



SMSFs to account for a third of planner revenue

Self-managed superannuation funds (SMSFs) are now the fastest growing segment of the financial planning industry, accounting for almost a quarter of planners' collective revenue, new research has found.

A survey by Investment Trends and AMP Capital Investors found advice on SMSFs makes up 23 per cent of the industry's revenue, with this figure expected to grow to 32 per cent within the next three years.

According to the Australian Prudential Regulation Authority (APRA), there were 387,936 SMSFs as of June last year, a net increase of 9 per cent over the year.

Some 212,000 of those were receiving advice from a planner, and the average SMSF balance was \$950,000.

Mark Johnston, principal at Investment Trends, says three quarters of all financial planners provide advice on SMSFs, with one in five advising at least 20 SMSF clients.

"Most of the planners who aren't providing advice specifically on self-managed super say they intend to do that within the next few years," he says.

"Planners collectively are generating about \$950 million in fees, so this is a really significant part of what planners are doing, a big part of the industry."

While the quarterly net establishment rate of SMSFs has returned to more normal levels, following a spike in the June 2007 quarter due to Simpler Super, Johnston predicts another increase on the back of the global financial crisis.

Separate research from Investment Trends and endgame communications revealed four in 10 investors no longer trust fund managers and many plan to manage their own investments in future.

"We believe another significant surge in SMSF establishment is likely to occur over the coming

years, which would be consistent with the last bear market," Johnston says.

"This will be more pronounced if the negative returns persist through a number of reporting cycles."

The survey, which covered 314 planners and concluded in June last year, identified a 15 per cent increase in the average fee charged per SMSF between 2007 and 2008, from \$3900 to \$4500.

As a result, the total fees generated from SMSFs rose from \$890 million in May 2007, to \$950 million in June 2008.

Planners are also showing greater propensity to charge asset-based fees, which Johnston attributes to the ongoing growth of the asset-based, fee-for-service model.

He says investments have been more concentrated lately in direct equities and cash-type products, but planners are looking for a broader set of products to increase diversification across asset classes and regions.

One quarter of planners want higher exposure to emerging markets, but say the product range is lacking.

"The really big area is access to emerging markets," Johnston says.

"Of those who want access to emerging markets, they are much more likely to want access to India, and are also relatively more likely to want local infrastructure products, access to Latin America, global infrastructure funds, hedge funds and geared share funds."

The report also showed 71 per cent of planners were advising their clients to leave their long-term financial plans untouched, while 58 per cent were encouraging them to buy undervalued assets. A quarter of planners were advising clients to accumulate cash.

Meanwhile, a survey conducted by Investment Trends on the accounting sector and SMSFs revealed investment advice is a growth area for accountants.

According to the 2008 SMSF Accountant Report, while four out of five accounting practices advise SMSFs, only 35 per cent offer investment advice.

"What we found this year, which was very different to 2006, is there's a big increase in the proportion of accountants who aren't PS146 compliant but intend to get into offering investment advice," Johnston says.

"So there's been a resurgence in interest in getting engaged in the financial planning side of things."

There is also strong demand for more specialisation and outsourcing, with one in 10 accountants looking to outsource some SMSF related services, he says.

"There is a large group of accountants who do the SMSF establishment, setting up the company, conducting the audit in-house, but would actually like to outsource [those aspects]," he says.

"So there are some accountants out there looking to form new relationships with planners."

Servicing SMSFs that are in the pension phase was flagged as a growing challenge, with 60 per cent of accountants saying they are more difficult to administer. ■