many of these consumers to agree to the inclusion of intrafund advice as an administration fee because that seems like 'hiding' a 'fee for no service'. In this case, the challenge for ASIC is

whether to follow the requests of consumers who want to have fees listed even when they don't understand them – as one person described it 'well-meaning detail' – or to follow the wishes of consumers who say that it is easier to use simplified templates because they can then focus only on information they know how to use.

Superannuation: testers chose to merge indirect costs with investment fees

The test also explored whether indirect costs should be merged with investment fees and costs rather than listing them separately as happens with the current template. On balance, participants chose to have them merged because they did not understand what indirect costs were in this instance preferring clarity over transparency.

Superannuation: merging administration and investment fees

The test also explored whether administration and investment fees should be merged. On balance more consumers wanted these fees merged than separated.

Superannuation: cost of product information

For superannuation, more considered the proposed cost of product information to be useful than thought otherwise. Arguments for it were that it draws attention to fee differences between options; arguments against were that it is hard to see how the fee has been calculated.

Superannuation: tested titles

The proposed title 'Fees and Costs Summary' was preferred over the current title 'Fees and Costs Template'. *'Because a summary is basically ... as the word suggests, it's a summarization of all the stuff that's important'* whereas a template is *'something that you start with and you add on it yourself'*. Having said that, no one had a strong view on the title on the template.

Opinions were divided on whether 'Fees and Costs Details' was a better title than 'Additional Explanation of Fees and Costs'. The word 'Additional' implies that this page is optional. Some also felt that the page was not an explanation as it introduces fees and costs not mentioned earlier. On the other hand, the page does not really contain 'details'.

Superannuation: most preferred the proposed periodic statement template over the current periodic statement template

Most people preferred the proposed periodic statement template for superannuation because it seemed more comprehensive and was expressed more clearly. Note that we only tested the fee information required in the statement; other aspects of the statement were not shown.

Managed funds: key findings

The current MIS template was generally considered easier to understand than the proposed template. The proposed template has a better structure than the current template but some of the tested wording confused consumers

The summary overleaf shows that the current MIS template was relatively easy for existing investors to understand except for indirect costs and some explanations about how and when fees are paid.

- Most rated the current template somewhat or extremely easy to understand which was more than the number rating the proposed MIS template extremely or somewhat easy to understand.

Table 4. The MIS templates: strengths of both templates

Mandated or not mandated	Existing MIS template	Proposed MIS template
Mandated elements	1. Administration and investment fees were understood because they were familiar	1. Administration and investment fees and costs were understood because they were familiar 2. Dividing the template into ongoing fees and costs and member activity related fees and costs helped investors think about their fees in a more active way 3. Positioning management fees at the top of the template was well-received
Non mandated elements	None mentioned	None mentioned

Table 5. The MIS templates: weaknesses of both templates

Mandated or not mandated	Existing MIS template	Proposed MIS template
Mandated elements	1. Indirect cost ratio was unfamiliar and therefore difficult to understand	1. Transaction costs and the buy-sell spread were unfamiliar and difficult to understand
Non mandated elements	1. Mixing weeks with months and years in the How and when paid column was confusing.	1. The explanation of transaction costs was poorly understood 2. The explanation of the buy-sell spread was poorly understood 3. Multi-part numeric expressions such as '0.75% of the value of your assets in the fund per year. This is comprised of: Management fees of 0.65% p.a., Indirect costs of 0.10%' were difficult to understand.

As this shows, the structure of the proposed MIS template worked well, as it did for superannuation. Positioning management fees at the top also worked well. The problems arose with the introduction of unfamiliar fees. In this case, the proposed template had two new ones: transactions costs and the buy-sell spread.

One cause of the problem with the proposed template was that some of the explanations given on the template and in the definitions were complex and confusingly overlapping. For example, the buy-sell spread explanation refers to 'transactions' while the definition of transactions costs refers to the buy-sell spread. Transaction costs were labelled 'net' and the buy-sell spread included a plus and a minus. Participants did not understand how a cost could be 'net' or it how it could be negative.

Managed funds: cost of product information

In contrast to the findings for superannuation, managed funds investors were divided on whether the proposed cost of product information was useful – only seven out of 20 testers thought it was and five said it was 'not very' or 'not at all useful'. Arguments against the cost of product information were that it is hard to see how the fee has been calculated.

Managed funds: tested titles

The proposed title 'Fees and Costs Summary' was preferred over the current title 'Fees and Costs Template'. A key reason for this is that it gives *'all the information I need in the shortest form possible'*.

More investors preferred 'Additional explanation of Fees and Costs' over 'Fees and costs details'. The page did not seem to contain fee and cost 'details'. For others, its appeal was the word 'explanation'.

Managed funds: most preferred the proposed periodic statement template over the current periodic statement template

As for superannuation, 13 out of 20 people preferred the proposed MIS periodic statement template because it seemed more comprehensive and was expressed more clearly.

Superannuation and managed funds: Discussion

The current template for superannuation needs to be improved, though the managed funds template has fewer problems. In both cases, some of the terms and expressions were unclear to consumers and in both cases the new template structure is partially successful in improving understanding and engagement.

In both, the Definitions were too 'legalistic' to help people understand. Consumers want a glossary that will help them grasp the impact of the fee on them, for example, that they pay a switching fee when they switch investment options.

Should the table of fees and prescribed definitions perform an information / educative role or give consumers tools to help them take an active role in their investment decisions? If the objective is to inform consumers and investors of fees and costs then greater emphasis needs to be given to ensuring that the fees and costs are explained as clearly as possible. If it is to encourage greater engagement, this research shows that the table should be kept as simple as possible to engage the less knowledgeable investors.

Specifying unfamiliar fees and costs in what is supposed to be an 'at a glance' summary seems counterproductive unless they can be expressed in plain language. Worked examples of these fees and costs will however help. We have suggested some rewording below based on feedback from participants.

Table 6. Some suggested rewording of transaction costs and buy-sell spread

Possible wording to explain transaction costs: *We charge you .12% of your balance to help cover our expenses on such things as government tax, stamp duty and brokerage fees. They are called 'transaction costs' because they are based on activities undertaken by the fund.*

Possible wording to explain the buy-sell spread: *Whenever you make a contribution or withdrawal or ask us to switch your investments, we need to buy or sell investment assets. We then charge you a fee to help pay for the transaction costs we have incurred in buying and selling. This is calculated as .10% of your balance when we buy assets (e.g. when you make a contribution or make a switch) and .08% when we sell (e.g. when you withdraw or make a switch).*

It may also help to list the spread as:

- The percentage when you buy, including when you switch
- The percentage when you sell, including when you switch

Other suggestions:

- Use MoneySmart to show people how to compare funds, if possible.
- Some readers want to know 'how much this will cost me' so they need to be able to calculate the amounts. Some readers will want to compare funds, so the \$ and % figures need to be easy to see.
- Make the table easy to scan. To do this, limit how many words you use in each cell.
- Chunk the fee information in the table to make it easier to process. To do this, have only one fee per cell.
- Specify what the % is a % of.
- Be consistent in terminology, for example use 'each month' and 'each year' rather than 'per year', 'p.a.' and 'monthly'.
- Do you need to specify that the fee is 'deducted from your account'? Surely they all are? In which case say it for all or for none. If the fee is somehow paid another way, then explain how.
- Avoid footnotes.
- Put the Definitions in the same order as in the table.
- The Table does not use the term 'Activity Fee' so it is hard to see why it is defined.

Detailed findings

Overview

This test has shown that some consumers and investors struggled with both the current and tested templates.

This first section of the report explains the factors that made the templates difficult and identifies how to design them to make them clearer.

Key points are:

- Some superannuation consumers and managed fund investors knew little if anything about the fees and costs they pay.
- Only a few of the terms used in the template and definitions were familiar to most test participants. 'Administration', 'management', and 'investment' fees seemed the most well-known.
- Some existing terminology such as 'switching' of options was familiar to some and not others. Even those who had heard the term did not necessarily know that the fund buys and sells assets in order to execute the switch.
- Other terms were completely new to most participants. These were 'buy-sell spread', 'indirect cost ratio' and 'transaction costs'.

'The terminology is something new, and they introduce trading terminology.'
(Superannuation. Male. 40-49)

Participants tried to rely on the template and the definitions to explain these unfamiliar terms, but were often unsuccessful because of the 'legalistic' way in which the terms had been defined.

To add to the complexity of the task for consumers and investors, some were also unused to doing mental mathematical calculations.

This lack of familiarity makes sense when we take into account that participants in this test only looked at superannuation and investment fees and costs information occasionally, at '**milestone moments**'. They typically looked:

- When they invested initially;
- When they tried to consolidate their superannuation funds; and/or
- When they considered changing the investment, for example exploring whether to switch from their current superannuation fund to investing in an SMSF, or when considering retirement.

This was true for superannuation and for some of the managed fund investors who were not making regular contributions to their investment.

Key finding

All four templates contained unfamiliar terms and required readers to do complex mental calculations.

Consumers asked for both transparency and clarity

Consumers used two yardsticks to assess the templates: transparency and clarity.

Transparency

'I think when it comes to fees, most people would like transparency.' (Superannuation. Male. 60-69)

By 'transparent', they mean that consumers should be made aware of any fee and cost information that they should know now or in the future.

In contrast, 'not being transparent' means 'hiding' fees that *'some people may not pick up and then all of a sudden they get a big whack at the end of the year and think what is that all about?'* (Superannuation. Male. 60-69)

All of our participants seemed to take the fees at face value. They assumed that investment fees would be categorised as investment fees for example. No one seemed to expect that the Fund Manager or superannuation fund might have some licence as to how the fees were categorised.

Clarity

Consumers and investors also wanted clarity.

'At the end of the day I'm just looking for clarity.' (Superannuation. Male. 50-59)

While 'transparency' contrasts with 'hidden fees', clarity is the opposite of 'gobbledygook' as described here:

'If the information you were given is... a bit of gobbledygook where they talk about reserves and ... this and that, that doesn't to me allow me to make the best decision I can make.' (Superannuation. Male. 50-59)

Participants felt that both the current and proposed templates contained two types of 'gobbledygook':

- Terminology that they don't understand, such as 'reserves' in the quote above; and
- Lists of fees, especially when these fees were expressed as percentages mixed with dollar amounts or mixed monthly, weekly or annual references in the same fee.

'All these different types of fees and what are they for. It's just like a way of scheming money for different or for essentially the same thing, but in different ways. Investment fee, admin fee, switching fee, exit fee, I mean ... advice fees. Just a lot of fees.' (Superannuation. Male. 40-49)

The challenge: how to be transparent and clear

With transparency comes detail that can become overwhelming.

'You have to be a little bit careful that you don't present so much information that you obscure what you are trying to find.' (MIS. Male. 50-59)

Key finding

Consumers say they want both transparency and clarity but these two can sometimes be in conflict.

The wording and the structure of all four templates affected readability

Percentages

Although not mandated in the template and therefore not the subject of an ASIC proposal, it is common industry practice for some fees to be expressed as a percentage.

Some participants in this test had very little experience working with information presented as percentages. The more percentages there were, the more confused participants became.

'For me, I just find seeing those percentage figures a little bit more daunting and they are trying to cover something up really. Where I see a dollar sign it is more a certainty and it looks like they are trying to show you exactly what they are charging you.'
(Superannuation. Male. 30-39)

This difficulty was made worse by fees which were expressed as a mix of time frames for example '\$1.25 per week plus 0.20% p.a'.

Participants said that they needed concrete examples to make these percentages make sense.

Unfamiliar terminology

'The costs are deducted from the assets of the fund, so I probably honestly lost interest here because I am feeling confused.'
(Superannuation. Female. 40-49)

All four templates used words that some people did not know, or which they misunderstood. For example, several wondered whether the phrase 'assets of the fund' which was used on both templates referred to their own account or to the broader fund. Other unfamiliar terms included 'superannuation entity' and 'trustee of the superannuation fund'. Both of these were in the definitions.

Several people asked for a glossary in plain language.

Several readers lost confidence in their ability to understand the information when faced with these complex expressions and phrases to the extent that they became suspicious that the intention was to confuse them.

Some people avoid information that is complex or unclear

What do readers do when they are faced with 'overwhelming' detail or terminology they do not understand?

Some consumers and investors will read fees and charges information diligently, row by row.

Others however stop reading altogether. For example, referring to the proposed MIS template, one investor said that

'I nearly find that the (proposed template) has been fleshed out by the fund provider to try and stop people actually bothering to read the table. They can make it large enough and confusing enough people will give up and move on.' (MIS. Male. 40-49)

'I would probably stop reading between the buy-sell spread and the switching trades.'
(Superannuation. Female. 40-49)

Some readers skim-read, landing on words or terms that they understand and avoiding the others.

