

# SHOW ME THE



Businesses can begin anywhere, but rarely do they start by looking down at your financial statements. Paul Brady, however, began his company by noticing he and his wife were paying a hefty percentage of their investment out to services they'd never agreed to. Out came the calculator and down came the business plan. Now Brady, a CPA, is showing others how to find their lost fees through his new company, YourShare, which aims to *take money back* from the financial institutions, not put it in.

One day Paul Brady's wife Juliet opened a statement from her superannuation fund and noticed she was paying a hefty percentage of her investment in sales trailing fees and commissions to someone she had never met. Paul, who's a CPA by trade and thus used to nutting out missing figures, found that disconcerting. He decided to find out where their disappearing funds were going. A few days later, he learned that it was all going where a significant portion of other investment money was going on 'hidden' fees, products and services. He discovered that no less than \$2 billion was being paid every year on these fees, products and services throughout Australia.

So the CPA went to work, doing what he does best: crunching numbers and searching for answers between the dollar signs. What he found was that many financial institutions were paying what's called a 'trailing fee', or a commission, to those third parties and

advisers who distributed their products. It was, says Brady, a rude shock to his accountant's system.

"These commissions can be up to 1.2 per cent of the value of the investment, and they are calculated and paid every year, even if the investor never hears from the adviser again," says Brady. "Understandably, my wife and I were annoyed that we were being charged for a service we weren't getting! So we set about trying to work out how we could stop paying those commissions. We soon realised that everyday investors can't access those trails or commissions directly."

That's when the seed of a new business idea was born.

"I thought that if we were having trouble working it all out, others probably would be, too."

Brady, who had spent 10 years living in London and working for some of the world's largest financial institutions, knew there was money to be made in this – and not just for the clients. It was a win-win scenario. And the

irony was that people would be making money by taking it *out* of financial institutions, not putting it in.

He did his due diligence, and then set up YourShare in early 2006, a company that tracks down, collects and refunds commissions and fees paid on financial products on behalf of the investors.

"There's such a minefield of fees and commissions that Australians pay on their everyday financial products. It does take an aggressive, CPA-style mind to sort it all out!" he laughs.

It turned out that coming up with the idea was the easy part. It took close to a year for Brady meet the extensive regulatory requirements needed to secure the Australian Financial Services License required to launch YourShare. It was a period in which he used up a lot of his savings – including the money he'd reclaimed from his own financial institutions.

"It was a tough period," he admits. "Living off savings with no clear direction or financial



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security was obviously challenging, but I knew that if I got a job working for someone else I wouldn't have the time to focus, research and analyse the opportunities and consumer needs that I needed to start the company."

It was due diligence that paid off, so to speak. YourShare's business model turned out to be a clever one. Unlike what Paul Brady did for a living, the company does not provide financial advice in any way. It simply acts as an independent third party collecting fees and commissions on behalf of investors. It tracks down all the trailing fees and commissions and gives the investor back a proportion of those fees by way of an annual cash-back cheque. The company refunds 100 per cent of all entry fees and then sends a cheque to clients every year for 50 – 70 per cent of all trailing fees and commissions collected on their behalf. The 30 – 50 per cent not returned is what is paid to the company to track down those fees and commissions and administer the yearly cash back service for the clients.

"YourShare is for investors who are happy with their portfolio but unhappy about the fact that they're paying fees and commissions for a service they don't need and aren't getting," explains Brady. "By nominating YourShare

as their broker investors can reclaim the commissions they will currently be paying on their insurance, superannuation, pensions, annuities, margin loans and other investments including managed funds and CMTs.

"Superannuation is the obvious example, and the product for which trailing fees are most controversial, but we have recently expanded our service to include mortgages. We believe the majority of Australian's have at least one financial product on which they are paying hidden fees and trailing commissions. All those people could be reclaiming that money for themselves."

For Brady, it has been a challenging learning curve from superannuation statement to business set-up, but a vastly rewarding one. Accountants love nothing more than getting figures right and making money in the process, and YourShare is slowly doing that.

"It's been a long road," says Brady, who seems to have even enjoyed the financial potholes. "You need several thousand clients before a business like this even looks like breaking even. But its also fulfilling being able to send out cheques to clients. I never imagined I would begin a business such as this but it's strangely rewarding." **W**

## FINDING LOST FEES

To show an example of how you can reclaim hidden fees, Brady offers one client aged 40, who had \$80,000 invested in a superannuation fund. This client was adding \$791 a month to his superannuation. The trail on the account was 0.54%pa. YourShare reduced the initial commission paid on all regular contributions from 4 per cent to 0 per cent, meaning an additional \$31.65 was added to the client's superannuation account each month. (Assuming conservatively that the client did not increase his monthly contribution amount and the funds grew at 7.5 per cent pa – and the client retires at age 65.) The total yearly cash back received by the client over the next 25 years will be \$34,061. The savings in entry fees reinvested into the client's account yields another \$27,765. YourShare will save this client \$61,826