

Self Managed Superannuation Fund Survey Report

Control and flexibility for keen
and confident investors

September 2011

*“Establishing a Self Managed
Superannuation Fund is the most tax
effective structure under current tax laws
and is a powerful wealth creation strategy.”*



Self Managed Superannuation Funds Survey Report

Key Messages

1. Self Managed Superannuation Funds (SMSFs) are the largest superannuation fund sector in Australia accounting for 31.9% of all of Australia's superannuation assets.
2. In the past 15 years, SMSFs have continued to grow in popularity, with more than half (58%) of our survey respondents having had their SMSF for more than 10 years.
3. Establishing a SMSF is the most tax effective structure under current tax laws and is a powerful wealth creation strategy.
4. SMSFs are particularly attractive to those who are looking to take more control over their superannuation assets.
5. SMSF trustees value having access to more investment choice, flexibility and diversification than they could get through a large fund manager.
6. SMSFs can provide significant tax concessions both now and in retirement.
7. SMSF trustees must understand that in choosing greater control, there must also be a corresponding choice to take greater personal accountability and responsibility for their fund.
8. A majority of survey respondents (69%) said they would recommend SMSFs to others, but expressed concern that potential SMSF trustees be financially competent and confident.
9. This feedback from our clients reinforces that the SMSF service we provide needs to be comprehensive, cost effective and well informed.
10. Establishing and managing a SMSF can be complex so trustees should seek expert advice from a SMSF specialist working in conjunction with their accountant and financial planner.

Report Methodology

The purpose of this report is to give potential Self Managed Superannuation Fund (SMSF) trustees some insight into what it is really like to have a SMSF. Rather than McLean Delmo just detailing the benefits of SMSFs, we wanted to provide a balanced and insightful report, containing statistics and commentary from our SMSF clients.

We are proud of our experience as SMSF advisers. But even more than this, we are proud of the 'Community of Interest' we have fostered with our SMSF clients. McLean Delmo regularly communicates with our SMSF Trustees via emails, letters, newsletters and through face-to-face meetings and discussion groups.

We know our clients well and we were confident that their responses to this survey would provide truly valuable and informative advice that would assist those considering all their superannuation options – including Self Managed Superannuation Funds.

As such, in July 2011 McLean Delmo asked our clients who are SMSF trustees to take part in a short survey.

The survey was open for three weeks and could be completed both online and via paper questionnaires. The survey attracted a 27% response rate.

Survey responses were tabulated and analysed in house by McLean Delmo staff members, resulting in this published report.

We are grateful to all trustees who took the time and care to respond.

We hope you enjoy reading this report and find the insights contained both interesting and informative.

Please refer any questions about this report to Suzanne Luck on 03 9018 4666.

SMSF Survey Report

Introduction

Superannuation is one of the largest investments we make over a lifetime. As such, it is important to consider the range of funding options available in order to reach your long term financial goals.

Self Managed Superannuation Funds (SMSFs) continue to grow in popularity. Establishing a SMSF is the most tax effective structure under current tax laws and is a powerful wealth creation strategy.

With benefits including control, choice and tax concessions, it is certainly worth considering whether a SMSF is right for you.

A Self Managed Superannuation Fund is:

- A small super fund established for fewer than five members
- Regulated by the Australian Taxation Office
- Where all members are trustees or directors of a corporate trustee and they must understand the associated legal duties and responsibilities
- Where no members are employed by another member unless they are related
- Generally where there are deposits or rollovers of at least \$200,000
- Where there are some annual costs to run the fund.

Brief history of Superannuation in Australia

Superannuation law in Australia started in 1915 when the Federal Government introduced the Income Tax Assessment Act. The Government has been shaping policy ever since that time and people have been taking advantage of the generous tax concessions.

In the 1960s, superannuation entities were required to invest at least 30% of fund assets in Government securities, with a minimum of 20% in Government investments. This was known as the 30/20 ratio.

By 1983, the Government had started restructuring superannuation objectives to ensure that when people retired from the workforce they would have adequate superannuation savings to ease the burden of financing the age pension.

Initially, the superannuation legislation was included in the Income Tax Act 1936 (ITAA) until separate legislation was needed and the Occupational Superannuation Standards Act 1987 (OSSA) was introduced.

In 1993, the Government introduced new legislation called the Superannuation Industry (Supervision) Act 1993 (SIS Act) and the Superannuation Industry (Supervision) Regulations (SIS Regulations) 1994 (SIS Regulations).

In 1999, amendments were introduced in respect of small superannuation funds with less than five members. This was the introduction of self managed superannuation funds.

SMSFs are regulated by the Australian Taxation Office (ATO). The ATO is responsible for supervising SMSF compliance with the SIS Act and SIS Regulations.

SMSFs are now the largest superannuation fund sector in Australia. Data covering the March 2011 quarter revealed that SMSFs accounted for 31.9% of all of Australia's superannuation assets, followed by retail funds with 27.3%.

SMSF Survey Results

Reasons why trustees started their own SMSF

"I believed I could save money by investing directly and have portfolio growth as good as a fund manager."

