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SMSF STRATEGIES SPECIALIST SMSF ADVISER TRAINING

Module 1 – Introduction to SMSFs



MODULE 1 OVERVIEW

- ❖ Quiz Preview
- ❖ What is RG146 for SMSF advising and why it is necessary
- ❖ SMSF Growth vs Superannuation Growth
- ❖ SMSF Statistics
- ❖ Government Changes to SMSFs



PREVIEW OF MODULE 1 QUIZ QUESTIONS (MULTIPLE CHOICE)

- ❖ How many pages of legislation are there that relate to SMSFs?
- ❖ The ATO 2009 Statistics show that SMSFs outgrew which types of superannuation funds?
- ❖ At 30 June 2013 how many SMSF members were there approximately?
- ❖ What are the two major classes that SMSFs invest in?
- ❖ Which statement is true from the Cooper Review recommendations?

WHAT IS RG146 SMSF TRAINING AND WHY IS IT NECESSARY?



- 2,800 pages of legislation
- Over 1,000 pages of ATO SMSF rulings, guidelines and determinations
- Advising in such a highly specialized area of the law can be daunting
- The only person between the client and doing something wrong is the adviser – this puts a large onus on the adviser
- This is why RG146 specialist adviser training is important



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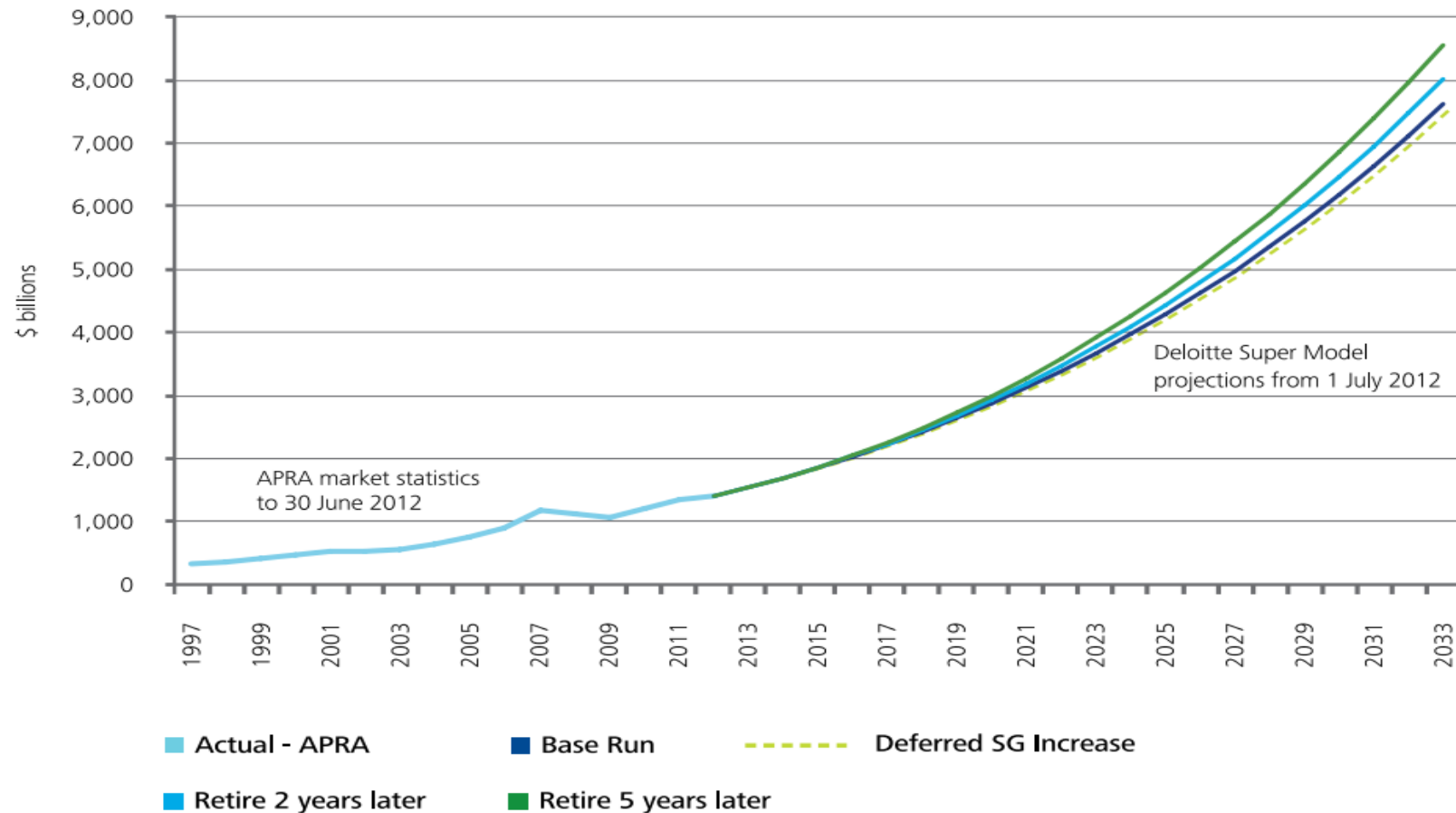
SMSFS AN IMPORTANT MARKET

