**Understanding self-managed super fund performance**

**New research released**

When used in the right circumstances a self-managed super fund (SMSF) can provide important benefits for individuals looking for greater levels of investment flexibility and control over how their super savings are invested.

New research released by the University of Adelaide shows an SMSF may be a suitable option for individuals with lower superannuation balances than previously thought.

In its report, titled “[Understanding self-managed super fund performance](https://smsfconnect.com/research-understanding-self-managed-super-fund-performance)” the University of Adelaide used data from over 318,000 SMSFs between 1 July 2017 and 30 June 2019, to identify the minimum amount of capital required for an SMSF to achieve comparable investment returns with much larger funds.

The research study found that the performance of a typical SMSF improves as the fund balance approaches $200,000. Once this threshold is reached the investment performance of the fund was comparable with much larger funds.

The research data revealed no noticeable changes in performance patterns as fund sizes approach $500,000, so the notion that SMSFs with balances under $500,000 deliver materially lower returns, on average, than larger SMSFs, is not supported by the research results.

The research suggests it is more appropriate to set this threshold at $200,000.

When coupled with research by the actuarial firm [Rice Warner in late 2020](https://smsfconnect.com/smsf-week-2020), which found SMSFs with balances of $200,000 or more were cost effective compared with industry and retail funds, it mounts a compelling argument that an SMSF with $200,000 or more in net assets, can be competitive with much larger superannuation funds both in terms of cost and investment performance.

The research also found SMSFs generate greater variation in investment returns relative to larger funds. There is a higher tendency for SMSF investors to outperform as well as a higher tendency to underperform relative to larger funds. This underlies the importance of professional advice and a sound investment strategy.

**Is an SMSF right for you?**

Most SMSF investors are motivated to set up an SMSF by the extra flexibility and control over how their super savings are invested. However, setting up an SMSF is a major financial decision. There are many factors to consider and having a sufficient superannuation balance is just one factor. If you set up an SMSF you are held responsible for complying with the super and tax laws, so you need to have the time and be confident to be ‘hands on’ with your fund.

**How can we help?**

If you would like to discuss whether an SMSF is right for you, please feel free to give me a call so we can discuss your specific circumstances in more detail. Alternatively, you can refer to the SMSF Association’s trustee education platform, [SMSF Connect.](https://smsfconnect.com/)