


Business Practicum:
How prepared are you
for the Future of
SMSF?


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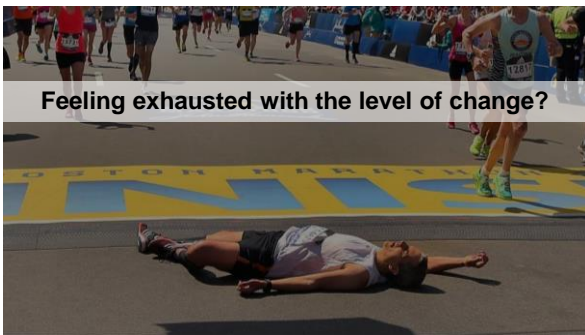


Aaron Dunn

Within the financial services industry, people look to Aaron to learn more about self-managed super and the growth of the sector. Highly admired amongst his peers, Aaron's insights into technical issues and the SMSF industry sees him regularly sort out to participate in Government reviews, including the Super System Review and more recently the 'Reinventing the ATO' program. Aaron is the CEO and Co-founder of Smarter SMSF (formerly known as The SMSF Academy), a business that inspires best practice in training, documents and support for accountants and financial planners. He is the author of the Future of SMSF report, which provides insights into the way in which practitioners operate within the SMSF industry. As a CPA and SMSF Specialist Advisor, Aaron has worked within the SMSF sector for more than 20 years. A lover of sport, in particular AFL football (Essendon) and athletics, Aaron was previously a nationally ranked high jumper having set a personal best jump of 2.14m.

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Feeling exhausted with the level of change?



Another year... more change ahead

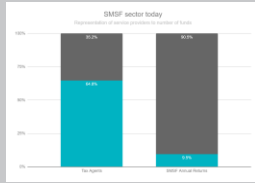


- The ongoing impact of legislative change has created huge challenges at both an individual and practice-level
- The level of change required **has not translated** across practices to properly adapt to the new legislative and regulatory environment
- Increasing barriers to entry within the SMSF sector and are likely to go further in the future...
 - Quality of advice (e.g. FASEA standards, PC recommendations)

Future regulatory challenge?



- The changing dynamics of the SMSF sector pose significant challenges with both future policy and industry regulation
- Reality is a mid to long-term trend in a declining number of service providers, with continued rise of SMSF specialisation
- Will this likely lead to more regulatory reform for SMSF service providers?



ATO stats [2016] – 65% of agents lodge ≤ 20 SMSF Annual Returns (representing 9.5% of sector)

How do you respond?



Future of SMSF insights

#NC2018 SMSF

Insights gained in Future of SMSF Report (finalised Nov 2018) about the SMSF service provider industry supporting the sector.



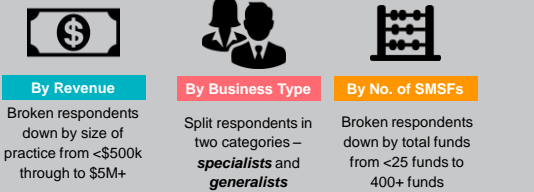
What we explored...

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Breaking it down

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From data, identifying trends in 'higher performing' SMSF practices (discuss in Part 2 of Practicum)

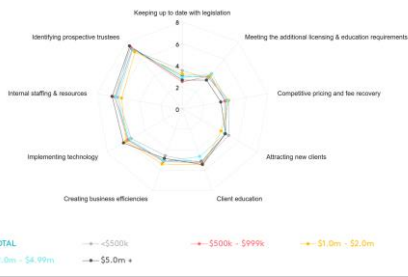
Biggest challenges in practice today

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#	Challenge	Segments
1	Keeping up to date with legislative change	All categories (by Total, by Generalist vs. Specialist, by Revenue, and by No. of Funds)
=2	Meeting the additional licensing & education requirements	Total, Generalist, Specialist, Most by Revenue, by Funds < 100
=2	Competitive pricing & fee recovery	\$500k - \$999k, 100 - 199, 200 - 399 funds

Technology & business efficiencies ratchet high within 2014 & 2015 Reports – now 5th or 6th out of 9





Observations

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What have we observed?



