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Bank-bashing for pensioners [1]

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What?s more satisfying than bashing bankers to help pensioners? There is something to the Occupy movement?s outrage at the rewards enjoyed by the banking industry but the hue and cry for higher bonus and income taxes and a financial transactions tax misses the point.

The ASI has already explained why a financial transaction tax, aka Robin Hood or Tobin tax, is simply wrong and we won?t go over the details. Suffice to say that bankers are too smart to actually pay it. They?ll either move elsewhere or pass on the tax (like any other corporate tax) to their customers, ie. pensioners and other savers.

A more promising route for dealing with seemingly high-flying bankers is to figure out why they make so much money in the first place, not how to tax it after they?ve made it.

Step forward, David Norman, chief executive of TCF Investment. In an open letter to Prime Minister Cameron, Mr Norman calls [3] for ?an urgent and holistic review of the UK retail fund sector.? His literal bottom line is that the retail fund industry is ripping off savers through a complex and opaque system of fees and hidden charges.

Mr Norman is continuing a crusade whose beliefs were spelled out in a paper [4] published over a year ago. It detailed all the charges borne by saversfrom the upfront Annual Management Charge down through admin fees, FSA fees, stamp duty and trading costs, to name just some. He has calculated that an average UK stock market fund investment of £100,000 over 20 years at 7% a year will generate £227,695. Of this total, though, £159,272 goes on all the various charges, not to the saver. (A Robin Hood tax would simply be another component in this overall bill.)

Now, Mr Norman?s figures may be extreme and he has been challenged [5] on many of them by Mark Dampier, head of research at Hargreaves Lansdown. Of course, the two would differ: TCF markets itself as a low-cost investment provider while Hargreaves Lansdown is introducing a new monthly fee on index tracker funds.

All of this is way beyond the comprehension of most so Mr Norman has a solution: ?The publication and wide communication of sound research into the total cost impacts on funds would empower self-motivated consumers and act as a standard to hold adviser recommendations to account. It should be an imperative for FSA to publish tables of Total Costs of Ownership (TCO) for all funds sold in the UK.?

For free and open market types like us, a thorough review of the sector may be a good idea as long it does lead to price transparency to foster competitive markets - the only sure route to the best quality at the lowest possible price. The risk is the unintended consequences of letting politicians start poking about. For

the government, it really doesn?t require much except a bit of ?nudge? work. But will they be able to stop there?

In the meantime, can we persuade the Occupy movement to swap their logo from ?I am the 99%? to ?I am the TCO??

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