'You go, oh, this fee, that fee, blah, blah, blah. Fee, fee, fee, fee.' And you just go, 'Oh, well, it's all too hard.' And therefore you sort of fly over it.' (Superannuation. Male. 60-69)

How they approach the task can also depend on the decision to be made.

'If I am comparing a couple of different funds to decide where to go, I would actually go line by line but if I were in a fund and thinking about switching, what is that going to cost me, or pulling my money out...I'd look up that specific feature.' (MIS. Female. 50-59) ³

Key finding

The templates will be more effective if they use familiar words and phrases, and if the information in them is 'chunked' to make it easier to process.

One of the principles of Information Design is to 'start with something easy' because encountering complex information initially can discourage people from reading any further. The templates will therefore be easier to understand if they start with familiar terminology or at the very least explanations of fees written in plain language.

³ For more information about how readers 'hop, skip and jump' their way through written information, see.

[Bell, S. \(2007\) Improving our writing by understanding how people read personally addressed household mail](#) (PDF. 359KB)

Superannuation

The current superannuation template is at best only 'somewhat' easy to understand

Of the 20 people who tested the current superannuation template, nine thought it was extremely or somewhat easy to understand.

The main strength of the current template was its familiarity. Participants had seen some of these fees before especially the fees at the top of the table – the administration and investment fees.

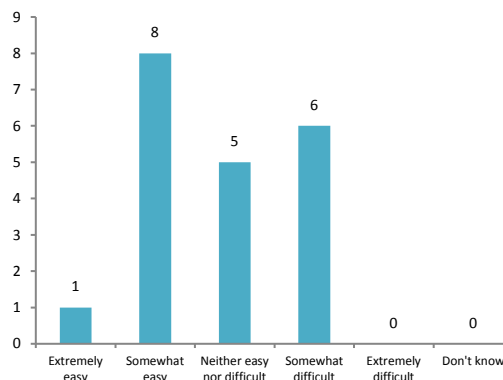
'I know some of these fees' (Superannuation. Male. 50-59)

'The first thing I would probably look for is the admin fee, I would go a dollar a week and I'd be like well that's somewhat reasonable.'
(Superannuation. Female. 40-49)

However, six described the current template as 'somewhat difficult' and five said it was 'neither easy nor difficult'. The main criticisms were:

- Some were unfamiliar with terms such as switching fee and indirect cost ratio.
- Seven people commented spontaneously that they did not understand what the buy-sell spread was. It was at this point that some said they would start to skim read only.
- There were some difficult expressions, such as *'per week and then deducted per month and then another point two percent per annum.'* (Superannuation. Female. 50-59)
- It is difficult to work out how much it would cost in dollar terms. Expressing the fee as a combination of per week and per annum makes it even more difficult.
- Some feel that footnotes have been placed there to hide information, or to confuse.

Figure 1. Ease of understanding the current superannuation template

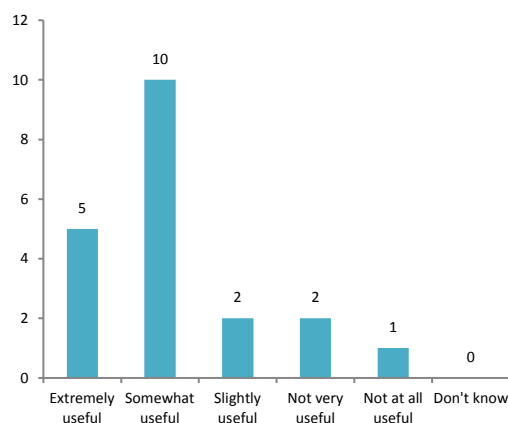


Base = all superannuation respondents N=20

Table 22 in Appendix 6 has the accessible version of this figure

The most common opinion (10 people) was that it is 'somewhat useful'.

Figure 2. Usefulness of the current superannuation template



Base = all superannuation respondents N=20

Table 23 in Appendix 6 has the accessible version of this figure

Summary

Some consumers were familiar with the fees in the current template so found it easy to understand. This test does provide some support for the argument that the current template encourages consumers to focus on the fees they know. Novice readers however needed better explanations and a clearer way to describe complex fees.

Overall, the proposed superannuation template was no easier to understand than the current template though the structure of the proposed template was preferred

Of the 20 people who tested the proposed superannuation template, nine thought it was extremely or somewhat easy to understand. They liked its structure.

'It is a little clearer because it had separation between member and ongoing.'
(Superannuation. Male. 60-69)

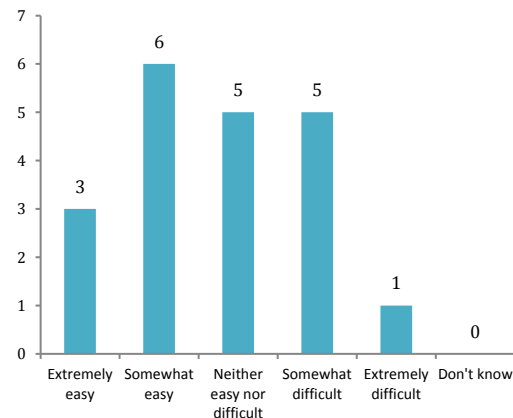
However, six described it as 'somewhat' or 'extremely difficult' and five 'neither easy nor difficult'. There were four reasons for this:

- The transaction fee and buy-sell spread were hard to understand. These were unfamiliar terms to many. The problems with these fees are explained later in this report.
- Some of the language was legalistic. Participants questioned what the 'assets of the fund' were for example. The following pages contain more information on these wording problems.
- There were too many percentages clustered together. The investment fee was expressed as a percentage. Transaction fees on the next row down were shown as a percentage.

Consumers found these hard to understand especially sequentially.

- The template looked cluttered, though this may have been due to some formatting (such as font size) used for the test template. One felt that the headings added extra wording.

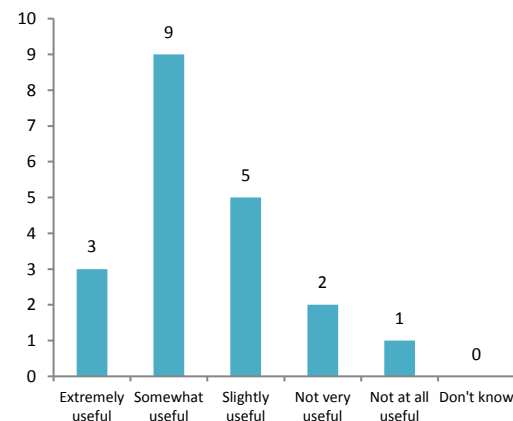
Figure 3. Ease of understanding the proposed superannuation template



Base = all superannuation respondents N=20

Table 24 in Appendix 6 has the accessible version of this figure

Figure 4. Usefulness of the proposed superannuation template



Base = all superannuation respondents N=20

Table 25 in Appendix 6 has the accessible version of this figure

Summary

From an overall perspective, there is no evidence that the proposed template is easier to understand than the current template. However, as the pages to follow show, the 'overall' picture masks the fact that some mandated elements of the tested template are indeed easier to understand than the current one. However, the inclusion of new fees brought with it additional complexity in the form of unfamiliar terminology and complex numeric expressions.

Superannuation: the split into ongoing and member activity fees and costs in the proposed template was generally considered useful

The structure of the proposed template has ongoing fees at the top and member activity below. This was well-regarded. Nine people rated it 'extremely useful' and another seven 'somewhat useful'.

It gave people a better understanding of their superannuation:

'Having that split with ongoing annual fees and member activity is a great idea ...because that makes it clearer than that if I initiate something, I need to look at the bottom rows for that.' (Superannuation. Male. 60-69)

This split changed some people's thinking about their superannuation.

'It might draw your attention to the different areas of how the fees and costs might be attributed.' (Superannuation. Female. 50-59)

'It provides transparency.... I would start questioning those types of fees more.' (Superannuation. Male. 40-49)

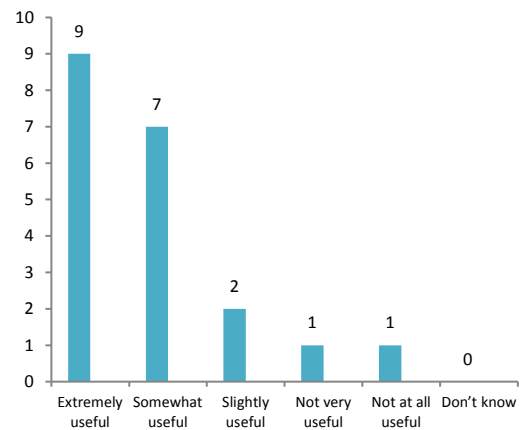
Some people who rated the template negatively overall nevertheless appreciated this structure.

However, some did not like this structure saying it added more headings to an already cluttered table.

Some felt that 'Transaction costs' which are listed in the 'Ongoing' section sounded as if they were based on activity by the member, which confused them.

'Wouldn't that be a member cost rather than an ongoing cost?' (Superannuation. Male. 50-59)

Figure 5. Superannuation: usefulness of the split into ongoing fees and costs and member-activity related fees and costs



Base = all superannuation respondents N=20
Table 26 in Appendix 6 has the accessible version of this figure

Summary

The structure of the proposed template seems to match consumers' understanding of their fees and costs and has the potential to educate novice consumers about superannuation.

Superannuation: transaction costs were difficult to understand because the explanation did not make an unfamiliar concept any clearer

Most of the participants in the Superannuation test were unfamiliar with the concept of transaction costs. This set transaction costs apart from the other more familiar ongoing fees and costs.

Eleven people described the wording about transaction costs on the proposed template as difficult to understand:

'So what is a transaction cost? What does that mean? Is that getting charged to me? Like when do you incur that? How do you incur a transaction cost? What does that cover?' (Superannuation. Male. 50-59)

Nine people described these costs as easy to understand but in fact may have misunderstood, assuming they referred to member activity.

'It's the cost that they charge you, I guess for buying or selling.' (Superannuation. Female. 30-39)

'It almost straddles the ongoing fees and costs with member activity and related fee.' (Superannuation. Male. 50-59)

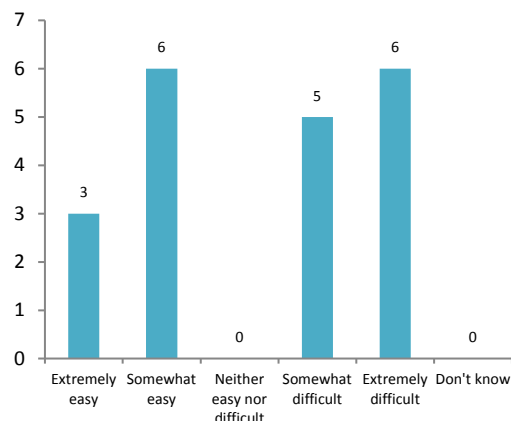
The main problem was that participants could not envisage what this fee was really for.

'I guess I can grasp the concept but I don't necessarily know what it entails.' (Superannuation Male. 50-59)

The Definitions page did not help; several people asked for a glossary to help them understand it. The part of the definition that was most difficult to understand was this 'Other than costs that have been recovered by the superannuation entity charging buysell spreads'.

'The first part you get charged for buying or selling really and then they throw that little thing in there, don't quite 100% understand what that is.' (Superannuation Male. 30-39)

Figure 6. Superannuation: ease of understanding transaction costs



Base = all superannuation respondents N=20
Table 27 in Appendix 6 has the accessible version of this figure

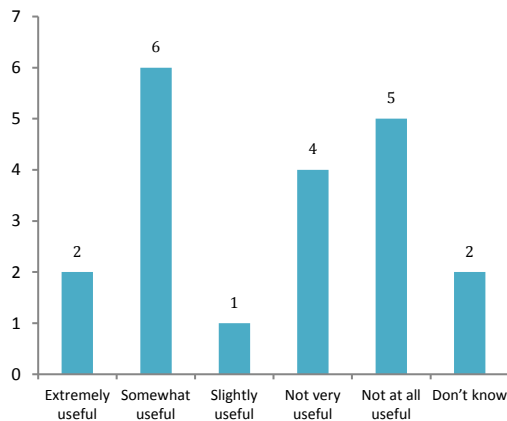
Ratings of usefulness had the same pattern.

'Why do I need to know it? What am I going to do about it?' (Superannuation. Male. 50-59)

Note here that participants were more familiar with the other ongoing fees and costs – administration and investment and understood the difference between them. In contrast, transaction costs seemed out of the member's control because they did not know what they referred to or what would trigger this cost.

'I might want to know if there were transaction costs, but ... seeing as I don't really manage what assets and things I have in my balance account I rely on the company to do it. I would look into it.' (Superannuation Female. 50-59)

Figure 7. Superannuation: usefulness of transaction costs



Base = all superannuation respondents N=20
Table 28 in Appendix 6 has the accessible version of this figure

Summary

The transaction cost definition needs to be clearer. The first step is to differentiate it from the buy-sell spread. The second is to refer to activities that people can relate to. One possible solution could be:

'We charge you X% of your balance to help cover our expenses on such things as government tax, stamp duty and brokerage fees. They are called 'transaction costs' because they are based on activities undertaken by the fund.'

