Investment Trends

Investment Trends/IFSA Self Managed Super Funds (SMSF) Report:

SMSF Trends

February 2006

IFSA

Investment Trends

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1 Executive summary

IFSA commissioned Investment Trends to produce this report examining the self managed super fund (SMSF) market. The report is based on two detailed quantitative surveys totalling 1,189 SMSF members conducted by Investment Trends.

Self managed super funds are now the second largest category of superannuation behind retail super. As of June 2005, SMSFs held $166 billion in super assets, up 24% in the preceding 12 months (source: APRA). Assets held in SMSFs are growing faster in percentage terms than any other superannuation category besides industry funds. Growth in SMSF assets over recent years has been fuelled by an increased establishment rate, new member contributions and strong asset appreciation. The SMSF establishment rate spiked by around 50% over 2002-3, in direct response to the prolonged bear market of 2000-2. This occurred before the advent of super choice, which may facilitate a comparable or even larger shift of funds when we next have a long bear market.

Control

SMSF investors cite an average of 3.3 main reasons each for setting up their fund. Whilst historically there has been a belief that SMSF growth was cost driven, we note that even among these 3.3 reasons, only one in four people (24%) cite saving money on fees as an important driver. There are four distinct though overlapping motivational segments within the SMSF market. These groups are driven by:

- Control: By far the most popular reason given for setting up a self managed super fund is investors' desire to exercise more control over their super (55%).
- Poor performance (36%) from existing super funds often drawing attention to fund charges (20%)
- Accountant's suggestion: (33%)
- Financial planners suggestion (29%)

We note that both planners and accountants have fallen as instigators over recent years, as more investors themselves initiate the establishment of an SMSF.

Role of advice

Accountants are the dominant source of advice on SMSFs. As of December 2004, 62% of SMSFs say they currently paid an accountant/tax agent/auditor) to help with their funds. Around 28% of SMSFs said they paid a financial planner.

It has been widely noted that there is a high level of under-insurance in Australia, with many people having inadequate or even no life cover. We note that those SMSF members using a financial planner or bank based adviser had a considerably higher incidence of life insurance through the SMSF than those not using a planner (32% and 35% respectively, versus the 24% average for all SMSFs).

Scale and drivers

There a significant minority of small SMSFs, with 28% having total balances under $100,000. Compared to large (>$250k funds), small SMSFs were 63% more likely to say they set up their fund based on advice from a friend who had one (18% versus 11%), almost three times as likely to highlight a job change as a driver (22% versus 8%), 50% more likely to cite consolidation of multiple super funds as a driver (29% versus 19%) and only half as likely to be set up in response to recommendation by an accountant (21% versus 41%).

Costs

There has been extensive industry discussion on what represents an appropriate minimum balance for SMSFs. Clearly this is linked to how much SMSF investors are actually spending to run their fund.

The costs associated with running an SMSF vary greatly depending on the size of the SMSF, the range and types of advisers used, and the types of assets into which funds are invested. Whilst average cost figures can obscure this variation, it was felt that the ongoing industry discussion required more information on the typical level of costs involved. Therefore, based on extensive survey data and modelling, Investment Trends estimates the average annual amount spent per SMSF on running their fund at $3,500.

This figure includes the cost of accountancy, investment and financial planning advice, where used, and an assumed 2% management expense ratio (MER) on managed fund investments, but excludes transaction costs, which are typically not included in calculating costs for other super funds.

The average figure reflects the fact that only a subset of SMSFs seek investment advice relating to their fund. Those using a financial planner or accountant for investment or additional taxation advice often have higher average SMSF costs, reflecting the higher than average level of services they receive.

We note that SMSF costs tend to increase only slightly as fund size rises, such that the average cost of the SMSF structure in percentage terms declines as assets increase.

Investment vehicles

Shares and property are the dominant asset classes for SMSFs:

- 89% of SMSFs hold shares. The average share portfolio among those doing so is $180,000, and shares account for 33% of assets excluding listed property trusts (7%) and listed investment companies (2%)
- 60% of SMSFs hold property of some kind (residential, commercial or listed property trust). In total, 31% of SMSF assets are in property.

- 58% of which have managed fund investments, with an average holding of $120k. Managed funds account for around 15% of SMSF assets.

