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SMSF ASSOCIATION

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2015

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The Assistant Treasurer, Josh Frydenberg, believes the super sector needs an ongoing bipartisan political approach.

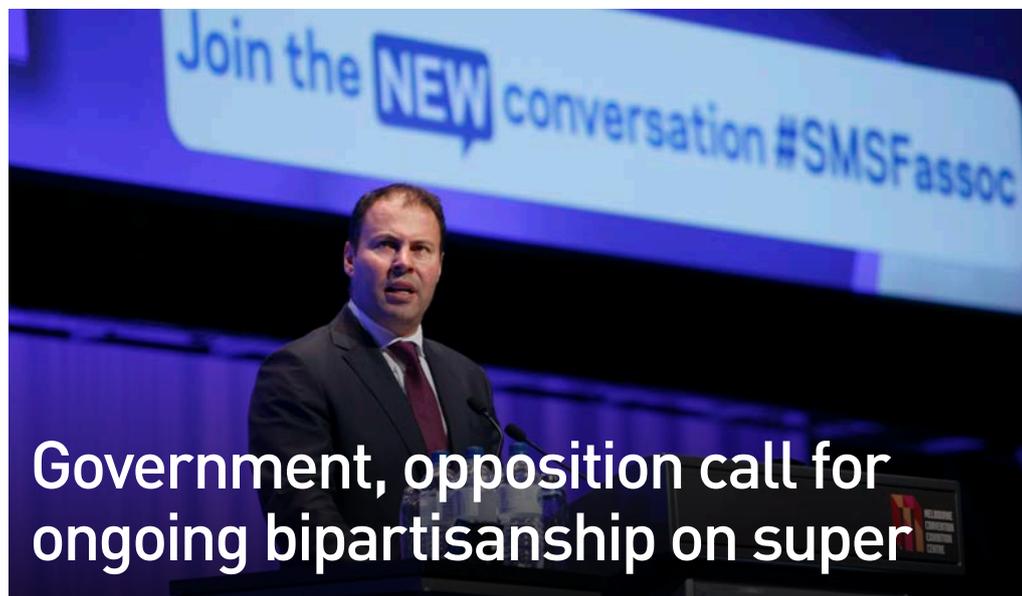
“My view is that a carefully drafted objective – with bipartisan support – would have positive benefits for the stability and accountability of the system and those who play a role in it,” he said.

“I welcome the recent indication from the Shadow Treasurer that he also supports a bipartisan approach in this area.”

Superannuation’s role in providing a stable retirement income for Australians was also emphasised. “Super is not government money,” Frydenberg said.

Suggesting government may not agree with the Murray report’s recommendations on limited recourse borrowing, he said: “The FSI has recommended a complete ban on borrowing [in super]. But I suggest more consultation is needed here.”

In line with the government aim of reducing strain on the aged pension, Frydenberg also spoke about the increasing importance of superannuation as an income stream, especially given



Government, opposition call for ongoing bipartisanship on super

The Assistant Treasurer, Josh Frydenberg

Australia’s ageing population.

He referred to figures showing that 46 per cent of super funds reported to the ATO were drawn as a pension rather than a lump sum.

“My approach will be to methodically work through the issues to identify further opportunities for improvement,” he said.

Showing his belief in a bipartisan approach, Bernie Ripoll, Shadow Minister for Financial Services and Superannuation, said: “We continue to be prepared to have an open dialogue with the government around any proposed changes to make superannuation more sustainable. And I think this must extend to the industry and all stakeholders.

He also referred to recent comments from the SMSF Association’s patron, Sir Anthony Mason, who called for an end to disagreements between financial industry stakeholders.

“Labor does not believe superannuation should be an area of conflict between political parties and between competing interests within the sector,” Ripoll said.

He believes the government’s approach to superannuation, including the self-

managed sector, needs to be fair, equitable and sustainable. In particular, he called for greater equity in the superannuation balances of men and women, which should address the disparity between the average balances.

He supports the FSI’s emphasis that super needs to be viewed as a retirement saving solution that would reduce Australians’ reliance on the aged pension.

“As a general principle or objective, we think they got this right,” Ripoll said.

He suggested greater innovation was needed in the superannuation sector, with not enough new products available to cater to consumer demand. “Labor believes more work needs to be done on the design of new products and a deeper conversation with the community on the merits of any change,” he said.

“Australians do get super, even if they don’t understand the many complex parts,” Ripoll said, suggesting this adds to reluctance for significant change or too much intervention on the part of government. ■

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Fran Kinniry, principal, Vanguard

The alpha mail: a broader offer improves returns

Shifting a financial planning value proposition from being investments focused on to a broader, more holistic footing can help improve results for both clients and advisers alike.

