

News

SMSF operators more proactive than reactive: survey

Michael Bailey

Product designers will welcome a survey's discovery that most people establish self-managed superannuation funds (SMSFs) for greater control of their investments, rather than for reactive tax or fee-avoidance reasons.



Mark Johnston from Investment Trends surveyed 570 SMSF operators, after being commissioned by [AMP Capital Investors](#) (AMPCI), and found that 55 per cent cited greater investment control as a major reason for 'doing it themselves'.

This reason is directly related to the second major motivator in establishing SMSFs, poor performance by other super funds, which was cited by 36 per cent of respondents. Advice from an accountant spurred 33 per cent of respondents, advice from a financial planner inspired 29 per cent, while the most popular reactive reason was to save money on fees, which motivated 24 per cent.

When selecting investments, 70 per cent cited capital growth as their top priority, a figure which AMPCI private clients head Giles Craig called "surprising", given that one-third of SMSF members are over 55.

More control over the receipt of franked dividends, high income levels and capital protection were the three next highest investment priorities.

Johnston said the perception of SMSFs as conservative, which they gained after Australian Taxation Office statistics from 2002 put their average cash allocation at 24 per cent, was wrong.

"Those figures were taken at June 30, when for tax reasons people have more cash floating around."

Johnston's survey put the December 2004 cash allocation of SMSFs at just 13 per cent. Australian shares – excluding property securities and listed investment companies – comprised 34 per cent, all types of property 25 per cent, and managed funds 25 per cent, a figure Johnston said had risen steadily since the beginning of the decade.

"This is the first thorough, quantitative research that's been done into Australian SMSFs, and what's clear is that these are savvy, proactive people who are looking for investment opportunities outside the norm," AMPCI's Craig said.

AMPCI has been directly targeting the now \$140 billion SMSF sector for some time, with direct property and enhanced yield funds, the DUETs listed infrastructure fund, and now a second passively managed Chinese equities fund.

"This survey found that SMSF members only have half their total assets in super, so generally they are a segment worth paying attention to," Craig added.

Given that Investment Trends found one-third of SMSFs were established on the advice of a financial planner, Craig said AMPCI was "working closely" with AMP advisers on its SMSF push.

He said investors paid the same for each product whether they sought advice or went direct to AMPCI.

Craig said his biggest dilemma in launching SMSF-minded products was setting their minimum investment.

"If it's an initial public offering with no ongoing distributions or redemptions, you can justify a \$5,000 minimum. If it's an open-ended fund with monthly distributions, it will be more like \$30,000. But we're not providing advice and we're emphasising Internet servicing, so that helps keep the minimums down."

After a relatively quiet 2004 for SMSF start-ups, Johnston predicted that another bear market and superannuation choice legislation would pick up the pace over the next couple of years.

"The 2002 surge in SMSF registrations was associated with people wanting control of their investments, after they saw the poor performance of their existing fund and what it was charging them," Johnston said, adding that just 6 per cent of respondents planned to stop using their SMSFs upon retirement.

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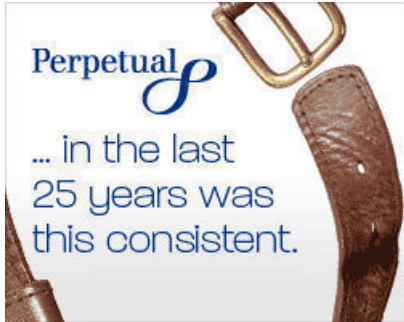
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