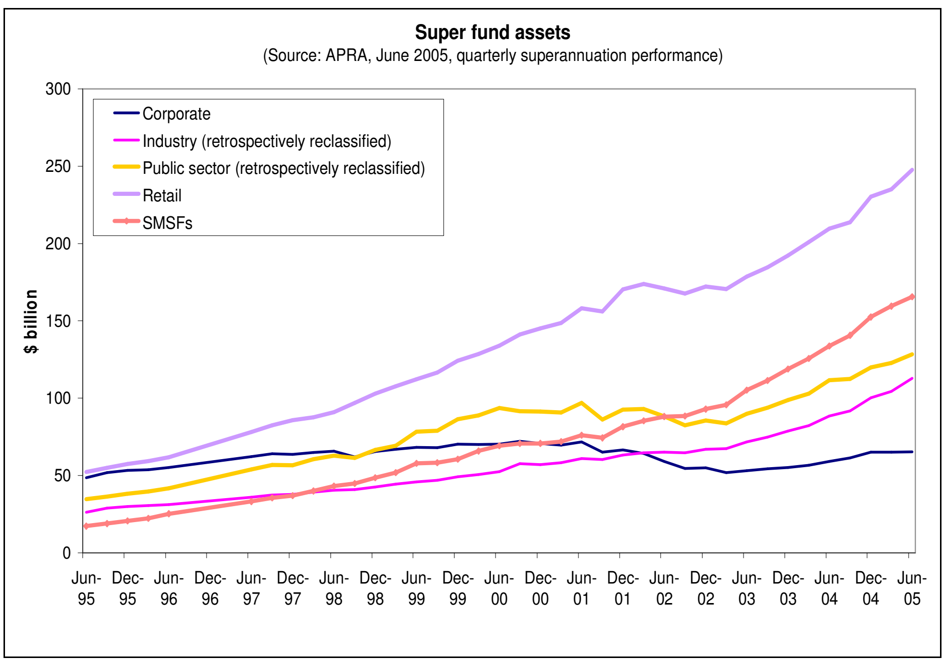
Managed funds are an important asset class within SMSFs. Some 78% of SMSFs say they are willing to invest in managed funds in future. Only half (48%) of those SMSFs planning to invest in basic managed funds say they would use a planner or bank based adviser to do so, rising to 57% for more complex managed investments such as private equity funds.

2 Background: Size and growth of the SMSF market

Self managed super funds are now the second largest category of superannuation, and grew 24% in the last year

Self managed superannuation funds (SMSFs) have become an increasingly significant part of the Australian superannuation landscape over the last five years. They are now the second largest segment of the superannuation market behind retail super. As of June 2005, around 300,000 SMSFs held $166 billion in super assets, up 24% in the preceding 12 months (Source: APRA). To put this in perspective, relative to retail super SMSFs had one twenty-fifth the members, but two thirds (67%) of the same level of assets.

IFSA has commissioned Investment Trends to produce this report examining the SMSF market, drivers of growth to date, asset allocation, the role of advisers and the role of managed funds within SMSFs. The report is based on two detailed quantitative surveys totalling 1,189 SMSF members conducted by Investment Trends in December 2004 and October 2005. The report will be updated where relevant with December 2005 data early next year.



Growth in SMSF assets over recent years has been fuelled by an increased establishment rate, new member contributions and strong asset appreciation

Assets held in SMSFs are growing faster in percentage terms than any other super category besides industry funds. As we will see below, growth has been fuelled by an increased establishment rate over 2002-2003, as well as strong asset appreciation in core investment classes of property and shares. For example, between December 2003 and December 2004, SMSF assets increased by $34 billion (28%) from $119 billion to $153 billion. Our analysis suggests that around 29% of this increase was as a result of new SMSFs established during this period, another 20% from new member contributions to existing funds, with the remaining 51% coming from asset appreciation.

