

News

INDUSTRY SUPERANNUATION FUNDS LOSING MEMBERS TO SMSFS

By [Tim Stewart](#) on 2 September 2011 [13 comments](#)

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The number of people who are leaving industry super to establish self-managed superannuation funds (SMSFs) has been steadily increasing since 2004, according to new Vanguard/Investment Trends research.



The proportion of SMSFs that were originally in retail super funds peaked between 2002-04 at 41 per cent, but fell to 34 per cent between 2008-11. Conversely, the number of people exiting industry funds to manage their own super rose from 21 per cent in 2002-04 to 29 per cent in 2008-11.

Investment Trends principal Mark Johnston said the trend was very informative, since his company had noticed many industry funds were taking an interest in buying research about SMSFs.

"From [the industry funds] perspective it's still a small number of people, but often they have very high balances, so the impact of those members leaving on industry funds is reasonably significant," Johnston said.

Drilling down on the numbers, Johnston said a third of people were moving over to SMSFs from retail funds (34 per cent), with almost the same number coming from industry funds (29 per cent). 21 per cent of SMSFs were originally in corporate super funds, and 9 per cent were originally in public sector funds.

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"This just is another example of an arrogant, 'sound

COMMENTS

Hey Scott, you seem to have a problem as a SMSF Specialist Adviser and CFP I have stopped more people taking on a SMSF than I have advised to take up. I have also recommended some clients go back to their industry funds to get the correct amount of insurance cover at a reasonable price. If the FOFA reforms are introduced all advisers and accountants will be required to do as I do. And yes I do have clients request SMSF's and they use them well. I also see the ill informed who don't and we recommend they be wind up the fund but seldom take this advice so we try to mentor them. And as an aside we charge a flat fee for advise and the service we provide not a percentage of FUM as do the industry funds. I'm not interested in the quantum of the funds invested but do set minimums to ensure suitability and cost effectiveness.

Bob | 5 September 2011 at 16:16

Yes @ Tony I must get out more, as when I do get out none of my friends or acquaintances compare insurers and the definitions of the insurance policies on offer that they are free to choose in their SMSF. In fact none of my acquaintances ever really seem to mention insurance as a important factor of their SMSF. My limited experience has been that "risk advisers" are limited to the insurers that are on their AP list and that admission to such a list is based on direct payment to a dealer group for shelf space or by electing to be a sponsor at a conference or PD series. Some dealer groups I believe have also restricted the number of insurers over time on their AP's to core insurers, but I have no experience with that matter. As is typical for this forum, there are a select few that generalise and see any reference to an industry fund as a chance to chase the reds from under the bed. I am sure all the investors that lost money in Astara et al freely chose those funds at their own discretion without any guidance from an adviser too.

Scott | 5 September 2011 at 14:31

Everyone's comments are valid, no-one has the perfect un-biased view - it all get's back to seeking information, getting several opinions and spending a decent hour or two at least, weighing up the pros and cons. Then decide if it is for you - don't be scared off by compliance, it is not endless and not insurmountable - help is out there and my wife and i love all the pros - control, educating ourselves an hour a week about investing, and going to many FREE seminars to learn and take charge!

Paul | 5 September 2011 at 14:23

love them SMSF's more control, fee deductibility, better estate planning outcomes, greater investment choice to name but a few of the great benefits. Provided trustees have a reasonable starting balance and are working with competent advisers or advice licensed accountants, the concerned parties seem to uninformed or complaining due to their misfortune. A little more regulation would'nt hurt and stopping unlicensed accountants giving investment advice and setting of SMSF's with as little as \$30k should be monitored by the ATO and ASIC.

Robert J | 2 September 2011 at 18:38

Err...Why in the world would you want to persist with a retail fund or even worse with a union fund controlling and telling you what to do when you are now able to initially set up a SMSF for free, and with an ongoing annual fee of around \$699? Free to choose any investment, free to choose any insurer etc. etc.

jya | 2 September 2011 at 16:54

Scott you need to get out more as your 'experience' seems to be very limited and thus you have a rather naive perspective and somewhat ill-informed opinion on the key drivers underpinning the growth of SMSF's now and over the years. Put simply, it's all about having control, and to some degree, investing in direct property. Having control over their own money for some is something that is in their best interest.

Tony | 2 September 2011 at 15:09

this is a revolving door argument as ISN funds also get a lot of people leaving SMSF's and going back to low cost, ease of admin, diversified strategies when they realise SMSF's arnt for them.

Noah | 2 September 2011 at 15:00

@ Scott, the truth is people have woken up to the lies and propaganda being spruiked by Industry Funds. You know "only run to benefit members" when it is clear that the unions want to dominate and control everyone's superannuation money because it gives the unions massive power over business in Australia and, lets face it, the unions make a fortune from managing superannuation money. In addition the conflict of interest that exists between Industry Super Funds and the Labour government is as clear as the nose on your face and this is not working for you and your mates because of how incompetent the Rudd now Gillard government has been/is. People are losing trust in Industry Funds. I suspect that the Industry Funds will instruct their Labour party puppets to introduce new laws that make it more difficult to run an SMSF but this will only make your situation worse because people will resent Industry Funds even more. You cannot take freedom of choice away and not expect a backlash. So Scott I think you should look in your own backyard to work out why people are leaving industry funds rather than trying to blame your loss of members on financial planners/accountants.

Tony | 2 September 2011 at 14:47

Scott, believe it or not I have never recommended an SMSF to a client, but many many clients are establishing them because they want them for the control it gives them. I don't believe everyone who an SMSF should have one, as many Trustees don't understand their obligations or even how to invest - my point was simply that people establish SMSF's only to benefit themselves, which is the same mantra as the ISFN promote.

bite' Government that is incapable of understanding the true ramifications of it's..."

Joe on [FOFA borders on social engineering: Duffield](#)

"It does not border it is crude social engineering. Step 1-Have a anticompetitive tendering process for default super under awards Step..."

cynical on [FOFA borders on social engineering: Duffield](#)

Graham | 2 September 2011 at 14:22

I am loving this - they opened the box - now here comes the ramifications ! Lucky for us real planners if a client does want a SMSF we can still help guide and be a mentor in reference to thier ideas. The industry funds lose the business all together. Put that in your pipe and smoke it whitely.

Tj from the south coast | 2 September 2011 at 13:22

Ah yes Robert and all SMSF's are set up for the best interest of the members too. In my experience most SMSF's are "sold" to the members by their planner/accountant. Could I conduct a survey of the number of practitioners who establish SMSF's based on request by the client or at their suggestion once they know how much money their client has to play with? What this "insightful" survey does not appear to consider is that since super has only been available to the masses since the advent of SG in 92/93 (Yes I know the 3% productivity started for some in 88)that the account balances will inevitably increase over time to a level where the client may have sufficient funds to justify (loosely) the establishment of a SMSF. Could we speculate that the drop in retail funds being converted to SMSF's is because the planners that were twisting funds from other sources to retail funds (traditionally sold by planners not bought by consumers) stopped twisting funds into retail funds and into SMSF's. I cannot understand why so many of you practitioners can industry funds so much when it provides you with so much prey.

Scott | 2 September 2011 at 13:21

How dare members of a Superannuation Fund want to run a fund designed to only better their interests? The ISFN needs to advertise heavily against this.

Graham | 2 September 2011 at 12:31

Great news, but I expect the industry funds to ramp up their anti-SMSF campaign over the next 6 months. (In investor's best interest)

Robert | 2 September 2011 at 11:23

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