Many trustees were initially introduced to the SMSF option by their accountants or financial advisers. It is important to seek advice and explanation of a range of superannuation products and funds in order to find one that suits your circumstances and retirement planning objectives.

SMSFs can seem daunting, but with the right advice and support it can be a sound investment choice for people in certain circumstances.

Based on the survey responses, investors may consider SMSFs if they match any of the following criteria:

- Those looking to take more control of their superannuation investments
- Those looking for more flexibility and diversification in their superannuation investment choices
- Those with financial experience, competence and confidence
- Those who are looking to reduce tax both now and in retirement
- Those who have their own company or are self-employed
- Those who have lost trust in the performance or service from other superannuation funds
- Those looking for more a personalised superannuation service than the larger funds management organisations can provide
- Those who would truly enjoy the challenge of managing their own SMSF and being accountable for their actions.

SMSF as a long term investment strategy

"It has been an interesting endeavour which I would like to have started a lot earlier in my career."

With more than half (58%) of respondents having had a SMSF for over ten years, it is certainly a positive indication of how successful SMSFs can be as a long term investment strategy.

Around one quarter of respondents (22%) have started their SMSF in the last 5 years, proving that it remains a popular choice for superannuation management.

With recent instability in the markets – and the damage of the Global Financial Crisis (GFC) still fresh in people's minds (and on their super statements) – we expect even more people to consider SMSF in an effort to take control of their financial future.

How long have you had your own SMSF?

Years	Results
More than 15 years	23%
10 – 15 years	35%
5 – 10 years	20%
3 – 5 years	13%
0 - 3 years	9%
Total	100%

SMSF Survey Results

In our experience, once people have made the decision to start a SMSF, they rarely look back. As the results in this report will attest, careful consideration should be given to SMSFs as they are not right for everyone; but for those who are prepared to take direct control of their superannuation, great returns and tax benefits can be gained.

Trustees describe the key benefits of SMSF

“No one will worry about my money more than me so therefore it provides an opportunity to be focused on my personal outcome and respond to market opportunity.”

There were many key benefits offered by responding SMSF trustees, however with dozens of direct references to the word ‘control’, the major benefit is clear.

Control, choice and flexibility were mentioned time and time again as the driving force behind satisfying SMSF experiences. Many trustees felt they were better able to improve investment returns and decrease their tax burden through the use of an SMSF.

Some expressed that super advice is more readily available and they had immediate access to information about their SMSF performance.

SMSF trustees should understand that in choosing greater control, there must also be a corresponding choice to take greater personal accountability and responsibility for their fund. If you are comfortable with this trade off, then SMSF could be a good choice for you.

Would they recommend SMSF to others?

“I believe that an SMSF is the best way to maximise your financial benefits before and after retirement.”

“If someone wanted to be an active investor and had the time and funds to invest and monitor, then a SMSF is worthwhile. It allows options when investing that larger funds don’t.”

An overwhelming majority (69%) of respondents said they would recommend SMSFs to others.

For those who said they were unsure (24%) or wouldn’t recommend SMSFs to others (7%), they were mostly expressing their concern that potential trustees go into the experience with their eyes wide open and understand the commitment they are making.

A small number of trustees suggested that the costs of establishing and maintaining a SMSF were excessive for smaller investment amounts. This can be true and – as such – we recommend investors have at least \$200,000 in existing superannuation benefits before they consider a SMSF.

Some respondents also – quite rightly – expressed that it was not their place to recommend investment options to others. We agree and always recommend people seek advice from a professional, qualified and licensed financial adviser before making financial decisions of this nature.

The early stages of establishing a SMSF can be complex and you need professional support and guidance from SMSF experts, your financial adviser and your accountant to ensure your fund is set up correctly and that you are able to operate according to the extensive rules and regulations surrounding SMSFs.

SMSF Survey Results

Important elements of a SMSF service

We are always keen to listen and learn more from our clients about what is important to them and how we can improve our service delivery.

When it comes to SMSFs service delivery, therefore, our clients have told us that being accurate and reliable is most important, as is having a thorough knowledge of SMSF rules. In a highly regulated area such as SMSF where the rules are constantly changing, it is no surprise to us that our clients expect us to be accurate, reliable and informed.

Part of our role, therefore, is to share our specialised superannuation knowledge with our clients so they are kept up to date with issues that may impact their fund. We communicate and educate directly through face-to-face meetings, discussion groups, personalised emails and phone calls and indirectly through email alerts, client newsletters and online forms of communication.

While trustees are often looking for greater control of their super funds, many still seek guidance and proactive suggestions on investment advice, benchmarks and opportunities. Our Financial Planning advisers can supplement our SMSF advice to provide tailored investment advice on a fee for service basis if desired. For further assistance on tax effective choices, our tax specialists are available to consult with trustees and advise them on their particular situation.

Cost of compliance is of great concern to our trustees. This stands to reason as they are trying to build their wealth through SMSF and don't want administrative and audit costs eating into their returns. In saying this, compliance is critical for SMSFs, so it is important to factor in the cost of an experienced service provider to ensure you remain on track with your fund. And in the words of one of our respondents "we all know what happens if you pay peanuts".

