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SMSFS NOT RUSHING TO MORE CASH

By [Damon Taylor](#) on 5 September 2011 [0 comments](#)

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Cash may be a safe-haven for many self-managed superannuation fund trustees, but new data suggests the latest bout of market volatility has not generated a new rush.



The Vanguard / Investment Trends Self Managed Super Funds Report released last week found that though overall cash holdings had jumped significantly for SMSF investors in recent years, those cash holdings deemed excess had remained stable at \$39 billion. According to the report, excess cash now represented 35 per cent of SMSFs' total cash holdings, down from 53 per cent in May 2009.

Commenting on why SMSF cash holdings normally invested in other asset classes during more stable market conditions had dropped so significantly as a proportion of total cash allocations, Robin Bowerman, Head of Corporate Affairs and Market Development for Vanguard Investments, said behavioural finance studies had consistently highlighted that investors were often driven by short term emotional influences.

"They will often buy when markets are high and sell out when they are low," he said. "So while a more conservative asset allocation may be absolutely right for an investor's circumstances, it is vital for investors to remember that a diversified, low cost approach to investing that maintains market exposure during turbulent trading days and looks past the short term volatility has the greatest opportunity of investment success."

Bowerman said that consciously or otherwise, SMSF investors turning to cash and term deposits were taking a pessimistic outlook on the future growth of the Australian economy and major Australian companies.

"Obviously we have experienced a lot of short term market volatility, and there is uncertainty about where the markets are going next," he said. "Recent events, however, should reinforce the view that investors are concerned about many things that simply are not within their control, such as geopolitical affairs, markets and economies."

"For Vanguard, the message is clearly about taking a longer term view, having a well-diversified portfolio to suit your risk profile, and keeping costs as low as possible," Bowerman said.

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