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SMSF CASH BALANCES SOAR

By [Tim Stewart](#) on 2 September 2011 [0 comments](#)

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The amount of cash held in self-managed superannuation funds (SMSF) has risen to 26 per cent, which is twice as much as pre-global financial crisis (GFC) levels, according to new Vanguard/Investment Trends research.



The high allocation to cash is a symptom of the decrease in sentiment among SMSF trustees, but it is also a sign that investors are treating cash like an asset class rather than somewhere to park your money, according to Vanguard corporate affairs and market development principal Robin Bowerman.

"The return on cash may be attractive, but exit fees can make liquidity an issue if people want to get out - particularly if you're locked in for four or five years," Bowerman said.

Johnston pointed to the fact that total cash and cash products in SMSFs had grown by \$40 billion since May 2009 to \$113 billion.

"Investors remain quite fearful, and whenever we get a sudden drop [in the market], the level of concern comes up to levels experienced during the GFC. That's interesting when you consider that the valuations never go back down to GFC levels," Johnston said.

The volatility in the market is driving fear, and because people are fearful they react more quickly to the volatility, creating a vicious circle, Johnston said.

"The depressing thing for me is that one in four people are saying 'I'll start investing in shares again when the valuations have gone back up and stayed up'. So they'll be buying them when they're more expensive," Johnston said.

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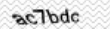
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