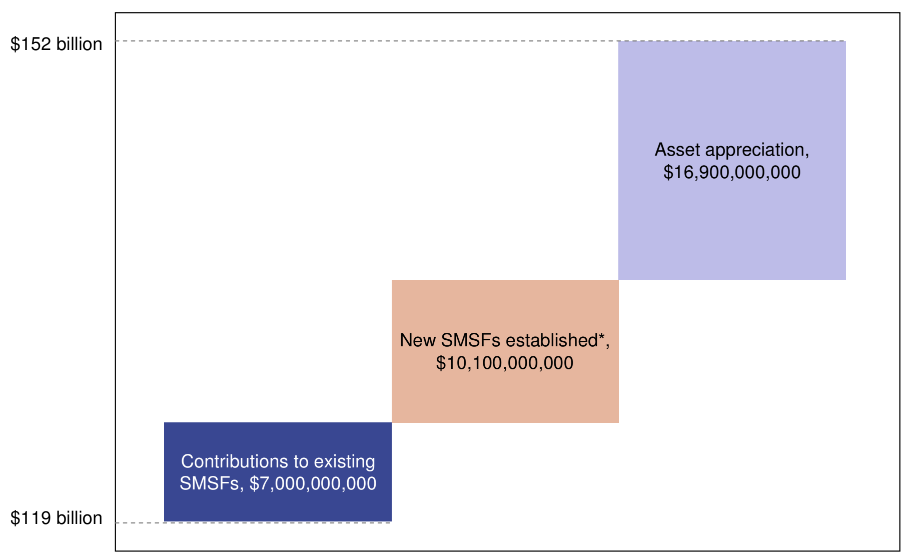
	December 03 to December 04	
Contributions to existing SMSFs (1)	$7,000,000,000	21%
New SMSFs established (2)	$10,000,000,000	29%
Asset appreciation	$17,000,000,000	50%
Total increase in SMSF assets	$34,000,000,000	100%

Notes:

(1) Analysis based on survey of 570 SMSF members conducted for Investment Trends' December 2004 SMSF Investor Report

(2) Assumes 2,800 new funds per month over 2004, estimated average initial balance (all members) at $300,000. First figure based on ATO comments in the media, second figure based on Investment Trends analysis of above survey data for funds less than 2 years old.

Growth in SMSFs over calendar 2004
(Source: December 2004 SMSF Investor survey, Investment Trends analysis)



3 Who is using SMSFs?

The SMSF market is more diverse than commonly imagined

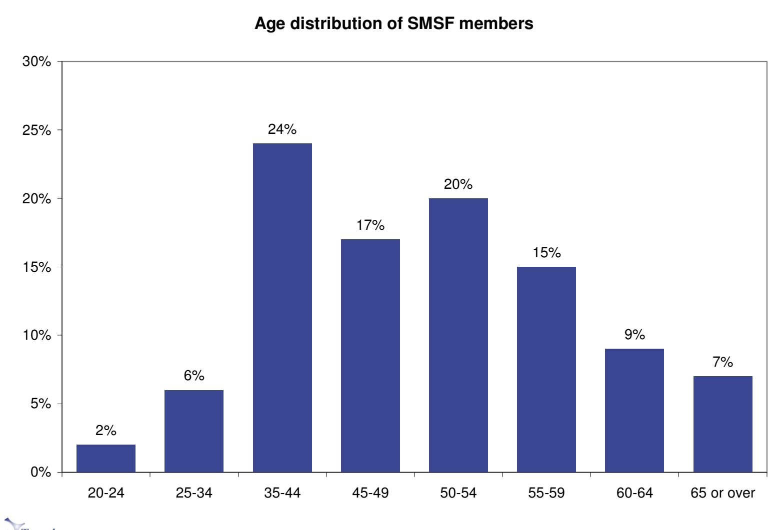
Consistent with their high average superannuation balances, SMSF investors are an older, wealthier subset of the population.

- 28% of SMSF members are over 55
- 15% are already retired
- Those still working are, on average, 8 years away from retirement

Beyond these basic similarities, SMSFs are no longer a homogenous market, with a range of occupations and backgrounds now represented:

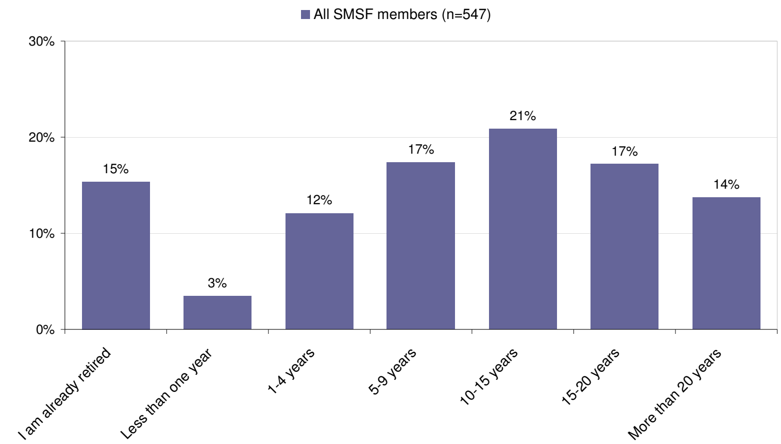
- 60% of SMSF investors are male and 40% are female
- 38% of working SMSF investors describe themselves as business owners/self employed. Note though that the proportion of SMSFs with a self-employed member is likely to be higher, since SMSFs can have up to 4 members each
- Another 6% are professionals (accountants, lawyers, doctors etc) and another 8% are managers.
- Personal income is high, 29% earn more than $80,000 per annum
- Disposable income is even higher, as 55% own their own home outright

32% of SMSF members are under 45



15% of members are already retired

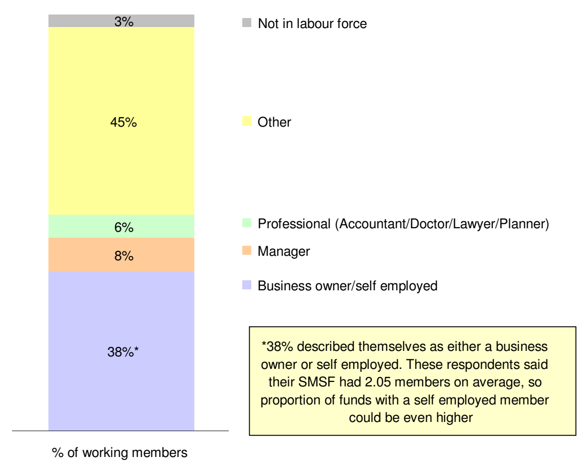
Q59 How long until you plan to retire?



 December 2004 SMSF Investor Report. N=570.

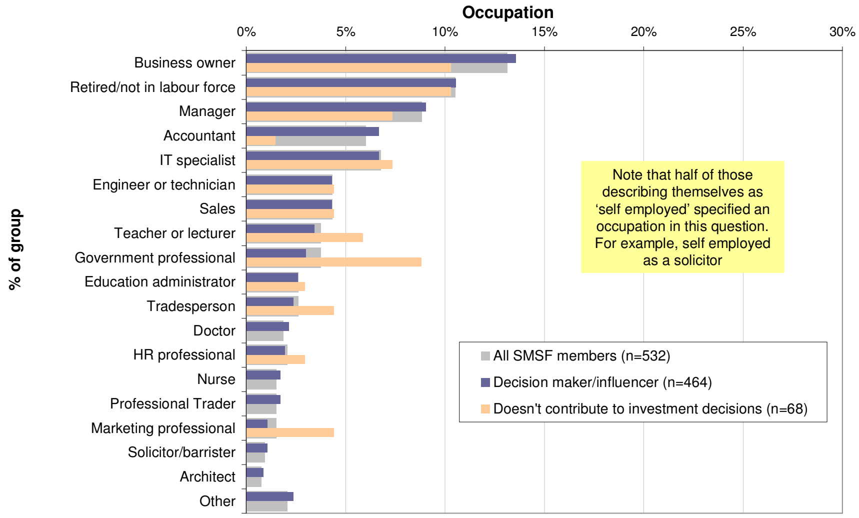
Once we exclude retirees, 38% of SMSF members still working describe themselves as self employed

Summary view of occupation/employment status (excluding retired members)

