

SMSFs cash up for the long term

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It is no surprise that a survey of self-managed superannuation funds has found that total cash holdings have soared in the past two years. But the rise in cash holdings – to \$113 billion in May 2011 from \$73 billion in May 2009 – disguises a shift in trustees' attitude to cash.

According to the survey by research company Investor Trends, the amount of cash that self-managed funds have waiting to be invested in other asset classes such as equities has remained stable since May 2009 at about \$39 billion.

But the amount of cash held as an asset class in its own right has more than doubled to \$74 billion from \$34 billion.

"There has been a lot of build up in cash and it is now seen as a long-term holding," said Investment Trends principal Mark Johnston.

"It is quite a big mind-shift," Mr Johnston added. "Trustees see cash as a long-term investment."

The Investment Trends executive argued that the rise in cash levels was partly due to demographics. A third of trustees of SMSFs are either retired or semi-retired while the other two-thirds are, on average, about 12 years from retirement – factors which would explain their more conservative attitude towards risk.

Investor caution is borne out elsewhere in the survey. Three-quarters of respondents predict a second wave of the global financial crisis is on its way.

The survey found that the proportion of cash held by self-managed funds doubled to 26 per cent of their portfolios between May 2007 and May 2011, while equities rose to 40 per cent from 35 per cent. On the other hand, holdings of residential property fell to 8 per cent from 11 per cent, while commercial property holdings slipped to 5 per cent from 7 per cent over the past four years.

Managed funds also took a hit: in the 12 months to May this year the proportion of SMSF portfolios invested in managed funds fell to 9 per cent from 11 per cent.

The Australian Financial Review

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