Superannuation: definitions for the proposed template seemed easier to understand than the current definitions because of the layout

We showed participants definitions for both templates.⁴ The two definitions differed in layout and in the wording of investment fees, administration fees and transaction costs. Participants did not read the definitions in depth.

Both definitions were criticised for their use of 'legalistic jargon', for example this definition of a switching fee: 'a member's interest in a superannuation entity from one class of beneficial interest in the entity to another'.

The current definitions

The current definitions were not easy for these consumers to understand. Only five out of the fifteen people who tested them rated them as easy.

The current definitions seemed useful because they were 'readable' and gave the 'gist' of the meaning. However, others described them as legalese, and said they would need to 'sit down for half a day' to read them.

'If I sat down for half a day and really went through it and asked questions and got on the phone I might be able to make some understanding of it.' (Superannuation. Male. 50-59)

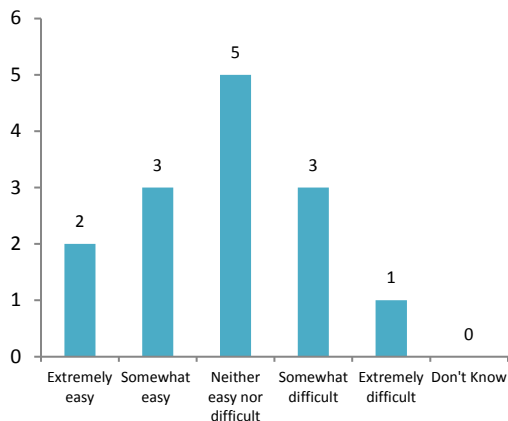
The indirect cost ratio and buy-sell spread definitions were particularly puzzling for some.

'I got half way through the definitions and I went right I give up, I can't be bothered.' (Superannuation. Female. 50-59)

⁴ We are showing the data from the in-depth interviews only here. We showed the definitions in the focus

groups as well but did not measure understanding specifically

Figure 8. Ease of understanding the current superannuation definitions



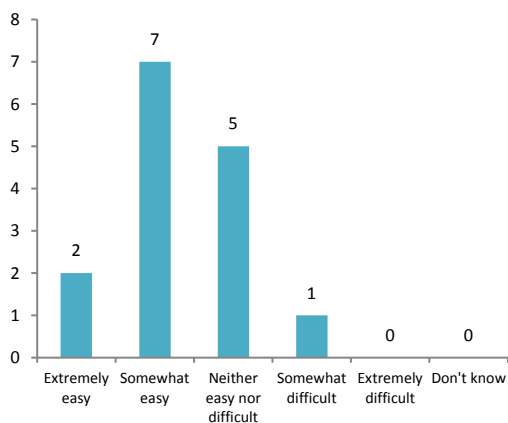
Base = all superannuation respondents in the individual interviews N=15
 Table 29 in Appendix 6 has the accessible version of this figure

The proposed definitions

Nine people rated the proposed definitions as easy. The test definitions were rated more highly because of the layout, mostly to do with the use of white space.

'It just gives me the impression that it is easier to read.' (Superannuation. Male. 50-59)

Figure 9. Ease of understanding the proposed superannuation definitions



Base = all superannuation respondents in the individual interviews N=15
 Table 30 in Appendix 6 has the accessible version of this figure

The proposed definitions were considered more useful despite the fact that in many ways the wording was the same as or very similar to the wording of the current definitions.

While only the wording of the definitions would be mandated, this finding is significant because it highlights how important layout can be especially when explaining difficult or unfamiliar concepts.

Only one person rated the proposed definitions negatively. That was because he did not understand the phrase 'costs that relate to that administration or operation met through the use of reserves.'

Summary

The two sets of definitions were similar. The language used in both sets was criticised as 'legalistic'. Both included fees that participants had not encountered before (the indirect cost ratio in the current set and transaction costs in the test set).

However, the layout of the test definitions made them seem easier to read.

For the definitions to be useful, they must be written in a language that ordinary consumers understand. It may help to put the definitions in the same order as in the table.

Superannuation: consumers were divided on the question of the advice fee

Should the advice fee be listed in the current template or merged into administration fees and costs as is proposed?

Advice fees

To explore this, the researchers first of all observed whether or not participants mentioned the advice fee spontaneously when reading the current template for the first time. Of the fifteen individual interviews, six spontaneously questioned the advice fee.

- One person assumed that this referred to advice from a financial planner.
- Others were unclear about who was receiving advice, where it was coming from and whether they had to pay the fee if they received no advice.
- One spontaneously realised that everyone paid the fee and questioned whether it was appropriate to be charged for advice they had not received.

'Sneaky to be charged for advice even if you don't ask for it!' (Superannuation. Female. 60-69)

The researchers then explained the advice fee to everyone using this definition:

(a) the fee relates directly to costs incurred by the trustee of the superannuation entity because of the provision of financial product advice to a member by:

- (i) a trustee of the entity; or
- (ii) another person acting as an employee of, or under an arrangement with, the trustee of the entity; and

B) those costs are not otherwise charged as an administration fee, an investment fee, a switching fee, an exit fee, an activity fee or an insurance fee.

Intra-fund advice

The researchers then showed participants where this fee had been incorporated into the second template and definitions.

At this point, about half the sample understood that this is a fee which everyone pays but not everyone uses.

The strength of the definition of intrafund advice is that it corrects a potential misunderstanding. It is *'an overall thing that should be put in overall costs'*. As one said, until they had seen the definition, *'that was not how I saw it.'*

To add to this, the term 'intrafund' was unfamiliar to them. The definition was also very hard to understand. One problem is the name; some thought it referred to *'funds getting a fee from each other'*. (Superannuation. Male. 40-49)

How this fee should be shown on the template

As to whether this fee should be a line item on the template, participants were divided.

Those wanting to retain advice fees as a line item in the table did so as a matter of principle – that they should be told about costs, even the costs they did not understand.

To them, categorising it as an administration fee seemed like hiding 'a fee for no service' since only some people may actually receive advice.

Those wanting the fee included with administration fees did so for two reasons. For some, doing so reflected the fact that a provision for advice for everyone was part of administration.

Others however just wanted to remove a line item from the template to simplify it.

Table 7. Superannuation Preference for the way that advice fees/ Intrafund advice is expressed in the template

Superannuation	Preference for the way that advice fees/ Intrafund advice is expressed in the template
The fees and costs I pay are easier to understand if these fees are shown as 'advice fees' on the template	8
It is easier to understand if they are categorised as a type of administration fee called intrafund advice and not shown separately on the template	9
It makes no difference	2
Don't know	1

Base = all Superannuation respondents N=20

Summary

Listing 'advice fees' as a line item in the current template has the potential to confuse consumers who presume that this fee is only paid if they seek advice. The definition of intra fund advice helped correct any such misunderstanding.

However, it was difficult for many of these consumers to agree to the inclusion of intrafund advice as an administration fee because that seems like 'hiding' a 'fee for no service'.

Superannuation: more wanted the indirect cost ratio merged into investment fees than wanted it specified on the template

The current template identifies the Indirect Cost Ratio as a line item in the table. The proposed template has it incorporated into Investment Fees and Costs.

When they first looked at the current template, a few commented that they would not necessarily have read that far, having given up when faced with unfamiliar fees earlier in the table.

Several people identified the indirect cost ratio as one of the most difficult fees to understand on the current template.

'Point 42 is not inconsiderable. Is it just some further margin? What is that?'

(Superannuation. Male. 40-49)

'It's gobbledegook.' *(Superannuation. Male. 60-69)*

Consumers were asked to choose after seeing the relevant definitions. In this case, more people preferred to see these fees merged with investment fees than wanted them identified separately.

Some felt that listing it separately was *'splitting hairs'* when *'You want to know the overall cost of the policy.'* *(Superannuation. Male. 50-59)*

Others felt that including *'a long list of fees I don't really understand'* was counterproductive. *(Superannuation. Male. 50-59)*

People who wanted the indirect cost ratio listed separately said it was confusing to merge different types of fees.

'I'd like to see it all upfront and not have to read and go oh does this or does this include this.' (Superannuation. Female. 40-49)

'If they mix too many of them up together it gets too confusing.' (Superannuation. Female. 50-59)

Table 8. Preference for the way: Indirect costs are shown on the template

Superannuation	Preference for the way indirect costs are shown on the template
Specifying this makes it easier to understand	6
Specifying this does not make it easier to understand. They can be merged with investment fees.	10
No preference	1
I don't know	3

Base = all Superannuation respondents N=20

Summary

This is an example of the tension between clarity and transparency. In this case, preference was for clarity.

Superannuation: the worked example of annual fees and costs was very successful because it helped people calculate their own fees

The researchers showed participants a worked example of annual fees and costs for the Balanced Fund, with dummy data.

Ten people rated it extremely useful and nine somewhat useful.

In fact, this was the information many had asked for after seeing the first template – ‘dollars’. As one said on seeing the first template:

'That means absolutely nothing until you really put dollars and cents to it and how much really it is going to cost you.'
(Superannuation. Male. 40-49)

The example of annual fees and costs helps people:

- Calculate their own fees, based on their own balance.
'Sort of crystallize how it works and you know you if you wanted to you could you know you'd trust the figures that are there and say OK. That's how it works. But you could also just reverse engineer with a calculator just to see how it all plays out.' (Superannuation. Male. 40-49)
- Become aware of the total cost of their fees.
'So looking at this example I can then maybe extrapolate to my situation.'
(Superannuation. Male. 50-59)
- See how costs can increase as their investment increases.
- Compare between funds.

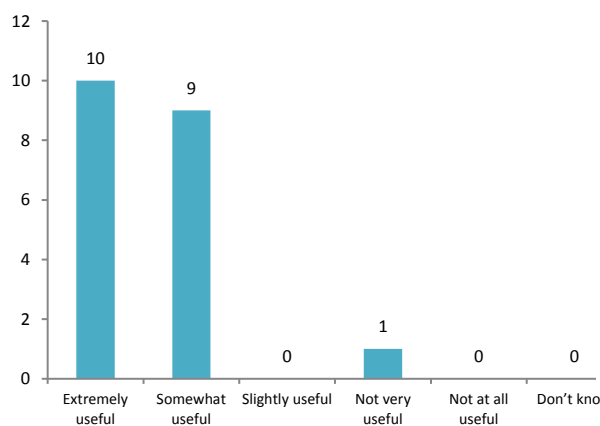
The weakness of the example of annual fees and costs is that it is based only on a balance of \$50,000. Some suggested using \$100,000 instead

of \$50,000 because that would help them do their own calculations.

One suggested seeing ‘the formula behind it’ to work out the fees on (say) \$125,000 and a \$3,000 annual contribution. One way to do this would be to have several examples with ‘people doing different things’. (Superannuation. Male. 60.69)

Some also felt that template itself could include a worked example using a \$100,000 balance, as a fourth column.

Figure 10. Superannuation: usefulness of the example



Base = all Superannuation respondents N=20
Table 31 in Appendix 6 has the accessible version of this figure

One person found the example of annual fees and costs confusing because they read it wrongly – they thought the \$250 in administration fees came on top of the figures in the second column, rather than as a calculation of the fees in the second column:

‘Quickly reading ... administration fees and costs \$100 per year at \$1.93 per week plus .3% of your balance and also we are going to charge you \$250 in administration fees and costs regardless of your balance, that seems weird that does.’ (Superannuation. Male. 30-39)

Summary

The example was useful. Some consumers would like to see more than one such example. An opportunity exists to improve the layout.

Superannuation: cost of product information simplifies for some but for others it disguises important information

The researchers then tested whether consumers would prefer to see a summarised cost of product information for other Investment Options

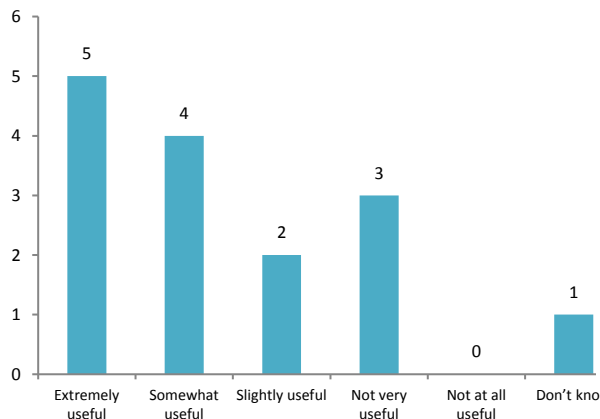
Cost of product information for 1 year

The cost of product gives a summary calculation about how ongoing annual fees and costs can affect your superannuation investment over a 1 year period for all superannuation products and investment options. It is calculated in the manner shown in the example of annual fees and costs.