- ❖ Currently \$600 billion assets in SMSFs (over 30% of all superannuation assets)
- ❖ SMSF assets growing at 20% per annum
- ❖ Anticipate SMSF assets to top \$1.46 trillion by 2021
 - Deloitte more optimistic, see next slide
- ❖ SMSFs the fastest growing market for the High Net Worth Individual client
- ❖ A business opportunity



SMSF GROWTH VS SUPERANNUATION GROWTH

Figure 2: Total superannuation assets (1997 to 2033) including impact of SG to 12%



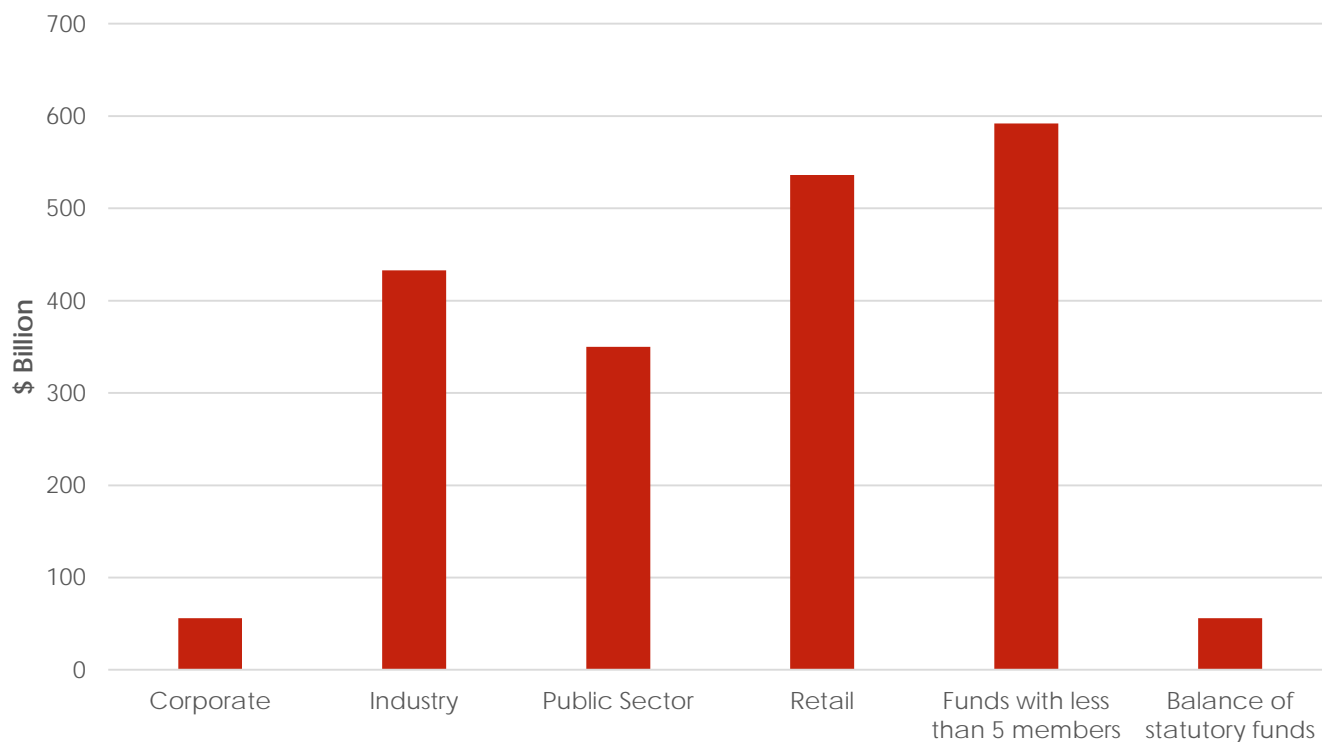
SMSFs are getting bigger ...



