SMSFs not for the masses, experts say

CONTINUED FROM PAGE 1 them to do it," he said.

In addition, Centric Wealth's technical specialist Natasha Panagis told *SMSF Adviser* that SMSFs are "not for everybody", and emphasised the importance of having the skills and time to run an SMSF, to avoid attracting penalties from the regulator.

"For example, the fund can be made non-complying, which means it can be taxed at the top marginal tax rate of 45 per cent as opposed to the concessional rate of 15 per cent," Ms Panagis said.

"[Also,] if you don't meet the sole purpose test you could attract fines of up to $220,000 and possibly even imprisonment."

Centric's chief executive Phil Kearns also warned of long-term detriment to retirees, reflecting on recent figures from the SMSF Professionals' Association of Australia which suggest an additional 1.4 million people are considering setting up an SMSF.

"This will mean the number of self-managed retirees will swell to almost 2.5 million," Mr Kearns said.

"Is it likely that all these people will have the knowledge, experience and time needed to manage their SMSF effectively?

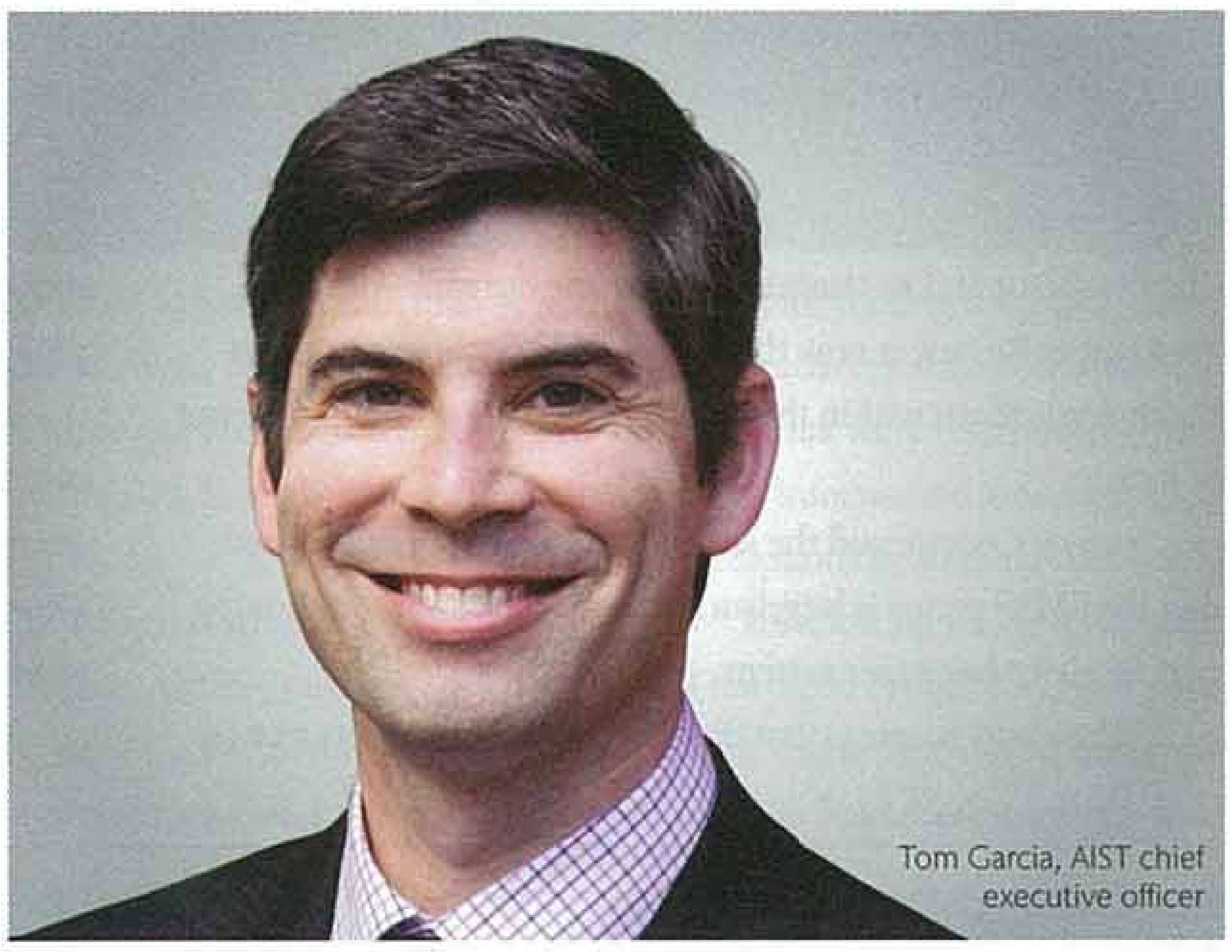
"This could create a number of problems for the individuals and the government, who may end up financially supporting these people down the track."