The cost of product information assumes a balance of \$50 000 at the beginning of the year and an additional contribution of \$5 000 on the last day of that year. (Additional fees such as an exit fee or buy–sell spread may apply, refer to the fees and costs summary for the relevant product or option.)

Fifteen people in the in-depth interviews were asked how useful this was. Only five said this was ‘extremely useful’. For instance, one person who found the example of annual fees and costs confusing preferred cost of product information because it was simpler. Some felt it would be easier to compare across different funds using this format.

Figure 11. Superannuation: usefulness of cost of product information



Summary

Cost of product information helps consumers see the total cost of the fees and costs for each investment option. However, some are concerned that key differences between the individual fees will be lost.

Note that we did not include fee templates for each investment option in this test (which would be present in the PDS in reality) which may have affected the result.

Base = all Superannuation individual interview respondents
 N=15 (this question not asked in the group discussion)
 Table 32 in Appendix 6 has the accessible version of this figure

Those who rated the cost of product information as 'somewhat', 'slightly' or 'not very' useful regarded it as 'simplistic'. It did not help them calculate their fees using their own balance.

'I am now left wondering, how did this get calculated?' (Superannuation. Male. 40-49)

'(The example) talks about a balance of 50,000, contribution of 5,000 and then here's your cost, but the other one said if you had ... 100 or 150,000 in, you would know that the cost would be two or three times that percentage, the .62%. So you knew, then, at that moment ... because otherwise if you think here, oh, I'll put in 100,000, the cost of my product's 440. But you'll actually get charged .62% which will actually be more. So at 100,000 you'd be paying 620 not 440.' (Superannuation Male. 50-59)

Some were confused by the word 'product' in the name: 'it is as though you are buying it...rather than it being a fee.' Another did not understand what 'product' was being referred to.

Superannuation: most believed that investment and administration fees could be merged

Given the choice, twelve people believed that investment and administration costs should be merged on the template rather than kept separate. Seven preferred them separate.

The key perceived advantage of merging is that a shorter list of fees makes comparing different products easier.

'You could have the bare minimum of columns that still gives you the ability to compare all the different funds.'
(Superannuation. Male. 40-49)

Some also felt that *'the long list of fees'* in the tested templates were so confusing as to be of limited use.

Many simply wanted to know the total cost rather than a fee breakdown. As one said *'it doesn't matter what you call them ... I am paying them anyway.'* (Superannuation. Male. 40-49)

The main arguments against was: that administration and investment fees are qualitatively different fees.

'I would think that administration fees would generally be a fixed cost. But investment fees, I believe, probably are a variable cost.'

(Superannuation. Male. 50-59)

'I'm going to be comparing different products ... If somebody has a higher administration fee and a lesser investment fee ... that might influence my decision. I don't necessarily want to be paying a lot of administration fees.' (Superannuation. Male. 50-59)

Table 9. Preference for administration and investment fees to be merged

Superannuation	Preference for administration and investment fees to be merged kept separate?
Investment and administration costs should be merged	12
Investment and administration costs should be separate	7
No preference	1
Don't know	0

Base = all Superannuation respondents N=20

Summary

There was some support for the concept of merging these two fees on the grounds of simplicity, with the counter argument that the differences are potentially significant so should be kept separate.

Superannuation: 'Fees and costs summary' preferred over 'Fees and costs template'

All but one person preferred 'Summary' over 'Template' in this context. Many stressed however, that they didn't particularly mind what it was called.

Table 10. The two Superannuation templates: preferred name of the template

Superannuation	Preference for 'Fees and costs template' or 'Fees and costs summary'.
Fees and costs template	1
Fees and costs summary	19
Neither	0
Don't know	0

Base = all Superannuation respondents N=20

'Because a summary is basically ... as the word suggests, it's a summarization of all the stuff that's important and you need to know. Template, to me, is something that you start with and you add on it yourself. So it's just use of English, I don't think template works.' (Superannuation. Male. 50-59)

'A template to me is something that is never final.....I can physically go and change any time.' (Superannuation. Male. 60-69)

Superannuation: opinions were divided on the title of 'Additional Explanation of Fees and Costs'

Nine people preferred the 'Additional Explanation' over 'Fees and Costs details' because they felt that the page did not contain 'details' of the fees and charges mentioned in the template. They said it is 'additional information'. Some felt that the page did indeed 'explain'.

One argument for 'Fees and costs details' is that the word 'Additional' implies that this page is optional. Others felt that the page was not an explanation as it introduces fees and costs not mentioned earlier.

'When you're putting in a heading like that saying additional explanation, you haven't

explained it before. You need the explanation to explain the explanation.' (Superannuation. Female. 50-59)

Some argued that the page should be called 'Explanation of additional fees and charges' or just 'Additional fees and costs'.

Table 11. The two Superannuation templates: preferred name of page

Superannuation	There are two terms for this: Additional explanation of fees and costs or Fees and costs details. Which of these do you prefer?
Additional explanation of fees and costs	9
Fee and cost details	7
Neither	3
Don't know	1

Base = all superannuation respondents N=20

Superannuation periodic statement: proposed template preferred because of the wording

Thirteen people preferred the proposed superannuation periodic statement template, with one preferring the current one.

Key reasons for preference were that it was more comprehensive than the current statement and was expressed more clearly.

'It tells you exactly what has come out.' (Superannuation. Female. 30-39)

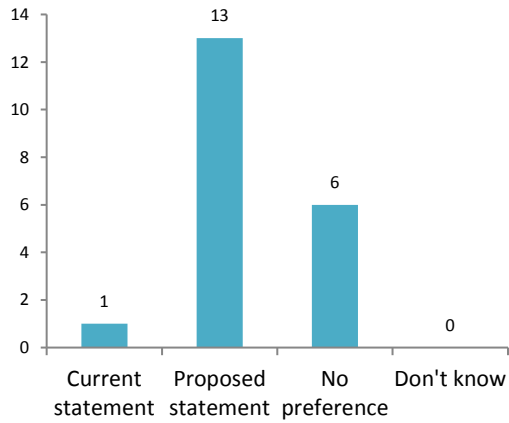
'The actual wording is quite straightforward.' (Superannuation. Female. 40-49)

One person felt that having the fees separated from the table made it less clear.

The person who preferred the current statement felt it was clearer in how it was split up 'indirect

fees and something else'. (Superannuation. Male. 50-49)

Figure 12. The preferred Superannuation periodic statement template



Base = all Superannuation respondents N=20
Table 33 in Appendix 6 has the accessible version of this figure

Summary

Clear preferences for the Fee and cost summary (rather than 'template') and for the proposed periodic statement. There was no clear result for 'Additional explanation of fees and costs'.

Managed investment schemes

MIS: most rated the current template easy to understand and useful

Seventeen out of the 20 managed fund investors who tested the MIS templates rated the current template to be extremely or somewhat easy to understand. Most of the rest said it was neither easy nor difficult. Most (18) considered it to be extremely or somewhat useful.

This format was familiar to many people who described it as *'logical'* and *'easy to read'* largely because it was in chronological order. However, one felt that the current template worked for people who already understood the investment lifecycle, knowing for example that the establishment fee is a one-off charge.

The test revealed three problems with the current MIS template:

1. Indirect costs were unclear.

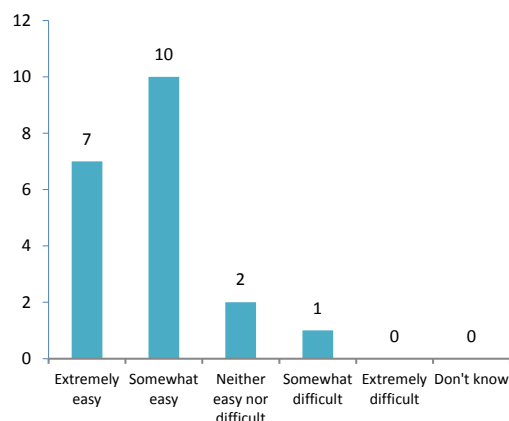
'I would want to know what the indirect costs were.' (MIS. Female. 30-39)

2. Mixing weeks with months and years in the How and When paid column was confusing.

'Once they start talking about being calculated on a weekly basis and deducted on a monthly basis they have kind of lost me.' (MIS. Female. 40-49)

3. Others were annoyed by footnotes which they saw them as deceptive and adding complication to any meaning they had gleaned from the table.

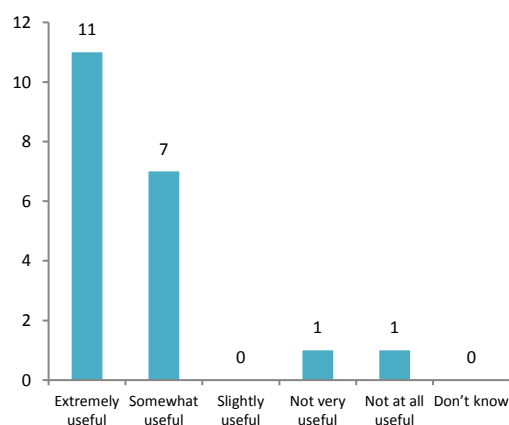
Figure 13. Ease of understanding the current MIS template



Base = all MIS respondents N=20

Table 34 in Appendix 6 has the accessible version of this figure

Figure 14. Usefulness of the current MIS template



Base = all MIS respondents N=20

Table 35 in Appendix 6 has the accessible version of this figure

Summary

The current template was familiar to many participants who understood the terminology except for the indirect costs.

MIS: the proposed template seemed less easy to understand and less useful than the current template

Ten out of the 20 managed fund investors rated the proposed template extremely or somewhat easy to understand. Most of the rest described it as 'neither easy nor difficult'. Seventeen considered it extremely or somewhat useful, with the balance towards 'somewhat'.

The investors who rated this highly did so because of the division between ongoing fees and member activity related fees.

'If you are shopping around, you can work it out a lot better.' (MIS. Male. 40-49)

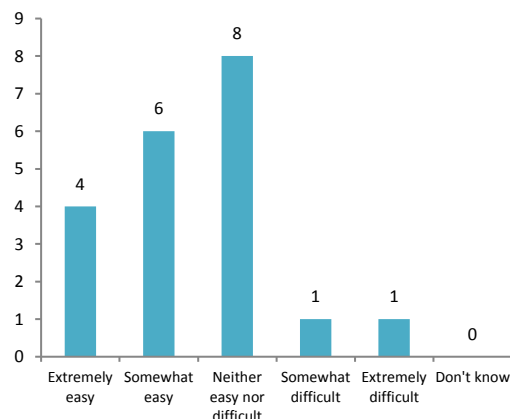
However, the most common reason for preferring the current template over the proposed template was the language used to describe the two fees that were only on the proposed template – transaction costs and the buy-sell spread. The problem is twofold. These two fees are a) new to them and b) expressed in a complex way:

'New elements in there ...would require clarification, and it uses some terminology that those in the industry would probably know that those of us who are less familiar with it wouldn't.' (MIS. Female. 50-59)

The second reason for preferring the current template was the order because it seemed *'more logical chronologically.'* (MIS. Male. 50-59)

'I want to know how much it is going to cost me at the start.' (MIS. Male. 30-39)

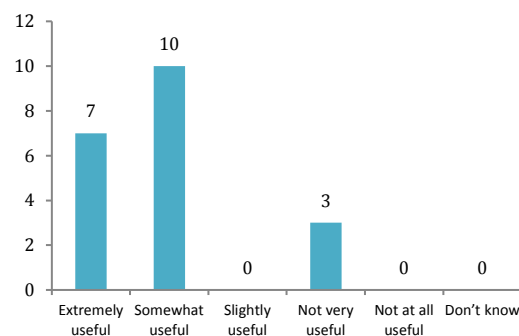
Figure 15. Ease of understanding the proposed MIS template



Base = all MIS respondents N=20

Table 36 in Appendix 6 has the accessible version of this figure

Figure 16. Usefulness of the proposed MIS template



Base = all MIS respondents N=20

Table 37 in Appendix 6 has the accessible version of this figure

All of these issues are discussed on the pages that follow.

Summary

The structure of the proposed template clearly has merit. However, the inclusion of unfamiliar fees brought with it difficult terminology.

MIS: the split into ongoing and member activity fees and costs helped with understanding

When they were specifically asked about it, 13 out of the 20 investors liked the structure of the proposed template which differentiated ongoing fees and costs from member-activity related fees and costs.

These investors liked this structure because it helped them think more about the costs they can control.

'I'd probably think about these things a little more in terms of what impact it is going to have.' (MIS. Female. 50-59)

However, three people preferred the structure of the current template because:

- Chronological order made more sense to them.
'It's going from start to finish.' (MIS. Female. 40-49)
- They misunderstood or were confused about the categorisation of transaction costs to ongoing fees, as some investors assumed that these transactions were in fact member activity.
- Some who made regular contributions also felt that contributions (categorised as member activity) were ongoing.

