

News

SMSF GROWTH PRESENTS FINANCIAL PLANNING OPPORTUNITIES

By Damon Taylor on 30 September 2011 1 comments

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The strong growth in the self managed superannuation fund (SMSF) sector is presenting both opportunities and challenges for the financial planning industry, according to the recently released Vanguard / Investment Trends 2011 SMSF Planner Report.



According to the survey, total annual industry revenue generated by SMSFs for planners exceeded \$1 billion for the first time - and with almost half of advisers surveyed expecting to be recommending the use of SMSFs more often in the future, it seems that growth is likely to continue.

Commenting on the financial planning industry's challenges specifically, Robin Bowerman, head of corporate affairs and market development at Vanguard Investments, said that the complexities associated with managing and advising SMSFs had also been highlighted.

"Since 2009 the average number of challenges cited by planner respondents in relation to servicing the SMSF market has grown year-on-year from 3.9 each in 2009 to 4.4 in 2011," he said.

Bowerman said that falling caps on concessional contributions had been the biggest challenge identified this year, but other commonly cited challenges included educating clients about their responsibilities, administration and keeping fees competitive.

"The survey results illustrate a number of issues that planners and the broader industry should be addressing if they are to be successful servicing this sector," Bowerman added.

Yet while the growing importance of SMSFs to financial planner business is clear, the Vanguard / Investment Trends Report also showed that growth from SMSF clients had not matched planners' past expectations.

However, Mark Johnston, principal of Investment Trends, said that it was clear that SMSFs continued to offer strong opportunities for both investors and planners, and there was no sign of that growth abating.

"Planners need to look at the reasons underlying the lag in the expected growth and perhaps consider a different approach to servicing this market," he said. "The investor research shows that they favour more of a partnership or coaching approach.

"Competitive fees and a clearly articulated value proposition remain areas where planners themselves understand that the industry has work to do. However there is no doubt that planners can and will play a significant role in the continued growth in the sector."

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SMSFs continues to offer strong opportunities for both investors and planners, evident by the fact where 40% of SMSF now in cash while "good for members" industry funds having about 86% allocation to growth (e.g. Australian super) while the markets dived 30%. AMP recently published an article where they expressed the concern about outflows of super moneys going to SMSF space. More control, more flexibility, more choices, more opportunities - ,,,,,,SMSFs.

inkomwealth | 2 October 2011 at 21:54

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