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New generation of SMSF investors likely to disrupt the industry

CommBank SMSF Report released Monday 3 April 2017.

A new generation of SMSF investors is expected to disrupt the industry according to new research from Commonwealth Bank, conducted in partnership with the SMSF Association.

The CommBank SMSF Report, released today, shows a new generation of SMSF investors is breaking the stereotype of the experienced and financially confident professional or entrepreneur who makes their own investment decisions. The research identifies four types of SMSF investors, each with their own distinct motives and decision-making preferences: Outsourcer, Coach Seeker, Self-Directed Investor and Controller.

Marcus Evans, Head of SMSF Customers for Commonwealth Bank said: “As the sector has expanded and matured, SMSF members have become increasingly diverse.

“While all SMSF investors share a taste for independence and a desire to take control of their own financial destinies, each investor profile has a very different level of investment experience and confidence and therefore, very different advice needs.

“Our research shows a new generation of SMSF investors is destined to disrupt the industry. These are the Outsourcers and Coach Seekers, and together they make up 35 per cent of the SMSF market,” he said.

Andrea Slattery, Managing Director/CEO of the SMSF Association, said: “The research rightly highlights the importance of the right professional relationships and assistance between trustees and their specialist advisers.

“The level of technical knowledge and insights of the professional into the often complex world of superannuation is a critical part of that relationship. So too is practical assistance and guidance in the technicalities of the day-to-day running of their SMSF.

“It shows that those trustees of an SMSF who build this professional relationship in areas where they need assistance are more likely to perform better overall compared to those who do not have such a relationship, again demonstrating the value that the SMSF specialist brings to their clients.”

Mr Evans said 97 per cent of Outsourcers prefer to rely on finance professionals as advisers to guide their decision-making. They are also content to pay for the advice they need, with 88 per cent spending \$1,000 or more a year on advice and 48 per cent spending more than \$3,000 a year.

According to Mr Evans: “The growing pool of Outsourcers could potentially disrupt the market by requesting one-stop shop advice and administration services that take the stress out of active SMSF management.”

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Coach Seekers are the other key potential market disrupters. They are moderately involved in managing their fund but seek the help of professional advisers to do so. Coach Seekers have the highest proportion of younger members, the highest number of females and are most likely to have set up their SMSF in the past two years.

“We expect to see an increase in the Coach Seeker type of investor in the SMSF market over the next few years,” Mr Evans said.

Controllers and Self-Directed investors are the two other investor profiles identified in the report and are more closely associated with the traditional perceptions of SMSFs.

“Controllers also have the potential to act as disruptors by demanding products that offer more individual control,” Mr Evans said.

The CommBank SMSF Report looks extensively at the motives and decision-making behaviours of the four investor types, and provides a reference point for investors seeking to understand and improve their investment decisions, as well as information for advisers and product providers looking to adapt their offerings to support the changing needs of SMSFs.

The clear majority of SMSFs use at least one professional adviser while around one in three seek help from multiple sources. SMSFs experience a higher satisfaction with their fund when they work closely with their advisers and rely on their technical knowledge and insights as well as practical assistance and guidance in the day-to-day running of an SMSF.

Mr Evans said: “As the SMSF market continues to grow and evolve, product providers and advisers need to adapt. If this new generation of SMSF investors are to access the products and advice they seek, the industry will need to create service offerings that are relevant to each of the investor types and account for their unique preferences.”

Key Facts

- SMSFs are Australia’s fastest growing superannuation sector. Since 2004, the number of SMSF members has more than doubled to 1.1 million members;
- In FY2015-16, SMSF member accounts increased by 5.5 per cent while the rest of the industry declined by 3.4 per cent;
- The main barriers to setting up an SMSF are lack of knowledge, lack of confidence and the time taken to setting up and managing an SMSF;
- 59 per cent of SMSF investors said they established their fund to get “better returns”;
- On average, SMSFs use 1.4 advisers; and
- 42 per cent of SMSF investors do not have a specific retirement plan, including 41 per cent of investors with a professional adviser.

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Four distinct types of SMSF investors

Outsourcer	Coach Seeker	Self-Directed	Controller
13% of investors	22% of investors	30% of investors	35% of investors
97% rely on professional advice for super, and 2 in 3 are not confident in managing their super	Moderate role in actively managing investments	91% are confident in managing their super Most closely resemble traditional perceptions of SMSFs	Confident in managing super and actively engaged
12% are business owners (lowest of the four profiles)	44% are female members (highest of the four profiles)	62% over 54	62% over 54
58% outsource everything	24% under 45 – highest proportion of younger investors	Highest proportion of business owners – 30%	Highest proportion of \$150,000 + incomes
Most likely to use a financial planner	Account for 31% of funds less than two years old	Account for 37% of funds more than 10 years old	More likely to use an accountant
Big spenders on advice, 88% spend \$1,000 and 48% spend more than \$3,000 a year	91% have at least one adviser, 41% have two or more	37% have no adviser, the remainder use advice with one in five consulting multiple advisers	85% have an adviser, and 33% have two or more

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Media contact:

Robyn Tolhurst
Commonwealth Bank Media
02 9118 6919
media@cba.com.au

Nicholas Way
SMSF Association (Shed Media)
0409 585 979
nway@shedmedia.com.au

About The CommBank SMSF Report

The CommBank SMSF Report is an in-depth analysis of current and potential SMSF investors, based on a survey of 1,375 Australians, conducted by ACA Research on behalf of the Commonwealth Bank. The survey participants included:

- 674 SMSF members with a financial adviser;
- 155 SMSF members with no financial adviser; and
- 546 public super fund members with a financial adviser.

Online surveys were conducted between 25 November and 18 December 2016. The participants were drawn from across Australian and represented a broad range of demographic characteristics, including age, gender, profession, household income and household assets.

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The research identifies four distinct types of SMSF investors, each with their own distinct motives and decision-making preferences: Outsourcer, Coach Seeker, Self-Directed Investor and Controller.

In the report, “advised” means an investor who has received advice from one or more finance professional advisers, including:

- Financial planners – either independent, or employed by a bank or super fund;
- Accountants;
- Specialist super consultants;
- Tax agents;
- Stockbrokers;
- Auditors;
- Mortgage brokers; and
- Private bankers.

For more information about The SMSF Report, please visit www.commbank.com.au/smsfreport.

About The SMSF Association

The SMSF Association is the peak professional body representing the SMSF sector throughout Australia. The Association’s mandate is to lead the professionalism, integrity and sustainability of the SMSF sector. Its core focus is to raise the standard of advice provided by all professionals to the SMSF industry and to assist the SMSF trustee make informed decisions for their future retirement.

The SMSF Association is committed to promoting a high standard of education among SMSF professionals and trustees and assisting them to work within the regulatory framework, to enable the industry to self-regulate and promote best practice. The Association exists to continually improve the quality of advisors, the knowledge of trustees and the credibility and health of a vibrant SMSF community.

For more information about The SMSF Association, please visit www.smsfassociation.com.