Figure 17. MIS: dividing the table into ongoing and member-activity costs

MIS: Preference	Preference for template structure
Prefer the structure of the current template	7
Prefer the structure of the proposed template	13

Base = all MIS respondents N=20

Summary

Dividing the fees into ongoing fees and member-activity related fees made sense to these investors (though some wondered whether some of the fees were wrongly categorised).

MIS: the buy-sell spread was difficult to understand and not considered useful

The buy-sell spread was listed in the proposed template. It is not on the current template.

Only five of the 20 investors described this as easy to understand. Similarly, only six described it as extremely or somewhat useful.

Six considered it extremely difficult. These two findings are related; investors did not know what to do with this information because they did not understand it.

All those who considered it easy to understand had some prior knowledge of it. Most of them felt that it should be included *'because it is a cost'*.

One who considered it easy to understand described it as *'the costs of doing something with the money when you buy into a fund'*. He considered it useful because *'it's always good to have these details'*. When comparing funds, he would see if any of them *'looked unusual'* in this respect but would otherwise not use the information.

Significantly, more than half the sample used words to describe this cost as *'it makes no sense'*, *'I have no idea'* or *'I am baffled'*.

They did not know what it is for:

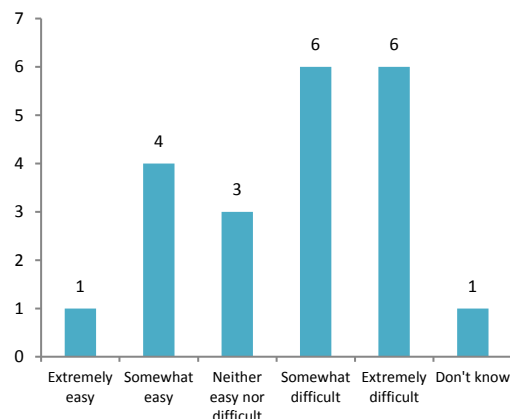
'I have no idea what it is talking about. How different is it from the withdrawal fee? It seems like an additional cost that has been put in there to make it difficult to understand.' (MIS. Male. 30-39)

'It tells you what it is, but it doesn't tell you why it is necessary.' (MIS. Male. 60-69)

It was also unclear how it works.

'I am not sure how it can be a plus and a minus.' (MIS. Male. 40-49)

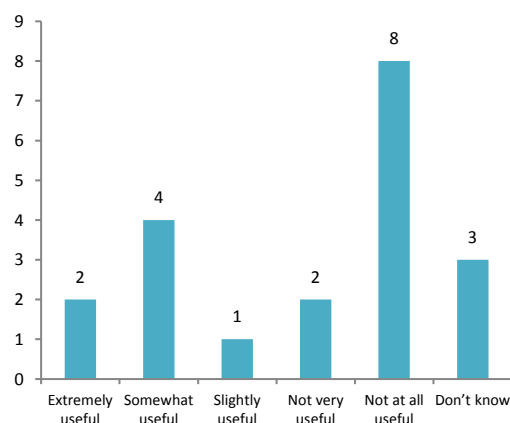
Figure 18. MIS: Ease of understanding the buy-sell spread



Base = all MIS respondents N=20

Table 38 in Appendix 6 has the accessible version of this figure

Figure 19. MIS: usefulness of the buy-sell spread



Base = all MIS respondents N=20

Table 39 in Appendix 6 has the accessible version of this figure

Some of the participants who understood it made some suggestions about how to make it clearer:

- One suggested having the Buy % and the Sell % on separate lines. (MIS. Male. 40-49)
- One stated that the word 'payable' in the explanation is misleading – *'usually they just reduce or increase the price.'* (MIS. Male. 30-39)

- Another felt that an example would be useful. (MIS. Male. 30-39)

Summary

The buy-sell spread only seems useful to people who know about it already. To those who don't, it complicates the proposed template.

If it is included, the template should explain how to use the information.

Explain (if this is the case) that the point of it is the difference in the Buy price and the Sell price.

Give an example in the definitions.

MIS transaction costs: mixed views on how easy they were to understand and how useful

Nine of the 20 investors considered transaction costs to be easy to understand. Nine thought it was useful to include them. This quote captured that sentiment:

'It might be useful depending on how closely you are looking at the fund.' (MIS. Male. 30-39)

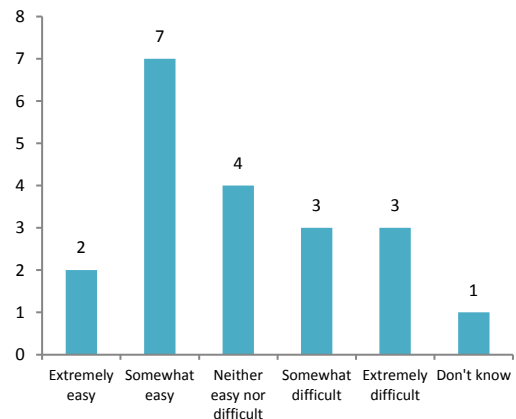
Some felt confident they knew what a transaction cost was ('I assume you mean they are buying and selling') but did not know when it occurred or how often it was paid. (MIS. Female. 40-49)

Others were unclear what the difference was between the buy-sell spread and transaction costs. One said it looked like 'double dipping'.

'That transaction fee buy sell spread is confusing because they seem like the same type of thing.' (MIS. Male. 60-69)

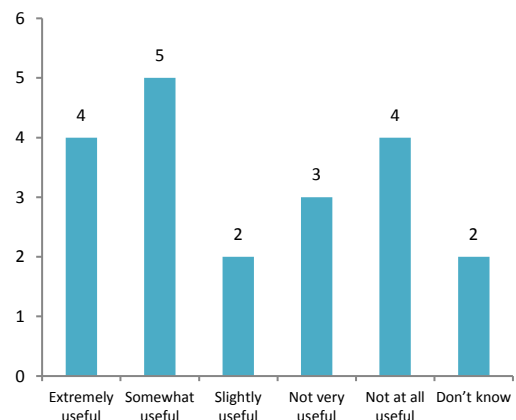
Several asked what the 'net' referred to.

Figure 20. MIS: ease of understanding transaction costs



Base = all MIS respondents N=20
Table 40 in Appendix 6 has the accessible version of this figure

Figure 21. MIS: usefulness of the transaction costs



Base = all MIS respondents N=20
Table 41 in Appendix 6 has the accessible version of this figure

Summary

There are two problems here. One is that investors did not know what kind of transactions are 'ongoing'. The second is that transaction costs and the buy-sell spread seem to be the same.

One solution could be something like this in Definitions:

'There are two types of transaction costs:

- Ongoing transaction costs are incurred by the MIS when it buys or sells assets such as (need example here but do not mention buy-sell spread)
- A buy sell spread is the difference in the costs charged by the fund when they buy and sell assets on your behalf.'

If the word 'net' is used in the template, this needs to be explained.

MIS management fees: on balance considered useful, with indirect costs included in management fees

Nine out of 14 investors thought it useful to place the management fees at the top of the table.⁵

This is partly because it is an ongoing fee.

'That is something that is going to be ongoing regardless of what you do to your account, that is what you are going to be charged every month.' (MIS. Male. 50-59)

It was described as *'that's one of the most important things I would like to know.'* (MIS. Female. 50-59)

The main reason for this is that investors are familiar with the term.

'I know what a management fee is.' (MIS. Female. 40-49)

'It's the number one fee that you are expecting to see.' (MIS. Female. 60-69)

'It seems to be the main cost, so it should be at the top.' (MIS. Male. 60-69)

One more knowledgeable investor said that this fee helped him understand:

'I think you have to have it on there because you want to know what percentage, whether it is a high fee versus a low fee and what they are offering for that fee like I think from my understanding things like fund managers just tracking index they don't do much work if you like just track the index, they have a fairly low management expense ratio and the people that are more active and trade, they have a higher management expense ratio.' (MIS. Male. 30-39)

'It makes it easier therefore to compare investment managers 'if you are comparing funds that are quite similar, say the investment manager is the same, the investment strategies the same.' (MIS. Male. 30-39)

Under a heading of 'management fees and costs', the proposed template separates management fees from indirect costs as shown here:

0.75% of the value of your assets in the fund per year. This is comprised of:

Management fees of 0.65% p.a.

Indirect costs of 0.10%

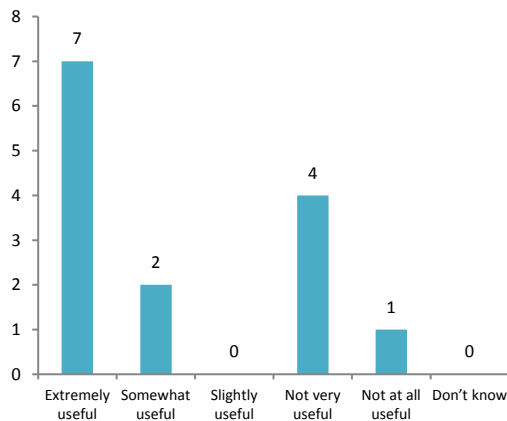
We asked investors in the in-depth interviews if they liked to see these fees and costs separate, or whether they would be happier with them merged. Most (9) voted to have them merged.

'I am not particularly concerned with the minutiae of their fee.' (MIS. Male. 50-59)

Few people knew what 'indirect costs' were so did not consider it useful to list them separately.

⁵ Note that there is some missing data for this question.

Figure 22. MIS: usefulness of management fees at the top of the table



Base = all MIS respondents N=15 (excludes 5 who were not asked this question)
Table 42 in Appendix 6 has the accessible version of this figure

Table 12. MIS: preference to have indirect costs merged with management fees

MIS	Management fees Preference
To have indirect costs merged with the management fee	9
To have these costs separated	5
Don't Know	1

Base = all MIS respondents N=15 (excludes 5 who were not asked this question)

Summary

The proposed template positions management fees at the top of the table. This has support from investors, because it is a fee they know and the one they will likely focus on. On balance most agreed with merging indirect costs with management fees.

MIS: the example of annual fees and costs was useful

Fourteen of the 20 managed fund investors rated the example 'extremely useful'.

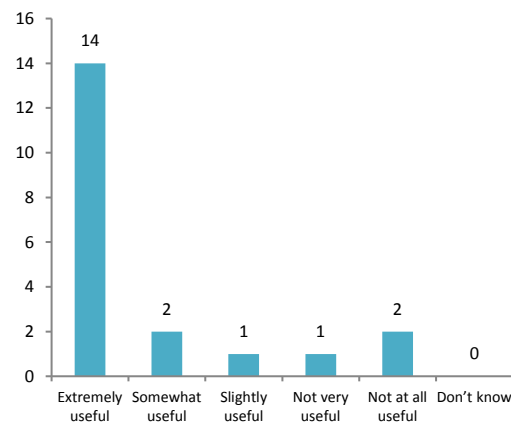
As one said, the templates 'are a bit theoretical'. An example helped them apply the information to their own circumstances.

A small number of people disagreed. For them the example was too wordy and could be improved in layout.

'You don't need all the words around the balance of \$50k, there should be a column there that has just the fee or the charge in it. Maybe you need an extra column to take all those words out so it says, this is the contribution fee, you are contributing \$5k.' (MIS. Male. 40-49)

'This is clumsily worded for me. I think they mean .75% of my contribution and then for every 50,000 I've already got there I'll be charged \$375 a year. That could be put more clearly I think.' (MIS. Female. 40-49)

Figure 23. MIS: usefulness of the example



Base = all MIS respondents N=20
Table 43 in Appendix 6 has the accessible version of this figure

Summary

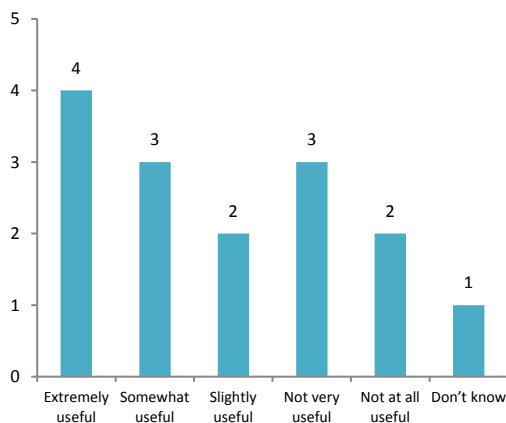
The example is useful because the templates and definitions are complex. Investors need to be able to convert the template information to their own circumstances.

The layout of the example could be improved perhaps by adding a column on the right for the words.

MIS: mixed opinions on the cost of product information

Seven of the 15 investors who rated the cost of product information said it was extremely or somewhat useful.