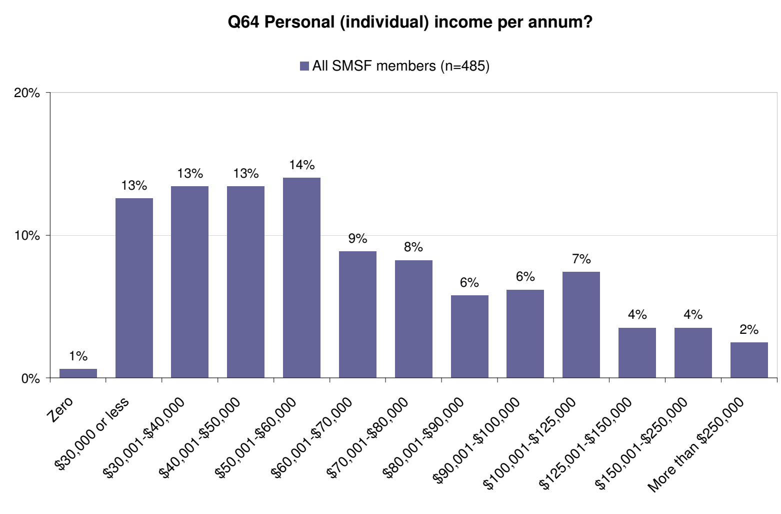


 December 2004 SMSF Investor Report. N=570.

Occupation distribution of SMSF members is very fragmented. Only 14% of decision makers describe themselves as business owners



29% earn more than $80,000 per annum 17% earn more than $100,000 per annum



4 Drivers of SMSF growth

4.1 Why people set up SMSFs

Control is the dominant driver of SMSF establishment

SMSF investors cite an average of 3.3 main reasons each for setting up their fund. Whilst historically there has been a belief that SMSF growth was cost driven, we note that even among these 3.3 reasons, only one in four people (24%) cite saving money on fees as an important driver. This is significant in understanding the impact of SMSFs on the broader funds management industry, and helps to explain both the high willingness to use managed funds among SMSFs (58% do so) and the high proportion of low balance funds (28% are under $100,000 in total assets).

Although people can have any number and combination of reasons for establishing a SMSF, statistical analysis of our survey data reveals that there are 4 main groupings of reasons that usually go together. That is, there are four main motivational segments within the SMSF market. These groups are driven by:

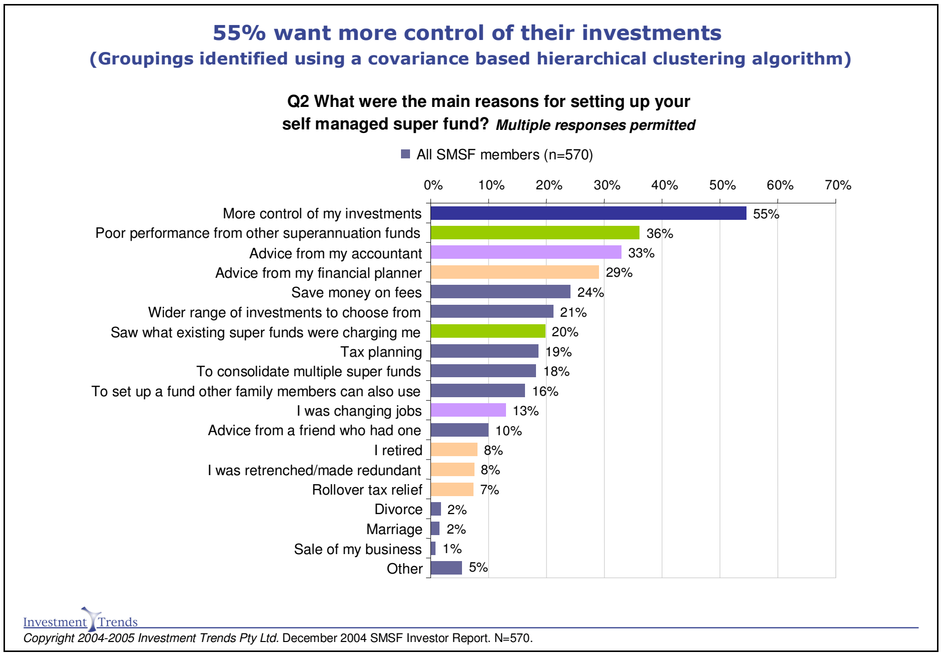
- **1. Control**: By far the most popular reason given for setting up a self managed super fund is investors' desire to exercise more control over their super (55%). Control is even more prominent in recently established (60%) and larger balance SMSFs (72%). This is the largest group, and has several subgroups of other motivations that are often associated with this general desire for control:
    - Control and saving money on fees
    - Control and demand for a wider range of investments
    - Control and a desire to consolidate multiple super accounts
    - Control, friends' advice and perceived tax benefits
    - Control and a desire to include family members in the SMSF

