

more give, less take

We killed the asterisk.

A matter of trust

Robin Bowerman, Vanguard Investments | 22nd November 2010

IT is understandable that some investors tend to trust their fund managers and super funds less whenever their investment returns are low or negative.

Typically, investors don't look as critically at, say, a particular fund manager when enjoying sustained double-digit returns.

But when returns are low, the weaknesses of a fund manager or super fund are truly highlighted.

The Superannuation Complaints Tribunal, for instance, experienced a sharp rise in complaints about super fund administration practices during the GFC.



Robin Bowerman, Head of Retail at Vanguard Investments Australia.

The tribunal's recently released annual report for 2009-10 confirmed this again, reporting that 53.5% of all complaints within the tribunal's jurisdiction were about fund administration – down from 62.4% in the previous financial year.

These fund administration complaints to the tribunal concerned disclosure, fees, insurance premiums, investment option changes and payment delays. (See the tribunal's annual report <http://www.sct.gov.au/downloads/Annual%20Report%202009-2010.pdf>)

And a recently released study – the 2010 Investor and Member Sentiment and Communications Report published by specialist investment researcher Investment Trends – found a wavering of trust among many investors in super funds and fund managers. This mood was largely triggered during the GFC.

Investment Trends' report, which was based on a survey earlier this year of 8500 investors, reports of a "significant erosion of trust in financial services organisations", particularly fund managers and super funds, during the GFC.

Although there was some improvement, the level of trust was still far behind pre-GFC levels.

Interestingly, the Investment Trends survey found that active investors are most likely to trust fund managers and super funds that keep regularly in touch with them, ensure there are people always available to talk to them, do what they say they will do, are open about fees and admit when they are wrong.

And reasons for distrusting a financial services organisation include hidden fees, unjustified fee structures, poor communication, poor performance, lack of transparency and failure to keep promises.

Winning trust can be particularly elusive when times are tougher. And once lost, trust can be hard to win back – even after returns rebound.

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Robin Bowerman, Vanguard Investments Australia's Head of Retail, has more than two decades of experience in the finance industry as a writer, commentator and editor.



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