Figure 24. MIS: usefulness of the cost of product information



Base = all MIS respondents N=20
Table 44 in Appendix 6 has the accessible version of this figure

They said it was a 'quick' way to compare options, given that the details would be on the table for each option.

'I would be using the table for the calculations but also, this is a good quick comparison, if you're looking through multiple documents.' (MIS. Male. 40-49)

In contrast, others wanted an example of annual fees and costs for each option. They argued that it would be difficult to use the cost of product information to compare different funds because the management fee (for example) might be 1% for one, .75 % for another, which would mean the reader would have to refer to the full table.

'If I had that very specific example of investing \$50k and contributing \$5k a year it is going to cost me that much per year but most likely those figures won't be my figures and because the actual fees are percentages rather than actual costs like fixed costs it is not really comparable between funds. If I was looking at 3 different funds across 3 different providers it is not transferable because the percentages are different so unless I have been using those exact figures, it is hard to work out a comparison.' (MIS. Male. 30-39)

People who found the fees and costs template complex preferred to use the example for comparisons, rather than having to go back to the fees and costs table. If the fee template was simpler to understand, there would be less reliance on seeing a worked example.

Summary

The cost of product information works best as a 'snapshot' of how choice of investment options can affect the fees that are paid.

However, because the fees and costs templates are complex, some investors need a worked example for different investment options as well.

If the template and Definitions can be made clearer, the cost of product information may become a useful tool.

MIS: ‘Fees and costs summary’ preferred over ‘Fees and other costs’

Eleven out of 20 investors preferred the word ‘summary’ in the title for the template, with some having no preference.

Reasons were varied with one thinking ‘summary’ sounded ‘more formal’; another that it gives ‘all the information I need in the shortest form possible’; and another ‘everything that you need to know’.

Table 13. The two MIS templates: preferred name of the template

MIS	Preference for ‘Fees and costs template’ or ‘Fees and costs summary’.
Fees and costs template	2
Fees and costs summary	11
No preference	7

Base = all MIS respondents N=20

Of the two who chose ‘Fees and costs template’ one said it was ‘much of a muchness’ between the two. The other said that ‘other’ suggested more detail in contrast to a ‘summary’ which would not ‘go into the nitty gritty of them’. (MIS. Female. 30-39)

‘It doesn’t include everything. It is just a summary.’ (MIS. Female. 50-59)

MIS: more investors preferred ‘Additional explanation of fees and costs’ than ‘Fee and cost details’

Thirteen MIS investors preferred the ‘Additional explanation’ over ‘Fees and Costs details’.

‘If it said details, I would expect something more detailed than this.’ (MIS. Female. 30-39)

One felt that the term ‘Additional’ made sense because it was mentioned in the footnote to the template.

For others, its appeal was the word ‘explanation’.

‘It’s that word explanation. It makes it clear what it is doing ... it is going to explain it to me.’ (MIS. Female. 50-59)

Table 14. MIS preferred name of page: Additional explanation of fees and costs or fee and cost details

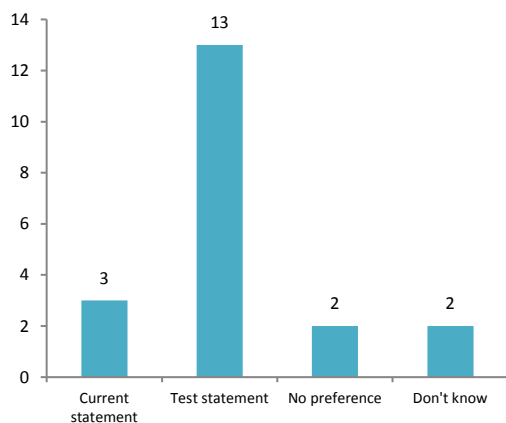
MIS	There are two terms for this: Additional explanation of fees and costs or Fee and cost details. Which of these do you prefer?
Additional explanation of fees and costs	13
Fee and cost details	4
Neither	3
Don’t know	0

Base = all MIS respondents N=20

MIS: most preferred the proposed periodic statement

Thirteen of the 20 investors chose the proposed periodic statement over the current statement.

Figure 25. MIS: preferred statement



Base: all MIS respondents N=20

Table 45 in Appendix 6 has the accessible version of this figure

The people who preferred the current statement preferred it because it shows each fee only once.

Those who preferred the proposed statement do so because:

- It shows all the fees together
- It is clearer how the fees add together
- The fees are better explained.

'It makes it clearer.' (MIS. Female. 50-59)

Summary

Clear preferences for the title 'Fees and costs summary' and for the proposed periodic statement. 'Additional explanation of fees and charges' was preferred over 'Fees and costs details'.

Appendix 1: Consumer testing method

Mix of qualitative and quantitative research methods

While the word ‘testing’ in the name ‘consumer test’ suggests quantitative methods, the ideal consumer test is a hybrid, where qualitative and quantitative techniques work together. The researcher uses conversational style questioning to gain insight into the responses given in a semi structured interview. This kind of feedback helps the client understand not only *what* the research participants understood but also *why* they understood or misunderstood. The consumer test for this project followed that principle.

The benefits of a qualitative approach for this project were:

1. **Real life understanding.** The main benefit of conducting consumer testing qualitatively is that the test is based on the way people *actually use* the test material rather than basing it on assumptions about what people do or should do. For example Rep 581 suggests that some consumers ‘cherry pick’ fee information, prioritising one type of fee over another in their minds. If this is true, qualitative consumer testing will reveal the veracity of that assumption and its implications in a way that survey research cannot.
2. **Think aloud.** One of the most valuable techniques used in consumer testing is the ‘Think Aloud Protocol’ where the researcher asks the participant to ‘think aloud’ while looking for or reading information. This qualitative technique teaches us about the kind of language that these consumers use to talk about the issue, and the assumptions they make.
3. **Observation.** In a qualitative consumer test, the researcher watches the person as they read the material and so learns from their behaviour and body language as well as what they say about how they feel about the information they are reading. In contrast we cannot know how people taking part in quantitative online surveys are reacting.
4. **Considered response.** We want our research participants to pay attention to the materials they are testing and to the questions they are being asked. In qualitative research, the researcher is present and can control this.

Nevertheless, a key objective of the brief for this project was to ascertain whether the new template, example and definitions are better than the existing ones as far as consumers are concerned. Therefore, the research included some structured questions. Specifically, participants were asked to rate the two templates, definitions, and other material using two scales as shown below:

How easy or difficult this is to understand

1. Extremely easy
2. Somewhat easy
3. Neither easy nor difficult
4. Somewhat difficult
5. Extremely difficult
6. Don't know

How useful this information would be to you to make a decision about your managed fund/superannuation (as appropriate)

1. Extremely useful
2. Somewhat useful
3. Slightly useful
4. Not very useful
5. Not at all useful
6. Don't know

Sample definition

A key issue for this test was who should take part in this testing? Can we ask people who have perhaps never heard of an 'administration fee' what they want included with that fee? On the other hand, if we base our test only on those who know the terminology already, are we risking biasing our sample?

Our experience in consumer testing led to the recommendation to orient the sample towards people who claimed they had at least *some* knowledge of and interest in the topic. In our view, testing people with *no* interest in the topic is fruitless. We could not know how knowledgeable they actually were. Instead we recruited people who 'claim' to know⁶. Everyone who took part was able to read and converse in English as all the material was in English.

We excluded people who:

- Did not know what fund they were in, or how many funds they had and/or who say they do not understand their fees and charges 'at all'.
- Would never see this information, because they delegate all their financial decision-making.
- Work in the field, e.g. financial planners.

Mini groups and individual interviews

Face to face mini groups

Two face-to-face mini groups were held at the beginning of the project, moderated by Susan Bell. Team members from ASIC watched these groups from the viewing room. One mini group was held in Melbourne on superannuation and one in Sydney on managed funds. Note that these were two distinct subsamples: people with superannuation who commented on the superannuation template; and people with managed funds who commented on the MIS template.

Each mini group:

- Had 5 participants.
- Included men and women and a mix of ages.
- Lasted for 90 minutes.

⁶ We are aware that claimed knowledge is not the same as actual knowledge. Nevertheless, for sampling purposes it is a useful proxy. Typically, men are more likely to claim to be knowledgeable about financial services than women.

- Was held in professional group rooms which allow clients to watch the group behind a mirror or via TV screen. Research participants were informed and gave their consent to being observed and knew that the observers were from ASIC.
- Was recorded, again with informed consent.

Individual interviews

While the groups gave ASIC a valuable opportunity to listen and observe consumers react to the test material, the Think Aloud technique does not work in a group setting. The researchers also considered it important that the sample for the study was national, including regional areas. Therefore we also conducted individual interviews. These interviews were conducted:

- One-on-one.
- By webcam use screen sharing to show the test material.
- With men and women with superannuation and/or managed funds from all Australian states, a range of ages and some variation in level of interest and engagement with the topic.

The interviews lasted up to an hour. They were recorded, with informed consent.

Interviewers were Susan Bell, Jane Gregory and Suzanne Burdon.

The research was conducted between 20th February 2019 and 9th March 2019.

All research met or exceeded the ISO 20252 Standard and the Code of Professional Behaviour of the Australian Market and Social Research Society (AMSRS).

Materials tested

We tested both the current and the proposed templates to ascertain if the proposed template is better than the current one. Each person saw the current template first and then the proposed one. We tested:

- The superannuation template and the managed investments template for both the current and the proposed templates. These contained dummy data although were designed to be realistic having regard to industry practices.
- The current and proposed superannuation definitions.
- The proposed example and cost of product information for both superannuation and managed funds, using dummy data.
- The proposed fee and cost section of a periodic statement (using dummy data) for both superannuation and managed funds.

Limitations of our method

It should be noted here that this form of research has some disadvantages:

- Because consumer testing is intensive, it is based on small sample sizes. Only large differences in results are statistically significant.

- Consumer testing samples are also not random, because some people are invited to take part in the interview or group so not every member of the population has an even chance of taking part in the research.

Appendix 2: Information about the sample

Sample definition

Sample size and breakdown

The sample size for this project was 40 people, divided as follow:

- 20 people tested the superannuation material. Five of these were in the mini group and 15 were interviewed individually.
- 20 people tested the managed funds material. Five of these were in the mini group and 15 were interviewed individually.

Source of the sample

Susan Bell Research subcontracted recruitment of participants to Q and A Market Research, who contacted people on their recruitment panel, screening them using material provided by Susan Bell Research. A copy of our screener is in the Appendix. People who took part were paid an 'incentive' by EFT.

Appendix 3: The sample

Table 15. State

State	Superannuation	Managed Investment Schemes
<i>Sample size</i>	20	20
NSW	3	6
Queensland	0	7
South Australia	4	2
Tasmania	3	2
Victoria	8	2
Western Australia	2	1

Table 16. Regional or metropolitan

State	Superannuation	Managed Investment Schemes
<i>Sample size</i>	20	20
Regional	3	5
Metropolitan	17	15

Table 17. Gender

Gender	Superannuation	Managed Investment Schemes
<i>Sample size</i>	20	20
Male	11	11
Female	9	9

Table 18. Age

Age	Superannuation	Managed Investment Schemes
<i>Sample size</i>	20	20
30-39	2	5
40-49	6	5
50-59	6	6
60-69	6	2
70 plus	0	2

Table 19. Claimed knowledge of fees and costs

Claimed understanding	Superannuation	Managed Investment Schemes
<i>Sample size</i>	20	20
I understand the fees and costs very well	1	3
I understand the fees and costs fairly well	16	16
I understand the fees and costs a little bit	3	1

Table 20. Approximate balance

Balance	Superannuation	Managed Investment Schemes
<i>Sample size</i>	20	20
Under \$50,000	2	10
\$50,000 to \$100,000	2	3
\$100,000 to \$250,000	10	0
Over \$250,000	6	7

Table 21. Type of superannuation fund

Type of superannuation fund	Superannuation	Managed Investment Schemes
<i>Sample size</i>	20	20
Industry	13	NA
Retail	2	NA
Government	3	NA
Corporate	2	NA

Appendix 4: Test material

Superannuation: Current template

Fees and Costs Template

Fees and other costs

This document shows fees and other costs that you may be charged. These fees and other costs may be deducted from your money, from the returns on your investment or from the assets of the superannuation entity as a whole.

Other fees, such as activity fees, advice fees for personal advice and insurance fees, may also be charged, but these will depend on the nature of the activity, advice or insurance chosen by you.

Taxes, insurance fees and other costs relating to insurance are set out in another part of this document.

You should read all the information about fees and other costs because it is important to understand their impact on your investment.