Beyond the control group, there were three others of roughly equal size:

- **2. Poor performance drawing attention to fund charges:** Those people establishing an SMSF because of poor performance from their existing super fund (36%) were very likely say "I saw what my existing fund was charging me". That is, awareness of fees usually flowed from, and was associated with, poor investment performance. Put another way, clients disillusioned with returns were more likely to feel that their existing super fund was not performing well, regardless of whether this reflected underperformance or simply a drop in equity markets. As a result of this reassessment, many felt they were being charged too much by their existing super provider and opted to establish a SMSF instead.

➢ **3. Accountant's suggestion**: 33% cited advice from their accountant as a key reason for establishing their fund. Those citing accountants' advice as a driver were also more likely to highlight changing jobs as a reason.

➢ **4. Financial planners suggestion:** 29% cited advice from their planner as a driver for establishment. This was commonly associated with retirement related issues "I retired/rollover tax relief" as well as redundancy payments: "I was retrenched/made redundant."



4.2 Size based variations

Small SMSFs more likely to be set up in response to a friend's recommendation

One concern often cited by regulators is the number of low balance funds, given that below a certain level of assets the fixed costs of establishing and running an SMSF may make it an expensive structure in percentage of asset terms. It is therefore important to understand why these lower balance funds have been set up.

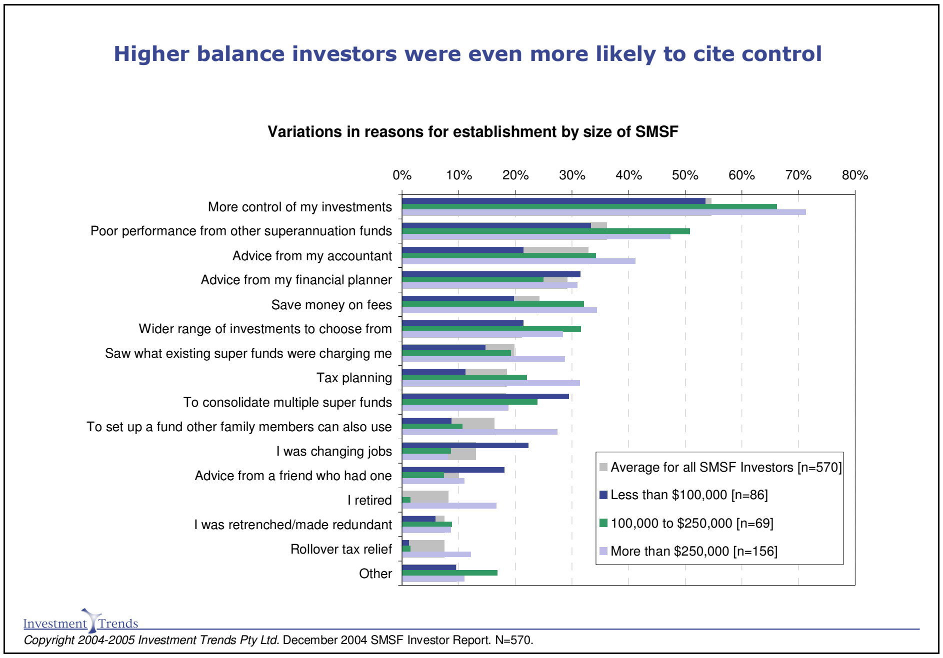
We found that, relative to the average, lower balance SMSFs (<$100k) tended to cite fewer reasons for setting up their fund. That is, their motivations were simpler than for higher balance funds. In spite of this lower average number of reasons cited, certain motivators were still more/less prominent among this group. Compared to large (>$250k funds), small SMSFs were:

➢ 63% more likely to say they set up their fund based on advice from a friend who had one (18% versus 11%)

➢ almost three times as likely to highlight a job change as a driver (22% versus 8%)

- 50% more likely to cite consolidation of multiple super funds as a driver (29% versus 19%)
- Half as likely to be set up in response to recommendation by an accountant (21% versus 41%)

A similar proportion of small SMSFs as large (around 32% each) said that advice from a financial planner was a motivator.