Compulsory trustee training rejected

CONTINUED FROM PAGE 1 trustees should be required to have accredited training prior to establishing an SMSF.

"Our key point is that SMSF trustees should undertake structured education on their legal responsibilities and obligations when commencing their SMSF," AIST chief executive officer Tom Garcia told *SMSF Adviser*.

"We also recommend that they engage in ongoing accredited training to maintain their knowledge. While it's possible to outsource much of the work involved in running a self-managed super product, ultimately the duties of being a trustee remain and tax penalties apply," Mr Garcia said.



Tom Garcia, AIST chief executive officer

SMSF contributions decrease significantly

AVERAGE SMSF contributions for 2013 have decreased and the trend of funds holding significant amounts of cash has continued to taper, according to Multiport.

On average, SMSF contributions dropped $12,300 to $35, 200 per fund in 2013, compared with $47,500 this time last year, according to Multiport's investment patterns survey for June 2013.

Philip La Greca, AMP SMSF Administration head of technical services, linked the cut in the concessional contributions with the drop. However, he said trustees continue to actively manage their investments.

Overall cash holdings also declined, dropping by 1.5 per cent to 21.9 per cent during the June quarter, according to the survey.

"If you look at the June 2012 numbers… there's been virtually a 20 per cent drop in terms of the amount of cash," Mr La Greca told *SMSF Adviser*.

Besides consumption, the decrease in the cash sector is also the result of funds being moved into the share market and the fixed interest sector, with fixed interest up 2.6 per cent.

Also, influenced by the "significant weighting" that direct Australian shareholders have in the top 20 stocks, the allocation to Australian shares increased 0.8 per cent to 37.5 per cent, according to the survey.

FAST *FIGURES*

38%

Proportion of SMSF trustees who currently weight their portfolios to ASX investments (ASX's Chan Arambewela)

509,362

Number of self-managed funds in Australia (APRA's June 2013 Quarterly Superannuation Performance report)

$12,300

The average amount SMSF contributions dropped per fund in 2013 (Multiport's Investment Patterns survey, June 2013)

9,650

AMP SMSF's number of accounts under administration in 2013 (AMP first half-year results, 2013)

NEWS*WRAP*

Wealthtrac makes specialist SMSF appointment

Wealthtrac has appointed a sales specialist for SMSFs as a result of the "phenomenal" growth of the sector. James Macken has joined as SMSF business development manager and will oversee the growth of Wealthtrac's online administration service for SMSFs. Wealthtrac managing director and chief executive office Matthew Johnson said the move was a result the boom of the SMSF sector over the past decade. "The growth in SMSFs over the past decade has been phenomenal," Mr Johnson said. "[Mr Macken] will drive the expansion of our SMSF capabilities, with a special mandate to target financial advisers."

Class Super extends SMSF data service

Class Financial Systems, developer of SMSF software Class Super, has extended its 'No Click' suite of automated data feeds. According to an announcement, Class Super has launched 'No Click' feeds for Bendigo and Adelaide Bank, CMC Markets Stockbroking and Baker Young. "Without the use of fully automated data feeds between Class and the various bank, broker and wrap platforms, complex fund processing including fund compilation, reconciliation and tax return preparation could take an SMSF manager up to six weeks per fund to complete," said Class chief executive officer Rajarshi Ray. "With direct, automated 'No Click' data feeds the task can be done accurately in hours."

FIIG puts corporate bonds within SMSF reach

In a bid to entice more SMSF investors into the market, FIIG Securities has cut the minimum corporate bond investment size from $50,000 to $10,000. FIIG chief executive Mark Paton said the move marked a "new era" for the Australian investment scene – with many retail investors formerly priced out of the corporate bond market. "FIIG opened the corporate bond market to personal investors with its innovative Direct Bond service, first by dropping the minimum parcel size from $500,000 to $50,000 and now to just $10,000. This puts direct corporate bond ownership within the reach of a vast majority of retiring investors and SMSF trustees," Mr Paton said.