- As professionals we remain **buoyant** about the opportunities available within the SMSF sector
- 39% looking to increase exposure to the SMSF sector
- 30% looking to expand service offering in next two years (average 5.3 SMSF services)
- Some level of preparedness to change, but **change management** identified as a significant issue within practices

Practice stats

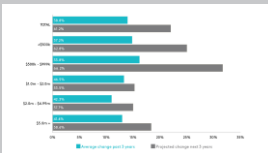


	TOTAL	<\$500k	\$500k - \$999k	\$1.0m - \$1.99m	\$2.0m - \$4.99m	\$5.0m +
Average number of SMSF services provided	5.3	3.73	5.58	5.38	6.65	8.15
Median number of SMSF services provided	5	3	5	4	6	9
How many SMSFs do you currently provide the following services to?						
- Annual Compliance (Average)	178	38	87	126	205	887
- Annual Compliance (Median)	70	19	60	75	160	300
- SMSF Audit (Average)	341	70	335	360	181	917
- SMSF Audit (Median)	100	35	65	93	170	350
- Strategic Advice (under limited or full AFSL) (Average)	79	22	43	57	86	203
- Strategic Advice (under limited or full AFSL) (Median)	35	5	20	30	50	80
Practice currently licensed for SMSF advice?						
- No license	35.75%	59.73%	25.00%	28.39%	21.62%	2.99%
- Own limited AFSL	7.73%	6.04%	10.29%	8.23%	9.46%	12.82%
- Authorised Representative	44.93%	30.20%	57.35%	63.89%	52.70%	35.90%
- Own AFSL	11.59%	4.03%	7.35%	1.39%	16.22%	48.72%

What have we observed?



A disconnect between optimism and growth...



But strong opportunities continue to exist...



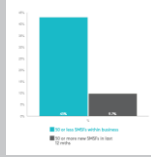
Reflected by only 35% have a strategy in place for their SMSF business model

Strategic advice has an even sharper focus amongst specialists and larger firms

What have we observed?



- Specialists captured 74% of new business within SMSFs over the past 12 months and are growing at 282% faster than generalists.
- Specialist divisions within practices have grown nearly 50% in the past 4 years (21.3%), now 1 in every 5 firms.

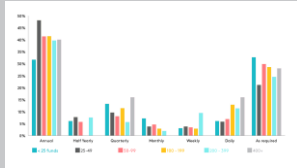


	TOTAL	<\$50k	\$50k - \$99k	\$1.0m - \$2.5m	\$2.5m - \$4.99m	\$5.0m+
Accounting practice - with specialist SMSF division	21.34%	8.61%	11.59%	25.00%	36.49%	56.41%
Average % of total revenue made up by SMSF activities	32.85%	40.02%	34.90%	30.18%	24.12%	22.87%
Primary service offering to investors	67.77%	83.44%	65.51%	91.82%	97.26%	92.33%

New technology, old thinking



- Nearly 68% provide a **reactive** service offering
 - 39.3% continue to deliver an annual service
 - 28.5% provide 'as required'
- The path to success requires **consistency** in keeping up-to-date



i Part 2 of the today's practicum will look at the key ingredients for a modern SMSF practice

How are we adapting as an industry?

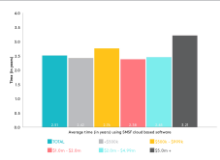


- 'Cloud' within the SMSF sector has become the **norm**, not the exception
 - Practices have been using SMSF cloud software for 2.51 years (median 2 years)
 - 90% of practices using some cloud technology (22% entirely cloud-based)
- Newly identified **g_ap** exists between **cloud adopters** and **cloud implementors** using SMSF technology
 - Many practices see technology as the panacea, rather than enabler

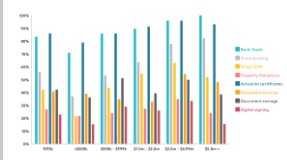
Cloud technology within a practice

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Av. Timeframes within practice (by Rev.)



Level of automation and integrations being used



Technology as an enabler

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- Practices that transition within their business are seeing the benefits of leveraging technology
- In particular, member analytics (42.7% use) to:
 - Manage contribution & pensions
 - Managing TSBs
 - Type of fund investments
 - Etc.

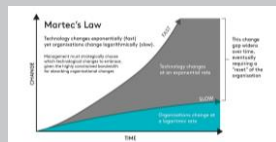


Changes to process since migrating to cloud technology

How are we adapting within a technology revolution?

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- Survey results have shown efficiency gains have doubled to an average of 81% (over 3 years) since 2014 report.
- Efficiency gains have predominantly come from the technology providers, not from within the organisational improvement.
- Higher performing firms have adopted thinking from **Martec's Law** to produce far better efficiency results.



The great management dilemma of the 21st century is the relationship between these two curves: technology is changing faster than organizations can absorb change.

<https://www.korn.com/korn-technology/the-2-5-on-understanding-innovation-03740c85620>

How do you respond?



Martec's Law consider **four** ways to manage change:

1

Understand and accept that it's about the journey, not the destination.

Today, more than ever before we are working in times of uncertainty – embrace it, don't fear it...

<https://theMartec.com/2017/08/martecs-law-technology-change-exponentially-organisations-change-linearly/>
<https://theMartec.com/2018/11/martecs-law-practice-management-challenge-21st-century/>

How do you respond?