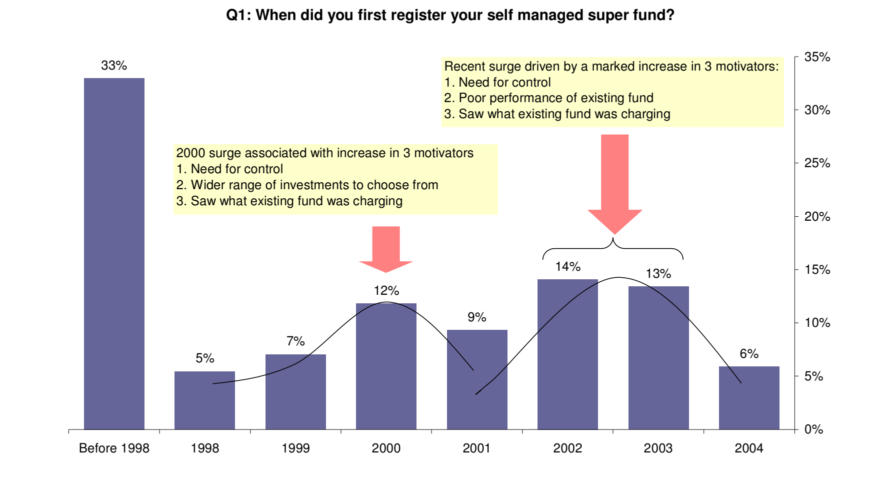
4.3 Trends in reasons for establishment over time

The SMSF establishment rate spikes when existing super funds perform poorly

Analysis of variations in reasons for establishment over time reveals a 50% spike in the second motivational group (poor performance and noticed what they were being charged) over 2002-2003. This followed the prolonged bear equities market between 2000 and 2002.

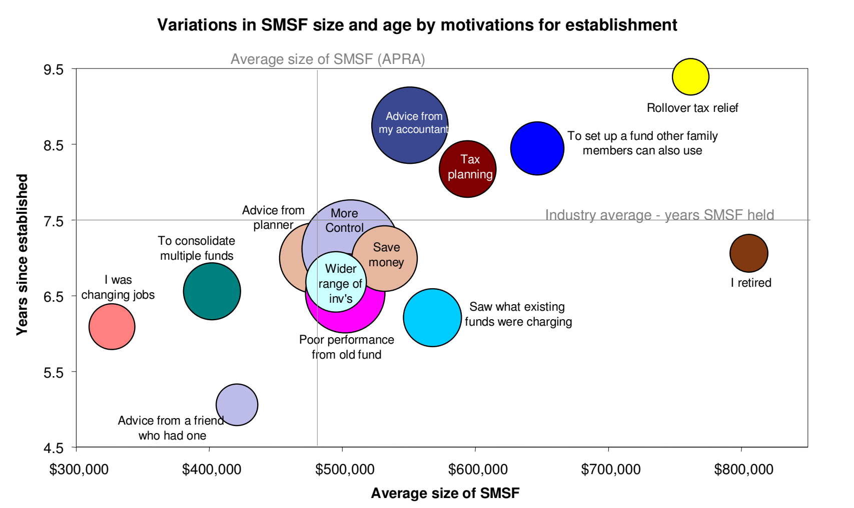
This spike has significant implications particularly as it predated the introduction of super choice legislation. It is possible that in a post choice environment, where employees have more flexibility with regards to their super, we may see an even larger spike in the establishment rate when we next have a prolonged bear market.

After a performance driven surge in 2002/2003, establishment of new funds has receded back toward long term average



The chart below summarises much of the preceding information. It reflects variations in average SMSF size and age (years since establishment) depending on the reasons people gave for establishing their SMSF. Items higher on the chart reflect reasons that were more prominent in the past, while those further to the right are more likely to be drivers for larger funds. The size of the circles reflects how many people choose this option.

Changing jobs is a more prominent driver among newer and lower balance funds



As shown above, advice from a friend is a more common reason among newer and lower balance funds, while rollover tax relief was a more prominent driver in the past, and many funds set up on this basis are quite large.

