

Financial affairs of the heart

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Chasing greater returns

Low growth and high fees won't be tolerated, writes **Anthony Keane**

INVESTORS have become smarter about getting the best bang for their bucks, putting fewer dollars into higher-fee and lower-return assets.

A *Your Money* analysis of Reserve Bank of Australia data has found that while deposits have surged in the past five years, money held in cash management trusts has more than halved, while managed funds have dropped 23 per cent.

Investors are simply voting with their feet. Cash management trusts used to be popular among savers because of their flexibility, but the interest rates they now pay are well below those offered by term deposits and online savings accounts.

"People are starting to take control," says Alex Dunnin, director of research at financial information group Rainmaker.

Managed funds, which pool investors' money to invest in things such as shares, property, bonds and alternative assets, have struggled amid the rise of low-cost alternatives that don't employ expensive fund managers to choose investments.

"A lot of funds have been whacked hard by the market meltdown and that probably scared people off," Dunnin says. "There's nothing like low returns to get people upset about fees."

Research group Morningstar says some funds still charge management fees near 3 per cent, but investors can pay just one-tenth of that using low-cost exchange-traded funds that track the performance of a share market index or sector.

It says there is still a place for managed funds, which deliver excellent diversification for investors, but they need to offer more value for money.

Financial strategist Theo Marinis says he has long argued that managed fund fees should be lower, particularly when research has found three-quarters of active fund managers don't deliver better returns than the overall market.

"The main reason for moving away from managed funds is cost. When markets are down and returns are low ... investors are questioning more."

FUND TRANSFERS

	2007	2012	Move
Managed funds	\$338b	\$259b	-23%
Superannuation funds	\$947b	\$1185b	+25%
Cash management trusts	\$49.8b	\$24.4b	-51%
Term deposits with banks	\$211b	\$543b	+157%
Other deposits with banks	\$265b	\$453b	+71%

Source: RBA



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