

Get back what's yours

Maria Bekiaris explains how to retrieve "trailing commissions"



WHETHER HE EVER CAME UP WITH the saying "what you know doesn't hurt you" clearly was unaware of the hidden fees many Aussies pay on their investments, such as managed funds and super, as well as a range of insurance policies. The fees are "trailing commissions" that typically range from 0.25%pa to 1.2%pa of the value of your investments, with the industry average 0.5%pa. For investments worth \$100,000 that adds up to about \$500 a year.

The theory is that they're a fee paid to planners to provide ongoing advice and administration services to the investor. But you might still be charged these even if you invested directly from the financial institution and don't even know the planner.

The good news is you might be able to retrieve at least part of these commissions with the help of a rebate service provider – also known as a cash-back provider.

How do I claim?

Get in touch with one of the cash-back providers such as Yourshare, Investsmart, Irefund or Refundeasy (check out *The Providers* at right for contact details). You register your investments with the provider of your choice and fill in a "nomination form" nominating them as your broker.

This will give them the right to collect the trailing commissions from your existing investments and pass on a refund to you. You can also then make any new investments through them.

How much will I get?

What you'll get depends largely on the investments you have and their value. Rebate service provider Irefund estimates most people would be paying between \$1000 and \$2000 a year in ongoing trailing commission fees on the financial products they own. Using the Yearly Cash Back cal-



culator on Yourshare's website, someone with \$200,000 worth of existing investments paying a 0.50%pa trailing commission would receive \$3077 over five years.

How much will it cost me?

Each provider has its own fee structure. Yourshare, Irefund and Investsmart for example all charge a percentage of the trailing commissions collected on your behalf. Yourshare keeps 50% of the first \$590 it collects for you, while Irefund keeps 50% of the first \$790 – making the maximum fee \$295 and \$395 respectively. So let's say you are entitled to a refund of \$1500. Yourshare will keep \$295 and you'll get the remaining \$1205, while Irefund would keep \$395 making your refund \$1105.

Investsmart keeps the first \$300 each year and then refunds 50% of trailing commissions it receives on your behalf over \$300. You'd end up with only \$600 of the \$1500 used in the previous example.

Unlike the other three providers, Refundeasy charges a monthly fee of up to \$25, so using the earlier \$1500 example your refund would be \$1200.

Need to know

As well as a part refund on trailing commissions rebate service providers offer a 100% rebate of entry fees on managed funds, both on new investments and ongoing contributions into existing investments.

If you'd like some help choosing a rebate service provider, look out for our Best of the Best issue next month where we name the Best Rebate Service Provider for 2010.