

# Effective Annual Cost (EAC)

The Effective Annual Cost (EAC) is a measurement that aims to standardise cost disclosures across different investment products. The EAC is expressed as a percentage of the investment amount. It provides a summary measure of cost across four components, namely: investment management charges, advice charges, administration and other charges.

The measure was introduced by the Association for Savings and Investments South Africa (ASISA) to align the investments industry more fully with the principles of Treating Customers Fairly (TCF). ASISA provides clear guidelines on how the EAC should be calculated and disclosed for investment products

The calculation periods for EAC are prescribed in terms of the Association for Savings and Investments South Africa (ASISA) standard as 1 Year, 3 Years, 5 Years and ten years for unit trust investments. Products with a fixed term have to supply the term to maturity rather than the ten year period. It also assumes that the client completely disinvests at the end of each of these periods.

All members have to certify annually that they comply with the EAC standard. The ASISA standard on Effective Annual Cost is available on the ASISA website at [www.asisa.org.za](http://www.asisa.org.za)