ABC Fund – Balanced Option		
Type of fee	Amount	How and when paid
Investment fee	\$1.25 per week plus 0.20% p.a.	The \$1.25 per week is deducted directly from your account each month. The 0.20% p.a. is deducted monthly from the assets of the fund and reflected in the fund's unit price.
Administration fee	\$1.90 per week	This fee is deducted directly from your account each month.
Buy-sell spread	0.10%/0.08%	This amount is payable when you add to or withdraw from the fund or switch investment options and is reflected in the buy and sell unit price of the fund at the time of the transaction.
Switching fee	\$30	This fee is deducted directly from your account each time you switch investment options and is payable at the time of each investment switch.
Exit fee	\$50	This fee is deducted from your account each time you withdraw all or part of your account balance. This fee is deducted from your account at the time of withdrawal.
Advice fees relating to all members investing in a particular MySuper product or investment option	\$2 p.a.	This fee is deducted directly from your account each month. For information about fees for personal advice, see 'Other fees and costs' below.
Other fees and costs ¹	This amount will vary depending on the activity. Other fees and costs you may be charged include: <ul style="list-style-type: none">Family law feesInsurance feesPersonal advice fees	
Indirect cost ratio	0.42% p.a.	These indirect costs are deducted from the assets of the fund when these costs are incurred and reflected in the fund's unit price.

1. For details of the other fees and costs that may apply and how and when they are paid, please refer to the "Additional Explanation of Fees and Costs" section of this PDS.

Current Superannuation fee definitions

A fee is an **activity fee** if:

- (a) the fee relates to costs incurred by the trustee of the superannuation entity that are directly related to an activity of the trustee:
 - (i) that is engaged in at the request, or with the consent, of a member; or
 - (ii) that relates to a member and is required by law; and
- (b) those costs are not otherwise charged as an administration fee, an investment fee, a buy sell spread, a switching fee, an exit fee, an advice fee or an insurance fee.

An **administration fee** is a fee that relates to the administration or operation of the superannuation entity and includes costs that relate to that administration or operation, other than:

- (a) borrowing costs; and
- (b) indirect costs that are not paid out of the superannuation entity that the trustee has elected in writing will be treated as indirect costs and not fees, incurred by the trustee of the entity or in an interposed vehicle or derivative financial product; and
- (c) costs that are otherwise charged as an investment fee, a buy-sell spread, a switching fee, an exit fee, an activity fee, an advice fee or an insurance fee.

A fee is an **advice fee** if:

- (a) the fee relates directly to costs incurred by the trustee of the superannuation entity because of the provision of financial product advice to a member by:
 - (i) a trustee of the entity; or
 - (ii) another person acting as an employee of, or under an arrangement with, the trustee of the entity; and
- (b) those costs are not otherwise charged as an administration fee, an investment fee, a switching fee, an exit fee, an activity fee or an insurance fee.

A **buy sell spread** is a fee to recover transaction costs incurred by the trustee of the superannuation entity in relation to the sale and purchase of assets of the entity.

An **exit fee** is a fee to recover the costs of disposing of all or part of members' interests in the superannuation entity.

The **indirect cost ratio (ICR)**, for a MySuper product or an investment option offered by a superannuation entity, is the ratio of the total of the indirect costs for the MySuper product or investment option, to the total average net assets of the superannuation entity attributed to the MySuper product or investment option.

Note: A fee deducted from a member's account or paid out of the superannuation entity is not an indirect cost.

An **investment fee** is a fee that relates to the investment of the assets of a superannuation entity and includes:

- (a) fees in payment for the exercise of care and expertise in the investment of those assets (including performance fees); and
- (b) costs that relate to the investment of assets of the entity, other than:
 - (i) borrowing costs; and
 - (ii) indirect costs that are not paid out of the superannuation entity that the trustee has elected in writing will be treated as indirect costs and not fees, incurred by the trustee [OR the trustees] of the entity or in an interposed vehicle or derivative financial product; and
 - (iii) costs that are otherwise charged as an administration fee, a buy-sell spread, a switching fee, an exit fee, an activity fee, an advice fee or an insurance fee.

Note: The costs referred to in paragraph (b) do not include transactional and operational costs referred to in paragraphs (b), (ea) and (eb) of the definition of transactional and operational costs.

A **switching fee** for a MySuper product is a fee to recover the costs of switching all or part of a member's interest in a superannuation entity from one class of beneficial interest in the entity to another.

Proposed superannuation fee definitions

A fee is an **activity fee** if:

- (a) the fee relates to costs incurred by the trustee of the superannuation entity that are directly related to an activity of the trustee:
 - (i) that is engaged in at the request, or with the consent, of a member; or
 - (ii) that relates to a member and is required by law; and
- (b) those costs are not otherwise charged as administration fees and costs, investment fees and costs, transaction costs, a buy-sell spread, a switching fee, an exit fee, an advice fee or an insurance fee.

Administration fees and costs are fees and costs that relate to the administration or operation of the superannuation entity and include:

- (a) costs that relate to that administration or operation met through the use of reserves;
- (b) indirect costs that relate to that administration or operation; and
- (c) intrafund advice costs

but do not include:

- (d) transaction costs and excluded transactional and operational costs; and
- (e) costs that are otherwise charged as investment fees and costs, a buy-sell spread, a switching fee, an exit fee, an activity fee, an advice fee or an insurance fee.

A **buy-sell spread** is a fee to recover costs incurred in transactions by the trustee of the superannuation entity in relation to the sale and purchase of assets of the entity.

An **exit fee** is a fee to recover the costs of disposing of all or part of members' interests in the superannuation entity.

Investment fees and costs are fees and costs that relate to the investment of the assets of a superannuation entity and include:

- (a) fees in payment for the exercise of care and expertise in the investment of those assets (including performance fees); and
 - (aa) costs that relate to the investment of assets of the entity that are met through the use of reserves;
 - (b) indirect costs that relate to the investment of assets of the entity
- but do not include:
- (c) transaction costs and excluded transactional and operational costs; and
 - (d) costs that are otherwise charged as administration fees and costs, a buy-sell spread, a switching fee, an exit fee, an activity fee, an advice fee or an insurance fee.

A **switching fee** for a MySuper product is a fee to recover the costs of switching all or part of a member's interest in a superannuation entity from one class of beneficial interest in the entity to another.

Transaction costs (net) relate to the costs associated with acquiring or disposing of assets, other than costs that have been recovered by the superannuation entity charging buy-sell spreads.

Superannuation: Example of annual fees

This table gives an example of how the ongoing annual fees and costs for the ABC Fund – Balanced Option for this superannuation product can affect your superannuation investment over a 1 year period. You should use this table to compare this superannuation product with other superannuation products.

EXAMPLE—ABC Fund — Balanced Option		BALANCE OF \$50 000 WITH A CONTRIBUTION OF \$5 000 DURING YEAR
Investment fees and costs	0.62% p.a.	For every \$50 000 you have in the superannuation product you will be charged or have deducted from your investment \$310 each year
PLUS Administration fees and costs	\$100 p.a. (\$1.93 per week) plus 0.30% p.a.	And , you will be charged \$250 in administration fees and costs regardless of your balance
PLUS Transaction costs (net)	0.12% p.a.	And , you will be charged \$60 in transaction costs (net)
EQUALS Cost of product		If your balance was \$50 000 at the beginning of the year and you put in an additional \$5000 on the last day of that year, then for that year you will be charged fees of \$620 for the superannuation product.

Note: * Additional fees may apply. **And**, if you leave the superannuation entity, you may be charged an **exit fee of \$50** and a **buy/sell spread** which also applies whenever you make a contribution, exit, rollover or investment switch. The **buy/sell spread** for exiting is 0.08% (this will be equal to **\$40** for every \$50,000 you withdraw).

Superannuation: Cost of product information for 1 year

The cost of product gives a summary calculation about how ongoing annual fees and costs can affect your superannuation investment over a 1 year period for all superannuation products and investment options. It is calculated in the manner shown in the example of annual fees and costs.

The cost of product information assumes a balance of \$50 000 at the beginning of the year and an additional contribution of \$5 000 on the last day of that year. (Additional fees such as an exit fee or buy–sell spread may apply, refer to the fees and costs summary for the relevant product or option.)

You should use this figure to help compare superannuation products and investment options.

Australian shares	Cost of product (\$) \$440
International shares	Cost of product (\$) \$550
Cash	Cost of product (\$) \$275

Indirect costs of your investment

This approximate amount has been deducted from your investment and covers amounts that have reduce the return on your investment but are not charged as a fee: **\$210**

Other fees of your investment

These approximate amounts have been deducted from your investment and covers fees that are not reflected as transactions on this statement: **\$250**

Note: Other fees may be reported by the type of fees charged

Total fees and costs you paid

This approximate amount includes all the fees and costs which affected your investment during the period: **\$1 660.80**

Additional explanation of fees and costs

We are entitled to claim a tax deduction on certain fees and costs to operate the fund and on insurance premiums deducted from your account. The tax deductions received on your insurance premiums paid have been paid back to you in the form a reduced premium fee. All other tax deductions from costs associated with operating the fund are passed on to members in the form of reduced fees and/or costs.

There is a dispute resolution mechanism for resolving complaints you may have about your ABC product. If you have a complaint, please contact our customer service centre on 1800 888 888 or write to our client services manager and we will respond to you as soon as possible. If you are not satisfied with our decision to resolve your complaint, you can complain to the Australian Financial Complaints Authority (AFCA) on 1800 931 678. You can alternatively visit their website at www.afca.org.au to make a complaint online.

<i>Exit fee²</i> The fee to close your investment	2% of the value of your assets in the fund at the time of exit.	This fee is deducted from your account on closing your account.
<i>Switching fee</i> The fee for changing investment options	0.5% of the value of your assets in the fund at the time of switching.	This fee is deducted directly from your account each month or on exiting the fund after each investment switch you make.

1. Management fees and costs includes an amount of 0.15% for performance fees. The calculation basis for this amount is set out under "Fees and Costs Details".
2. This fee includes an amount payable to an adviser. (See Division 4, "Adviser remuneration" under the heading "Fees and Costs Details".)
3. For details of any other service fees or special request fees that may be charged to you, please refer to the "Fees and Costs Details" section of this PDS.

Managed funds: Example of annual fees and costs for a balanced investment option or other investment option

This table gives an example of how the ongoing annual fees and costs in the balanced investment option for this product can affect your investment over a 1 year period. You should use this table to compare this product with other products offered by managed investment schemes.

EXAMPLE— XYZ Fund – Balanced Option		BALANCE OF \$50 000 WITH A CONTRIBUTION OF \$5 000 DURING YEAR
Contribution Fees	1%	For every additional \$5 000 you put in, you will be charged \$50.
PLUS Management Fees and Costs	0.75%	And , for every \$50 000 you have in the XYZ Fund you will be charged \$375 each year.
PLUS Transaction Costs (net)	0.07%	And , you will be charged \$35 in transaction costs (net).
EQUALS Cost of XYZ Fund		If you had an investment of \$50 000 at the beginning of the year and you put in an additional \$5 000 during that year, you would be charged fees of from: \$460* What it costs you will depend on the investment option you choose and the fees you negotiate.

* Additional fees may apply:

Establishment fee—\$50

And, if you leave the managed investment scheme early, you may also be charged exit fees of 2% of your total account balance (\$1000 for every \$50 000 you withdraw).

Managed funds: Cost of product information for 1 year

The cost of product gives a summary calculation about how ongoing annual fees and costs can affect your investment over a 1 year period for all investment options. It is calculated in the manner shown in the example of annual fees and costs.

The cost of product assumes a balance of \$50 000 at the beginning of the year with a contribution of \$5 000 during the year. (Additional fees such as an establishment fee, or an exit fee may apply, refer to the fees and costs summary for the relevant option.)

You should use this figure to help compare this product with other products offered by managed investment schemes.

Australian S&P/ASX Equities Option	Cost of product (\$) \$265
Property Option	Cost of product (\$) \$250
Fixed Interest Option	Cost of product (\$) \$325

Managed funds: Current periodic statement

Description	Amount		Balance
	Debit	Credit	
Opening balance as at 01/07/2017			\$50 000
Contribution		\$5 000	\$55 000
Contribution fee	\$50		\$54 950
Distribution reinvested		\$500	\$55 450
Distribution reinvested		\$500	\$55 950
Distribution reinvested		\$500	\$56 450
Distribution reinvested		\$500	\$56 950
Closing Balance as at 30/06/2018			\$56 950

Indirect costs of your investment

This approximate amount has been deducted from your investment and covers amounts that have reduce the return on your investment but are not charged as a fee: **\$375**

Total fees you paid

This approximate amount includes all the fees and costs which affected your investment during the period: **\$425**

Additional explanation of fees and costs

We are entitled to claim a tax deduction on certain fees and costs to operate the fund. All tax deductions from fees and costs associated with operating the fund are passed on to the investor in the form of reduced fees and costs

There is a dispute resolution mechanism for resolving complaints you may have about your XYZ product. If you have a complaint, please contact our customer service centre on 1800 888 888 or write to our client services manager and we will respond to you as soon as possible. If you are not satisfied with our decision to resolve your complaint, you can complain

to the Australian Financial Complaints Authority (AFCA) on 1800 931 678. You can alternatively visit their website at www.afca.org.au to make a complaint online.