In line with this, respondents reported that the communication and credentials of their SMSF service providers were important to them. Many have chosen SMSFs so they can enjoy a more personalised service than large fund managers can provide. Being a trusted adviser to our trustees is a role that we take very seriously. We understand that we are building long term relationships with our clients and we are privileged by the trust they have bestowed upon us.

Timeliness, reporting and news and information were rated as important, although aggregated results showed that these areas were slightly less important than the areas mentioned above.

What we take from these results is that our service needs to be comprehensive, cost effective and informed in order to satisfy the high standards of our trustee clients.

When it comes to your self managed super fund, how important is the service McLean Delmo provides in each of the following areas?

	Critically important	Important	Neutral	Slightly important	Not important
Thorough knowledge of SMSF rules	64%	29%	7%		
Cost of compliance	41%	51%	6%	1%	1%
Timeliness	21%	67%	12%		
Accuracy and reliability	70%	28%	1%	1%	
Quality and value of reports	31%	56%	11%	2%	
Communication with SMSF staff	36%	54%	8%	2%	
Credentials of the super team	43%	47%	5%	4%	1%
Circulation of important news and information	20%	63%	9%	8%	

SMSF Survey Results

Final words of advice from Trustees

“It has been an interesting learning experience. Our financial interests have broadened considerably.”

“We rely so much on our relationship (built on trust) with our accountant, super and financial advisers to lead us in the right direction.”

Many of our survey respondents acknowledged that they are continually learning as they travel along the SMSF path. Eager to share the benefit of their experiences, the SMSF trustees provided words of advice to potential trustees including:

- Be realistic in what you are trying to achieve with your super.
- Be serious about compliance by keeping good records all year round. This will assist at annual reporting and audit time.
- Employ diversified investment strategies to spread risk across a range of asset classes.
- Keep well informed about the regulations governing SMSFs. The rules can be complex and are prone to change.
- Never stop learning.
- Seek expert advice from SMSF specialists, working in conjunction with your financial planner and accountant.

Conclusion

Our experience, combined now with these responses from our SMSF trustee clients, suggests that SMSFs can be a powerful and tax effective choice. However, it is important to reiterate that people should carefully consider all of their superannuation options to find a solution to suits them and their financial situation.

SMSFs are not a one-size-fits-all approach and trustees must be prepared to take on the significant legal implications and time commitment inherent in this superannuation option.

If a person does choose SMSF, guidance and support from a SMSF specialist, accountant and financial planner are critical - both now and in the long term - to ensure your fund remains compliant and lucrative for your financial future.

McLean Delmo's Superannuation Services

McLean Delmo has been providing specialist superannuation advice to our clients for more than 20 years. In this time we have developed a service delivery model that is focused on providing personalised advice, education and communication to our clients.

Our team of experienced advisers get to know their clients well and are responsive and proactive in their dealings with them.

Through our extensive knowledge of superannuation and its regulatory environment we can set you up with funds and structures that complement your long term financial goals.

We can work with you to:

- Define your financial goals and estimate how much superannuation you will need for a comfortable retirement
- Determine what type of superannuation is best for you
- Select a fund with options and fees to suit you
- Decide if you are ready for a Self Managed Superannuation Fund (SMSF)
- Help you to understand the SMSF Trustee obligations and responsibilities
- Keep on top of regulatory reporting and lodgements

McLean Delmo offers a coordinated approach across all your affairs and can assist you in financial planning, taxation or business accounting matters.

Our comprehensive services include:

- Fund review and selection to enhance your short and long term financial goals
- Assistance with Rollovers or Transfers
- Self Managed Superannuation Fund establishment: the provision of Trust Deeds, registration with the ATO, preparation of minutes, membership applications, Trustee declaration and consent forms and assistance, if required with an investment strategy
- Compliance advice and assistance with the Rules and Regulations of the Superannuation Industry (Supervision) legislation
- Administration of your Superannuation or Pension Fund covering:
 - Maintaining accounting and member records
 - Preparation of annual financial statements
 - Assistance with fund transition to pension phase
 - Preparation of annual pension fund paperwork
- Maintenance of Portfolio records: our software produces share holding reports showing costs, movement and market value, dividend reports, capital gains tax calculations and transaction listings
- Attendance to taxation obligations
 - Income tax and regulatory returns
 - Instalment Activity Statements
 - Business Activity Statements
 - PAYG
 - Eligible Termination Payments
- Fund Audit
 - Financial Audit
 - Compliance Audit

Contact Us

Suzanne Luck



Suzanne Luck is a veteran in the Self Managed Superannuation industry having advised clients on their superannuation matters for over 20 years.

Suzanne is a member of SPAA (Self Managed Superannuation Fund Professional Association of Australia) and an SMSF Specialist Adviser.

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Michael Lavery



Michael Lavery is the Financial Planning Manager at McLean Delmo Financial Services. After a decade in the financial services industry, Michael joined McLean Delmo Financial Services in 2005.

While employed predominantly in an advising role Michael has also had significant input in transforming the business into a transparent fee for service business that looks after the needs of a diverse range of accounting clients.

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