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Why a SMSF?

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Here are a couple of questions for SMSF trustees – no matter when their funds were established. Why did you set-up your SMSF? And has your fund met your expectations?

The ATO – in its role as regulator of self-managed super – had conducted a much-publicised survey a year ago of new SMSF trustees, asking why they had established their funds.

Smart Investing was reminded of this survey recently when the Government review into Australia’s super system, widely known as the Cooper Review, released its invaluable SMSF Statistical Summary about this \$332 billion-plus sector. (See http://www.supersystemreview.gov.au/content/downloads/statistical_summary_smsf/SMSF_statistical_summary_report.pdf)

It would be a useful exercise for the ATO to contact the previously surveyed trustees in the New Year to ask them whether their funds have measured up to their expectations.

Their answers may be highly valuable and perhaps provide a wakeup call for some trustees.

In the ATO survey, new trustees had given their most powerful motivation for starting a SMSF as an aim to gain control of investments (86% of respondents) followed by greater flexibility over investment options (64%).

More than half of the respondents had a belief that their SMSFs could outperform their previous super funds while more than a third of the trustees were expecting better tax-planning opportunities.

Other reasons for setting-up a SMSF included an effort to save on fees (31%) and a desire to have other family members in the same fund (24%).

In responding to the survey, trustees could give multiple answers and rank those answers in order of importance to them.

As observed in the past by Mark Johnston, principal of financial researcher Investment Trends, some members of large super funds tend to be driven by successive negative or near-negative returns to establish SMSFs. This is in the belief that they can do better.

But as markets become stronger, the returns of both large funds and SMSFs should turn upwards, depending upon their asset allocation. And fewer members of large funds will presumably believe that they can achieve superior performance with a SMSF.

As you enjoy the Christmas break, consider spending a little time thinking about your SMSF and whether it has met your expectations.

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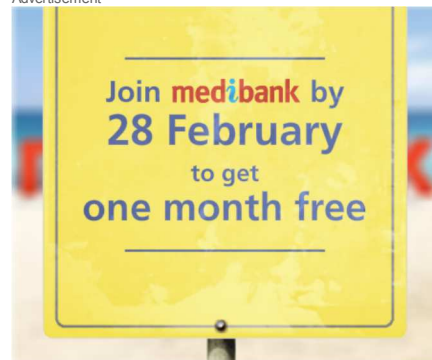
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Robin Bowerman

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