Managed funds: Proposed periodic statement

Transactions on our account for the period ending 30/6/2017:

Description	Amount		Balance
	Debit	Credit	
Opening balance as at 01/07/2016			\$50 000
Contribution		\$5 000	\$55 000
Contribution fee	\$50		\$54 950
Distribution reinvested		\$500	\$55 450
Distribution reinvested		\$500	\$55 950
Distribution reinvested		\$500	\$56 450
Distribution reinvested		\$500	\$56 950
Closing Balance as at 30/06/2017			\$56 950

Fees and costs summary

Fees and costs deducted directly from your account

This amount has been deducted directly from your account (reflected in the transaction listed on this statement) **\$50**

Fees and costs deducted from your investment

These approximate amounts have been deducted from your investment and covers amounts that have reduced the return on your investment and that are not reflected as transactions listed on this statement or in the fees and costs details: **\$375**

Total fees and costs you paid

This approximate amount includes all the fees and costs which affected your investment during the period: **\$425**

Fees and costs details

We are entitled to claim a tax deduction on certain fees and costs to operate the fund. All tax deductions from fees and costs associated with operating the fund are passed on to the investor in form of reduced fees and costs

There is a dispute resolution mechanism for resolving complaints you may have about your XYZ product. If you have a complaint, please contact our customer service centre on 1800 888 888 or write to our client services manager and we will respond to you as soon as possible. If you are not satisfied with our decision to resolve your complaint, you can complain to the Australian Financial Complaints Authority (AFCA) on 1800 931 678. You can alternatively visit their website at www.afca.org.au to make a complaint online.

Appendix 5: Screeners

Introduction

Q1. Who do you work for?

IF ANY OF THE FOLLOWING, DO NOT RECRUIT

- Australian Securities and Investments Commission (ASIC)
- Australian Prudential Regulatory Authority (APRA)
- Any superannuation fund or investment company (any position)
- A financial advisor company, or as a financial adviser
- Any industry association involved in superannuation, managed investments or financial advice
- Market research / social research
- Any organisation involved in rating or research in relation to superannuation or managed investments

Q2. Which of these do you have?

- Superannuation
- A managed fund that is not superannuation
- Don't know TERMINATE
- Prefer not to say TERMINATE

Q3. IF SUPERANNUATION: Is your superannuation in a self-managed super fund (SMSF)?

- No
- Yes TERMINATE (BUT CAN BE RECRUITED IF QUALIFY FOR MANAGED FUNDS)
- Don't know TERMINATE (BUT CAN BE RECRUITED IF QUALIFY FOR MANAGED FUNDS)
- Prefer not to say TERMINATE (BUT CAN BE RECRUITED IF QUALIFY FOR MANAGED FUNDS)

Q4. For your superannuation /managed fund (as appropriate): Who is mostly responsible for looking at the information provided by the fund?

- I am
- My partner or other family member
- My financial adviser or similar TERMINATE
- Don't know TERMINATE
- Prefer not to say TERMINATE

Q5. Thinking about the fees and costs for superannuation / managed funds (as appropriate), how would you rate your own understanding?

- I understand the fees and costs very well
- I understand the fees and costs fairly well
- I understand the fees and costs a little bit
- I don't understand the fees and costs at all TERMINATE
- Don't know TERMINATE
- Prefer not to say TERMINATE

Q6. IF SUPERANNUATION: How many super funds do you have?

- Write in (approx. is fine)
- Don't know
- Prefer not to say

Q7. IF SUPERANNUATION: What type or types of super fund do you have? CATEGORISE AS MANY AS THEY KNOW ABOUT CHECK QUOTAS

- An industry fund like Australian Super or REST
- A corporate fund like the Telstra fund for Telstra employees
- A government super fund
- Another fund called a retail fund such as Mercer or AMP
- Don't know anything about the type or types DO NOT RECRUIT
- Prefer not to say TERMINATE

Q8. IF SUPERANNUATION: What is the approximate balance (altogether or for your main fund)? We are asking this so that we speak to a mix of people. It doesn't need to be exact.

- Under \$50,000
- \$50,000 to \$100,000
- \$100,000 to \$250,000
- Over \$250,000
- Don't know TERMINATE
- Prefer not to say TERMINATE

Q9. If managed funds: What is the approximate balance that you have invested in managed funds. We are asking this so that we speak to a mix of people. It doesn't need to be exact.

- Under \$50,000
- \$50,000 to \$100,000
- \$100,000 to \$250,000
- Over \$250,000

- Don't know TERMINATE
- Prefer not to say TERMINATE

Q10. Record gender

- Male
- Female
- Other
- Prefer not to say

Q11. What is your age?

- 18 to 29 TERMINATE
- 30- to 39
- 40 to 49
- 50 to 59
- 60 to 69
- 70 plus
- Prefer not to say

Q12 What is / was your occupation

- Professional e.g. lawyer, accountant, GP
- Management / Director
- Business Owner/Self-employed
- Contractor
- Office worker/clerical/administration
- Retail/Sales
- Skilled trade
- Unskilled trade
- Home duties
- Retired
- Student
- On NewStart or Disability Support Pension
- Others (specify)_____
- Prefer not to say

The research is being conducted by Susan Bell Research for ASIC. The researchers want you to look at some information to find out whether it is clear and easy to understand. You do not have to be expert in this – in fact the researchers want to hear a broad range of views.

The interview is completely confidential. Only de-identified themes and statements will be provided to ASIC, so there would be no way to identify individuals who have taken part.

Incentive: we are offering a thank you payment.

Appendix 6: Accessible versions of figures

This appendix provides accessible table data for the figures presented in this report.

Table 22. Ease of understanding the current superannuation template

Answer	Number
<i>Sample size</i>	20
Extremely easy	1
Somewhat easy	8
Neither easy nor difficult	5
Somewhat difficult	6
Extremely difficult	0
Don't know	0

Base = all superannuation respondents

Note: This table is the data contained in Figure 1

Table 23. Usefulness of the current superannuation template

Answer	Number
<i>Sample size</i>	20
Extremely useful	5
Somewhat useful	10
Slightly useful	2
Not very useful	2
Not at all useful	1
Don't know	0

Base = all superannuation respondents

Note: This table is the data contained in Figure 2

Table 24. Ease of understanding the proposed superannuation template

Answer	Number
<i>Sample size</i>	20
Extremely easy	3
Somewhat easy	6
Neither easy nor difficult	5
Somewhat difficult	5
Extremely difficult	1
Don't know	0

Base = all superannuation respondents

Note: This table is the data contained in Figure 3

Table 25. Usefulness of the proposed superannuation template

Answer	Number
Sample size	20
Extremely useful	3
Somewhat useful	9
Slightly useful	5
Not very useful	2
Not at all useful	1
Don't know	0

Base = all superannuation respondents

Note: This table is the data contained in Figure 4

Table 26. Superannuation: usefulness of the split into ongoing fees and member-activity related costs

Answer	Number
Sample size	20
Extremely useful	9
Somewhat useful	7
Slightly useful	2
Not very useful	1
Not at all useful	1
Don't know	0

Base = all superannuation respondents

Note: This table is the data contained in Figure 5

Table 27. Superannuation: ease of understanding transaction costs

Answer	Number
Sample size	20
Extremely easy	3
Somewhat easy	6
Neither easy nor difficult	0
Somewhat difficult	5
Extremely difficult	6
Don't know	0

Base = all superannuation respondents

Note: This table is the data contained in Figure 6

Table 28. Superannuation: usefulness of transaction costs

Answer	Number
Sample size	20
Extremely useful	2
Somewhat useful	6
Slightly useful	1
Not very useful	4
Not at all useful	5
Don't know	2

Base = all superannuation respondents

Note: This table is the data contained in Figure 7

Table 29. Ease of understanding the current superannuation definitions

Answer	Number
Sample size	20
Extremely easy	2
Somewhat easy	3
Neither easy nor difficult	5
Somewhat difficult	3
Extremely difficult	1
Don't know	0

Base = all superannuation respondents

Note: This table is the data contained in Figure 8

Table 30. Ease of understanding the proposed superannuation definitions

Answer	Number
Sample size	20
Extremely easy	2
Somewhat easy	7
Neither easy nor difficult	5
Somewhat difficult	1
Extremely difficult	0
Don't know	0

Base = all superannuation respondents

Note: This table is the data contained in Figure 9

Table 31. Superannuation: usefulness of the example

Answer	Number
Sample size	20
Extremely useful	10
Somewhat useful	9
Slightly useful	0
Not very useful	1
Not at all useful	0
Don't know	0

Base = all superannuation respondents

Note: This table is the data contained in Figure 10

Table 32. Superannuation: usefulness of the cost of product information

Answer	Number
Sample size	15
Extremely useful	5
Somewhat useful	4
Slightly useful	2
Not very useful	3
Not at all useful	0
Don't know	1

Base = all superannuation individual interview respondents N=15 (this question not asked in the group discussions)

Note: This table is the data contained in Figure 11

Table 33. The preferred superannuation periodic statement

Answer	Number
Sample size	20
Current statement	1
Proposed statement	13
No preference	6
Don't know	0

Base = all superannuation respondents

Note: This table is the data contained in Figure 12

Table 34. Ease of understanding the current MIS template

Answer	Number
Sample size	20
Extremely easy	7
Somewhat easy	10
Neither easy nor difficult	2
Somewhat difficult	1
Extremely difficult	0
Don't know	0

Base = all MIS respondents

Note: This table is the data contained in Figure 13

Table 35. Usefulness of the current MIS template

Answer	Number
Sample size	20
Extremely useful	11
Somewhat useful	7
Slightly useful	0
Not very useful	1
Not at all useful	1
Don't know	0

Base = all MIS respondents

Note: This table is the data contained in Figure 14

Table 36. Ease of understanding the proposed MIS template

Answer	Number
Sample size	20
Extremely easy	4
Somewhat easy	6
Neither easy nor difficult	8
Somewhat difficult	1
Extremely difficult	1
Don't know	0

Base = all MIS respondents

Note: This table is the data contained in Figure 15

Table 37. Usefulness of the proposed MIS template

Answer	Number
Sample size	20
Extremely useful	7
Somewhat useful	10
Slightly useful	0
Not very useful	3
Not at all useful	0
Don't know	0

Base = all MIS respondents

Note: This table is the data contained in Figure 16

Table 38. MIS: Ease of understanding the buy-sell spread

Answer	Number
Sample size	20
Extremely easy	1
Somewhat easy	4
Neither easy nor difficult	3
Somewhat difficult	6
Extremely difficult	6
Don't know	1

Base = all MIS respondents

Note: This table is the data contained in Figure 18

Table 39. MIS: Usefulness of the buy-sell spread

Answer	Number
Sample size	20
Extremely useful	2
Somewhat useful	4
Slightly useful	1
Not very useful	2
Not at all useful	8
Don't know	3

Base = all MIS respondents

Note: This table is the data contained in Figure 19

Table 40. MIS: Ease of understanding transaction costs

Answer	Number
Sample size	20
Extremely easy	2
Somewhat easy	7
Neither easy nor difficult	4
Somewhat difficult	3
Extremely difficult	3
Don't know	1

Base = all MIS respondents

Note: This table is the data contained in Figure 20

Table 41. Usefulness of transaction costs

Answer	Number
Sample size	20
Extremely useful	4
Somewhat useful	5
Slightly useful	2
Not very useful	3
Not at all useful	4
Don't know	2

Base = all MIS respondents

Note: This table is the data contained in Figure 21

Table 42. MIS: Usefulness of management fees at the top of the table

Answer	Number
Sample size	15
Extremely useful	7
Somewhat useful	2
Slightly useful	0
Not very useful	4
Not at all useful	1
Don't know	0

Base = all MIS respondents N=15 (excludes 5 who were not asked this question)

Note: This table is the data contained in Figure 22

Table 43. MIS: Usefulness of the example

Answer	Number
Sample size	20
Extremely useful	14
Somewhat useful	2
Slightly useful	1
Not very useful	1
Not at all useful	2
Don't know	0

Base = all MIS respondents

Note: This table is the data contained in Figure 23

Table 44. MIS: Usefulness of the cost of product information

Answer	Number
Sample size	20
Extremely useful	4
Somewhat useful	3
Slightly useful	2
Not very useful	3
Not at all useful	2
Don't know	1

Base = all MIS respondents

Note: This table is the data contained in Figure 24

Table 45. The preferred MIS periodic statement

Answer	Number
<i>Sample size</i>	20
Current statement	3
Proposed statement	13
No preference	2
Don't know	2

Base = all MIS respondents

Note: This table is the data contained in Figure 25