Fran Kinniry, a principal of Vanguard's investment strategy group, said the value that an adviser adds – dubbed “adviser’s alpha” – could be as much as 3 percentage points a year over what an “average” client would receive if they work with an adviser who has a narrower, investment-focused proposition.

Kinniry said the added value comes from six sources:

1. ASSET ALLOCATION

The value added is highly dependent on each client's situation, but Kinniry said it is certainly positive (>0 basis points).

2. COSTS

A simple way of improving net returns is to focus on low-cost implementation options, such as index funds or exchange-traded funds. The potential value added is about 75 basis points.

3. REBALANCING

Avoiding selling at market bottoms and buying at market peaks, and ensuring that asset allocation is regularly returned to the long-term strategic settings can add 40 to 45 basis points of return.

4. BEHAVIOURAL COACHING

By far the biggest contributor of adviser alpha, at about 150 basis points. “Investing is very, very difficult from a behaviour standpoint,” Kinniry said, but advisers can bring discipline and stability.

5. TAX EFFICIENCY

The value added through tax efficiency is dependant upon each client's situation, but Kinniry said it is positive (>0 basis points).

6. INCOME GENERATION

Again, the precise value added depends on each client's situation, but Kinniry said the value is positive (>0 basis points).

Kinniry said a good adviser, with an holistic value proposition, can add significant value, and where that value can be demonstrated, as it has been through Vanguard's analysis, an appropriate fee can be charged to the client. 

The benefits of managed funds for SMSF investors

The Investment Trends 2014 SMSF Investor and Planner Report shows that the proportion of self-managed super funds (SMSFs) using managed funds has increased for the first time in five years, and almost half of SMSF investors say they may invest in managed funds in the future. However, the average SMSF allocation to managed funds (8 per cent) is still far behind that of direct shares (44 per cent). We look into some of the benefits of using managed funds in an SMSF.

GREATER DIVERSIFICATION

Investors can access different asset classes, fund managers, companies, industries, sectors and countries through managed funds. When investing directly, this level of diversification would require large sums of money to invest. For SMSF investors wanting international diversification, managed funds are a simple way to gain access to international markets.

THE AVERAGE SMSF ALLOCATION TO MANAGED FUNDS (8 PER CENT) IS STILL FAR BEHIND THAT OF DIRECT SHARES (44 PER CENT)

MANAGED BY EXPERTS

The qualified investment specialists who manage your money have access to information and research not readily available to individuals. They also have thorough investment processes in place to invest your money.

WIDE RANGE OF INVESTMENTS

Managed funds can allow SMSF investors to easily gain access to a wide range of investments that would otherwise be difficult or unachievable. For example, SMSFs can invest in shares in emerging economies such as Brazil, India and China through a managed fund. Investors are also able to focus on niche sectors – such as agricultural and infrastructure companies – and invest in funds that are specifically designed to provide an income stream.

For some investors, managed funds provide the right amount of control without the time-consuming hands-on management required by direct investing. 

Captured



A round of drinks. Literally



Steve Clisby: semi-finalist on The Voice, a winner on the night



L-R: Andrew Gale, Chase Advisory, and Paul Harding-Davis, Premium Wealth



Letting off steam after a long day of technical sessions



Line 'em up, knock 'em down



Ready for take off

We meet again:
SMSF Association
chief executive
Andrea Slattery and
Shadow Minister for
Financial Services
and Superannuation,
Bernie Ripoll



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Jordan George (second from right) finally gets a laugh for his "joke" - from the SMSFA team



Winners are grinners at the casino



This man has represented Australia. At sudoku. Ladies and gentlemen, Mick Colliss!



The Big Finale



No opposition here: Shadow Minister for Financial Services and Superannuation renews calls for a bipartisan approach to super



We're contractually obligated to include at least one photo of Conexis sales director, Sean Scallan (left)



All smiles at the Colonial First State networking night

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Debating the disruptors zeroes in on three major challenges

The self-managed super fund sector faces significant disruption on several fronts in 2015, but whether the bigger disruption will come from legislation, regulation or social media is debatable.

And in fact, it was debated at the SMSF Association national conference, with AMP SMSF head of technical and policy Peter Burgess nominating regulatory change as the biggest potential disruptor; DBA Lawyers director Bryce Figot nominating legislation; and SMSF Academy managing director Aaron Dunn nominating social media.

“Changes to the regulatory regime will be the biggest disruptor to your business,” Burgess said.

“It seems to me that SMSFs are in a period of unprecedented [legislative]

stability. And I think that period of stability is likely to continue.”