Source: Deloitte Actuaries & Consultants, 2013

SMSF GROWTH VS SUPERANNUATION GROWTH

Assets by Type of Fund



Source: APRA Statistics – June Quarter 2015



Recent statistics show that assets in SMSFs outgrew **all types** of funds: industry, public sector, corporate AND retail



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SMSF STATISTICS

For more interesting ATO Member Statistics – look at page 12 and 13 of your notes.

Table One: SMSF Population Table - Annual Data

	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-13
Establishment	31,628	32,596	29,924	33,198	41,017	35,776
Wind-ups	6,113	8,743	14,975	6,680	6,178	2,230
Net Establishments	25,515	53,853	14,949	26,518	34,839	33,546
Total Number of SMSFs	375,657	399,510	414,459	440,977	475,816	509,362
Total Members of SMSFs	713,077	758,827	788,026	838,282	899,539	963,852



STOP PRESS

2nd UBS and FSC *SMSF Insights report*

- Managed Funds increased from 15% in 2014 to 25% in 2015
- Cash has fallen from 35% to 24%
- Implications = ?



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SMSF STATISTICS

2013 Asset Value (Fund >\$500k - \$1m)



SMSF investments tend to be cash, Australian equities and commercial property

Source ATO (August 2015)

GOVERNMENT CHANGES TO SMSFS

- **Cooper Review** (Super System Review, 2010)
- Mandatory move to specialist competency standards (as distinct from generalist standards)
-  **ASIC will develop special competencies and all advisors must meet these standards**
- **SMSF auditors** – from July 2013, must be registered with ASIC and meet minimum competency requirements
- **Accountants** – from July 2016, exemption replaced with limited licensing – 16,000 affected by the change



WHO IS WEARING THE FINANCE PANTS? REVENUE OPPORTUNITY

- Family finance manager probably female
- Ernst & Young Report May 2015
 - 66% of financial decisions made by women, 26% by men
 - 8% of men too scared to admit it
 - Seeking affordability, flexibility
 - Outlook: immediate to short (< 5 years)
- REI 2014 – 90% of women make the home buying decision
- Roy Morgan SMSF Satisfaction
 - High Level with SMSF – 79.2% contrast HostPlus (52.8%), AMP (51.8%)
 - Ave male balance \$194,700
 - Ave female balance \$129,800 (median \$52,000)
 - YTD female growth 30.6% (men 18%)



3 MAJOR BENEFITS OF A SMSF

Economic firepower	
January 2008 v January 2016	
Then	Now
Reserve Bank cash rate	
6.75%	2%
Government debt	
\$55b	\$415b
Budget	
+\$19.7b	-\$35.1b
Unemployment rate	
4.2%	5.8%

Source: RBA, ABS, Commonwealth Treasury

- Control
 - Flexibility
 - Cost
-
- Will the government be able to resist putting its thumb in the Super Pie?
 - How can they if you have your funds in a property?
 - Estimate the funding shortfall to fund an adequate retirement for an Australian retiree...



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QUIZ TIME

- Go online
- Take the Module 1 Assessment
- Ask us if you have any queries
- You will have TWO opportunities to take the quiz

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WHAT'S NEXT

- Module 2 – How to tackle a SMSF problem

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