

# ING pitches fee-free option

Sally Patten

Dutch bank ING Direct is hoping to make a similar impact on Australia's \$1.4 trillion superannuation industry as it has on the savings sector.

ING, credited with being at the forefront of the online savings boom, has launched the first balanced super fund that charges no administration or investment fees.

The fund is the latest no-frills retirement savings option to appear in a market where poor investment conditions and the planned introduction of simplified MySuper funds next year has put pressure on trustees to reduce costs.

ING's Living Super balanced option, launched on Tuesday, is split evenly between equities and cash.

The equities component is 50 per cent invested in local shares and 50 per cent in international shares, with the entire stocks component invested through index funds managed by State Street Global Advisers.

"This will set a new benchmark on fees," local ING Direct chief executive Vaughn Richtor said.

ING said it was able to forgo administration and investment fees because of the margin it was able to make on the cash component.



Vaughn Richtor says ING Direct's balanced super fund 'will set a new benchmark on fees'.

Photo: LOUISE KENNERLEY

The interest rate on the cash component is the same as that offered on the online "savings maximiser" product. But a buy/sell spread of 0.01 per cent is payable.

The balanced fund is one of four options offered under the Living Super banner, the other three being cash, managed investments and real time share trading.

The managed investments option carries an administration fee of 0.5 per cent and an investment management fee of 0.25 per cent.

Again, all the products are index funds managed by State Street.

Mr Richtor said the suite of products offered simplicity, control, transparency and convenience.

"Our research showed that people want to choose their investment options and have greater visibility over their super investments, which is what Living Super delivers. In addition, customers will have added control with the ability to move their money when they choose," chief operating officer Anne Myers said.

Ms Myers said ING decided to opt for passive managers because active managers' value propositions were unclear and their fees were high.

She said ING would apply to the Australian Prudential Regulation Authority for a MySuper licence for the balanced fund, which it considers the default option.

Ms Myers denied that the bal-

anced option, invested in just two asset classes, was poorly diversified.

She said the construction of the fund had been analysed by investment expert Atchison Consultants and that back testing over 10 years showed that it performed well against its peers.

The fund will be marketed to ING Direct's 1.4 million banking customers. Over time the Dutch bank will consider distributing it to corporate clients and through financial advisers and mortgage brokers.

Research house SuperRatings is reviewing the product and an official rating is due "in the coming weeks".

ING's total savings book is \$27 billion.