Burgess nominated tax (an upcoming white paper and a revisiting of recommendations previously canvassed in the Henry review), the end of the accountants’ exemption and reforms to financial advice as the three things most likely to disrupt SMSF businesses this year.

Figot disagreed, nominating the “three big shocks” looming as all being legislative: potential changes to limited-recourse borrowing arrangements (recommended by the Financial System Inquiry); the new ability of the Australian Taxation Office to levy administrative penalties on SMSFs; and emerging issues around stamp duty on property in Victoria.

L-R: Peter Burgess, AMP SMSF head of technical and policy, Bryce Figot, director, DBA Lawyers and Aaron Dunn, managing director, SMSF Academy

“Each is a disruptor,” Figot said.

“But that being said, there are steps advisers can take right now to mitigate any harshness that may be caused.”

Dunn said that while regulatory and legislative changes would undoubtedly disrupt the industry, all changes were taking place in an environment where the way advice businesses communicate with clients is being turned on its head – disruptions underpinned by technology and social media.

Dunn said that the SMSF sector itself had been a disruptor to the bigger superannuation sector, and is now entering a period of being disrupted itself.

“You need to understand that the way we deliver services to SMSF trustees in the future needs to be given appropriate consideration today,” Dunn said. ■

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Global Income

By Shaun Parkin

Until now a lack of global exposure in a client’s portfolio hasn’t been a particular cause for concern. For a large proportion of investors, the local equities market has been a world-beating investment over the past five years and has contributed very solid income.

It’s been tough to convince investors to go offshore. However, a slowdown in the mining sector, increasing concern on employment, and bank accounts that pay close to no interest have caused local investors to rethink global exposure. Now, if an offshore ETF such as the SPDR S&P Global Dividend Fund (WDIV) comes with a yield that looks pretty good

compared to local stocks such as CBA and Telstra, then the argument for investing offshore is more attractive.

Global equities also open up new sectors for stable income, such as the very stable utilities sector, as well as more defensive industries such as healthcare and riskier industries such as IT – sectors that are either very small or non-existent in the Aussie market.

Most advisers wouldn’t look to pick Chinese or South African companies for clients’ portfolios, but if you could say they paid stable and consistent dividends over the past 10 years, it gives more confidence for those looking for emerging market exposures.

Of course there is another way of accessing stocks such as Coca Cola and Canon, and that is to buy the individual stock on the foreign exchange. However, getting investors to complete a US tax form called a W8-BEN on top of convincing them to look offshore may be one step too far.

Yield is stretched in Australia and the economic outlook is looking less certain. Sometimes it pays to go outside a client’s comfort zone and buy offshore when seeking consistent income. ■

Shaun Parkin is head of ETF sales, State Street Global Advisors Australia

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IF IT'S A CONFERENCE, THERE'S A COMPETITION

A great conference always features a range of great competitions, and this year's was no exception. There's not enough space to list all competitions and all the winners, so here's a random sample:

The winner of the Sherrin AFL football, signed by Richmond, Essendon and Western Sydney Giants legend Kevin Sheedy is Sam Rutton, from Navigate Financial. Nice work Sam. Thanks to MAN Investments for running this particular competition – good to see they ran out of mini-football before the show was over. Final Word has one stashed in the backpack.

Michael Arthur, from Ord Minnett in Sydney will be off to see a Sherrin football in the hands of the professionals, after winning the prize offered by PM Capital of seats in the coach's box for a Western Sydney Giants match. The really good news is that Michael can choose from a few games, and it need not be a GWS home game – meaning he might have a chance to see the mighty

Sydney Swans in action, too.

And for a change of pace, Act2's prize of a trip for two to Tasmania (maybe taking in a Hawks game?), including three nights' accommodation, has been won by Olivia Maragna, from Aspire Retire Financial Services, in Brisbane. A visit to Tassie might be just the thing after the cyclonic activity Queensland is currently experiencing. Act2's Tasmanian devil toys were a major hit: the first batch of 100 disappeared within hours and a second batch of 70, specially flown in, also went in double-quick time. **P**

The ultimate in arms-length super assets

Readers might be surprised to learn of the strange assets some self-managed super funds invest in. AMP SMSF identified some highly outlandish investments during the SMSF Association conference.

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A pride of African lions leased to a circus took the top score for strangeness. One advantage: it's sure not to fall foul of arms-length investment restrictions!

Moon rocks, public toilets, a Jimi Hendrix Stratocaster electric guitar and the Geelong waterfront bollards rounded out the top five weird investments.

Automatic Teller Machines, a dairy cow and burial plots also received honourable mentions. **P**

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