

DIMENSIONAL FUND ADVISORS

Merton Makes a Splash Downunder

September 2012

Nobel Prize winner and Dimensional's resident scientist Robert Merton made a splash in Australia during his recent visit to speak to clients, prospects and the wider financial community about his innovations in retirement planning.

Institutional clients and prospects – along with consultants, government officials, regulators, money managers and media – were on hand at multiple functions to hear Professor Merton outline the Managed DC concept.

The two-week series of presentations – beginning and ending in Queensland – came at a pivotal time in Australia as it reflects on 20 years of a publicly mandated DC retirement savings system known as superannuation.



A recent [federal government review](#) of the system has proposed an increased focus on efficiency, cost and improved ways of seeking the engagement of contributors.

Sharing a panel with Professor Merton at an industry lunch in Sydney was the architect of the superannuation reforms Jeremy Cooper, who noted how neatly the Managed DC concept fit into his inquiry's 'MySuper' default fund idea.

"We really started Bob's journey yesterday," Cooper said, referring to the Senate's passage on the previous day of the core provisions of MySuper.

MySuper is predicated on providing a simple, cost-effective product with a diversified portfolio of investments for the vast majority of workers who are invested in the default option in their current fund and who have not exercised a choice.

The concept of a shift in thinking around retirement planning from wealth to income caught the imagination of many Dimensional clients.

"Worth the price of admission alone," was the comment from one client after Professor Merton's presentation to the advisor 'applied conference' in Queensland. "We're sold," said another. "What do we need to do to get this happening?"

In the institutional market, the professor spoke to thought leaders around the country, including trustees of some of the biggest superannuation funds at a conference convened by the Centre for Investor Education (CIE).

["Worth the price of admission alone,"](#) was the comment from one client after Professor Merton's presentation to the advisor 'applied conference' in Queensland.

["We're sold,"](#) said another. ["What do we need to do to get this happening?"](#)



ROBERT MERTON with **GLENN CRANE**
Chairman & Chief Executive Officer, DFA Australia Ltd

The latter conference was a highlight, generating the most positive delegate feedback for a speaker in the CIE's history.

"Listening to others' comments it really does appear to be one of those 'why have we never thought of that' moments," was the response of one Dimensional client to Professor Merton's presentation.

In Melbourne, the professor engaged a room of academics and business leaders at the nation's top business school. He also spoke at a luncheon attended by nearly 200 people and sponsored by the Association of Superannuation Funds of Australia.

Alongside these events, there was good engagement with union-oriented industry funds. Such was the response to a special session conducted by NGS Super and Media Super, along with consultants JANA, that a bigger venue had to be found.

Other key sessions included detailed presentations to Australia's sovereign wealth unit, The Future Fund, major institutional clients QIC, QSuper, MLC and First State Super.

The scale of interest in the new thinking around retirement was such that industry body FINSIA later sought to promote a webinar of Professor Merton's address to its national database of 20,000 participants.

Helping publicity was substantial media interest in the visit.

- Writing in the [Investor Daily](#), Darin Tyson-Chan noted that Professor Merton had issued a challenge to the Australian superannuation industry to switch its focus from lump sums to generating the right levels of income per year for retirees.
- In the institutionally oriented publication [Top 1000 Funds](#), journalist Amanda White dubbed Professor Merton “the individual plan man” and stressed the inadequacy of existing DC plans in Australia to take account of individual circumstances.
- In [The Financial Standard](#), Melanie Timbrell focused on the importance Professor Merton placed on meaningful engagement with members rather than bombarding them with technical detail which has no relevance to their lives.
- Aside from the specialist publications, the Dimensional resident scientist’s presentations attracted favourable mentions from two of the nation’s top selling newspapers – the national broadsheet daily [The Australian](#) and [The Sydney Morning Herald](#).

“Listening to others’ comments it really does appear to be one of those ‘why have we never thought of that’ moments,” was the response of one Dimensional client to Professor Merton’s presentation.”

Dimensional Australia plans to bring Professor Merton downunder again in March 2013 to further engage with the industry on his thinking.

AMSTERDAM

AUSTIN

BERLIN

LONDON

SANTA MONICA

SYDNEY

VANCOUVER

www.dimensional.com

Disclosure and Disclaimer

The material above is provided for information only. No account has been taken of the objectives, financial situation or needs of any particular person. Accordingly, to the extent this material constitutes general financial product advice, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to the investor’s objectives, financial situation and needs. This is not an offer or recommendation to buy or sell securities or other financial products, nor a solicitation for deposits or other business, whether directly or indirectly. A Product Disclosure Statement (PDS) for the Dimensional Australian Resident Trusts, under which offers to invest in the Global Bond Trust is made, is available from the issuer of the PDS, DFA Australia Limited (ABN 46 065 937 671 Australian financial services licence no. 238093) or by download from our website at www.dimensional.com.au. Investors should consider the current PDS in deciding whether to invest in the Trust, or to continue to hold their investments in the Trust. Unless an exemption applies, anyone wishing to accept the offer in the PDS will need to complete the application form accompanying the PDS. DFA Australia Limited is the manager and responsible entity of the Trust and in that capacity receives fees from the Trust, details of which are set out in the current PDS.