

SMSFs turn to cash for safety

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Self-managed superannuation funds investors are keeping more than a quarter of their portfolios locked up in cash as they look to wait out the uncertainty on global financial markets.

New figures show DIY superannuation investors have \$113 billion sitting in cash rather than in other higher risk assets such as shares or property.

The amount represents a significant portion of the total \$418 billion in assets held in self-managed superannuation funds.

Cash holdings in the sector have increased by \$40 billion over the past two years, according to findings in a report by industry consultant Investment Trends and funds management group Vanguard.

Self-managed funds allow superannuation account holders to take direct control over their investments. The growing preference for cash coincides with intense volatility on the sharemarket this year in response to sovereign debt problems in Europe and concerns about the health of the US economy. The benchmark S&P/ASX 200 Australian sharemarket index has fallen about 9 per cent in 2011, leading many investors to favour safe-haven assets such as cash.

Fear that Greece or other heavily indebted countries in Europe would default on their debt has been a key reason for the drop in the sharemarket.

The downgrading of the US's credit rating by Standard & Poor's last month has also added to the loss of confidence.

With close to 460,000 account holders, self-managed super is the fastest growing segment of the retirement savings market. Vanguard head of market development Robin Bowerman said a dramatic turnaround in sentiment was needed to get self-managed super funds to invest their cash.

"The main triggers for SMSFs to invest their excess cash will be a return of confidence, improved market conditions or better economic outlook," he said.

The Australian Financial Review

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