Martec's Law consider **four** ways to manage change:

2

Decisions need to be made on which technology changes need to be embraced that will have the **greatest impact**. Prioritise and ensure key changes best align with your SMSF business model.

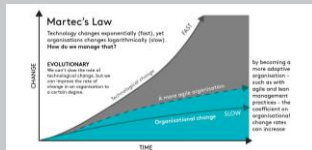
Do you currently have somebody within your practice that knows your most important piece of software 100%?

How do you respond?



3

Become more agile to help accelerate your firm's ability to adapt to change

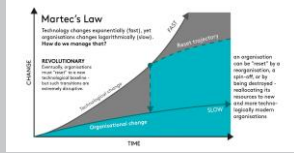


How focused are you on business improvement within the practice?

How do you respond?

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4 Now and again, be prepared for revolutionary change through an organisation **reset**



Organisational 'reset' examples

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At what stage is a **reset** going to be required within your SMSF business?

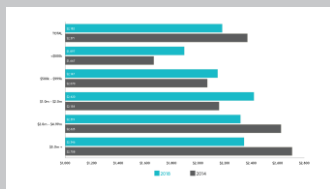
Consider:

- Impact of regulatory reform (e.g. Super Reforms, Royal Commission, etc.)
- # of funds required that moves you from a **generalist** to **specialist** business
- Services expand to support your SMSF client base
- Business Model changes to move to a regular reporting framework
- Simple shift in delivering a more client-centric focus (e.g. online access, prospective communication, increase touch points)

Pricing & Fee Model

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- Various market forces, increasingly competitive market and technology advancement has seen little change in the average fees charged to SMSFs
- Larger firms have seen declines in fees (13.4% - \$5M+) over this time.



Pricing & Fee Model

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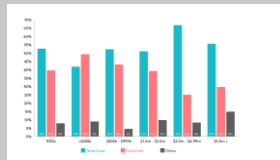
	Generalist	Specialist
Average Fee for SMSF Services		
- Annual compliance (Accumulation)	\$2,260.00	\$2,260.00
- Annual compliance (Pension paying)	\$2,498.00	\$2,373.00
- Annual Audit	\$584.00	\$570.00
- Fund Establishment (SoA)	\$1,336.00	\$1,354.10
- Fund Establishment (documentation)	\$1,050.00	\$935.00
- Pension Commencement (SoA)	\$862.00	\$821.70
- Pension Commencement (documentation)	\$387.00	\$346.00
Lodgement of TBAR		
- Average fee	\$111.24	\$117.80
- % providing as no additional charge	51.18%	39.39%
Pricing Model		
- Time Cost	51.89%	50.63%
- Fixed Fee	37.84%	43.04%
- Other	10.27%	6.33%
- % changed fee structure in the past 2 years	13.33%	22.08%

Pricing & Fee Model

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- Many practices remain activities-driven (52.6%) charging on time cost, even with cloud technology in their practice
- Slow trend towards fixed-fee billing (annuitised model) – more common with specialist firms
- Next wave in price recalibration is coming – at infancy of how AI and machine learning will impact the sector



How practices are charging for their SMSF services

Ensure that you remain prepared for the Future of SMSF

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Range of drivers that continue to shape the SMSF sector and why you need to respond:

What	Why?
Dynamic of SMSF trustees continue to change	64.5% of new members are under 50 years of age One-third are 35 – 44 years of age*
Growing influence of SMSF specialisation (individually & within practices)	PC recommendation – specialist training for advice on SMSF Future of SMSF finding – increased to 21.3% (2018) from 14.3% (2014)
Technology will continue to transform the sector	Role of technology will continue to evolve client relationships Find the right tools and be fully invested with them
SMSF business model needs to continuously evolve	Contemplate responses to Martec's Law Deliver on a truly client centric focus, rather than efficiencies.
Accept that we live in a profession that will continue to change	New Government > further reform Impact of current and future reviews impacting the sector

*ATO SMSF quarterly statistics – September 2018

What do these results tell us?

- Recipe to help you to build a successful modern SMSF practice
- We have identified the 5 key stages that a practice will work through, helping you to:
 - Address the primary and secondary challenges impacting your practice; and
 - Identify the key success factor that will help you to advance your business to the next stage

Exploring this in part 2 of this SMSF business practicum

Download the Full Report

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- As 'thank-you' for attending today's session, you can download a copy of the final report (valued \$299)
- Only available to download today from the URL below:


<https://smartersmsf.com/SMSFA19>



FUTURE OF SMSF REPORT 2018

Note: A copy of the final report will be automatically emailed upon completing the form. No extensions of time will be granted to download this report.

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no better.*