4.4 Will current members retain their SMSF?

Reflecting their control orientation, few SMSF clients plan to leave this structure on retirement

There has been much discussion in the media about the appropriateness of SMSFs given their complexity and the serious implications of compliance breaches. However, our research suggests that in the absence of any major catalyst for changing, most current SMSF members are unlikely to change out of the structure in the short term.

Most SMSF members who have considered the issue intend to continue with their SMSF on retirement and pay their pension out of the fund. Among those still working:

- 51% plan to keep their SMSF and pay their pension from it on retirement
- Only 6% plan to close their SMSF on retirement
- 43% haven't considered this issue yet

Most members *perceive* it to be easy to manage their SMSF

We can explain this preference to retain an SMSF when we understand that most members consider setting up and running an SMSF to be fairly straight forward:

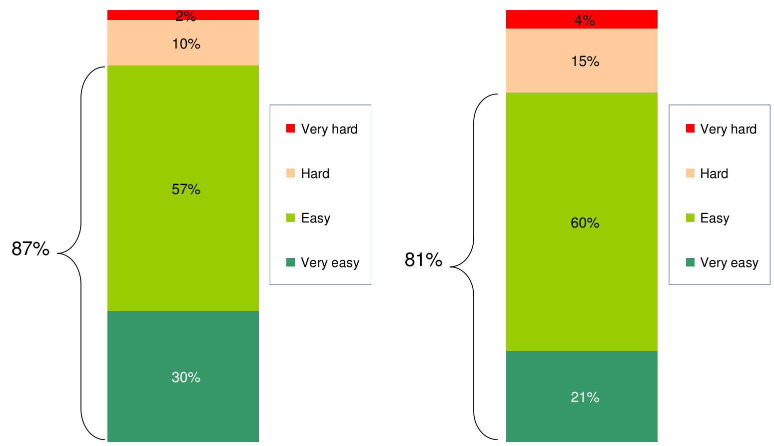
- 87% found it easy to set up their SMSF
- 81% find it easy to run their SMSF
- Eight out of 10 believe they match or exceed the performance of other super funds
- Only 4% felt that their SMSF was difficult to set up
- Only 4% felt that their SMSF had performed worse than other super funds

We note that these statistics reflect people's perceptions and do not necessarily indicate what proportion are compliant with the relevant legislative and regulatory requirements.

Most members have found both establishing and running their SMSF to be relatively easy

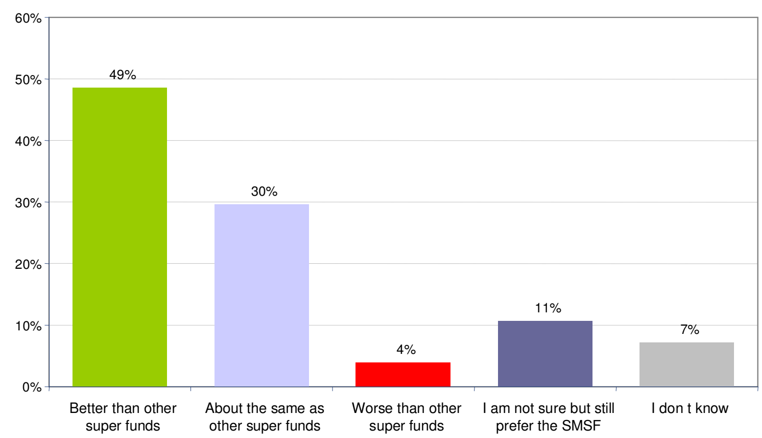
How difficult was it to set up your SMSF? (n=562)

How difficult is it to run your SMSF? (n=562)



Only 4% of SMSF members believe their fund has underperformed other super funds

How well has your self managed super fund performed? (n=560)



5 Role of advisers in SMSFs

The following chapter examines investor feedback on the role of various advisers in relation to SMSFs. We note that today the lines are somewhat blurred in the adviser environment, with some accountants becoming qualified financial planners and FSR resulting in little real difference between planners and bank based advisers.

5.1 Advisers as instigators of SMSFs

Traditionally most SMSFs were initially established at the suggestion of a financial adviser (planner or accountant). However there have been two significant changes in the role of advisers as drivers of SMSF establishment over the last few years.

Accountants are decreasing as instigators of SMSF establishment

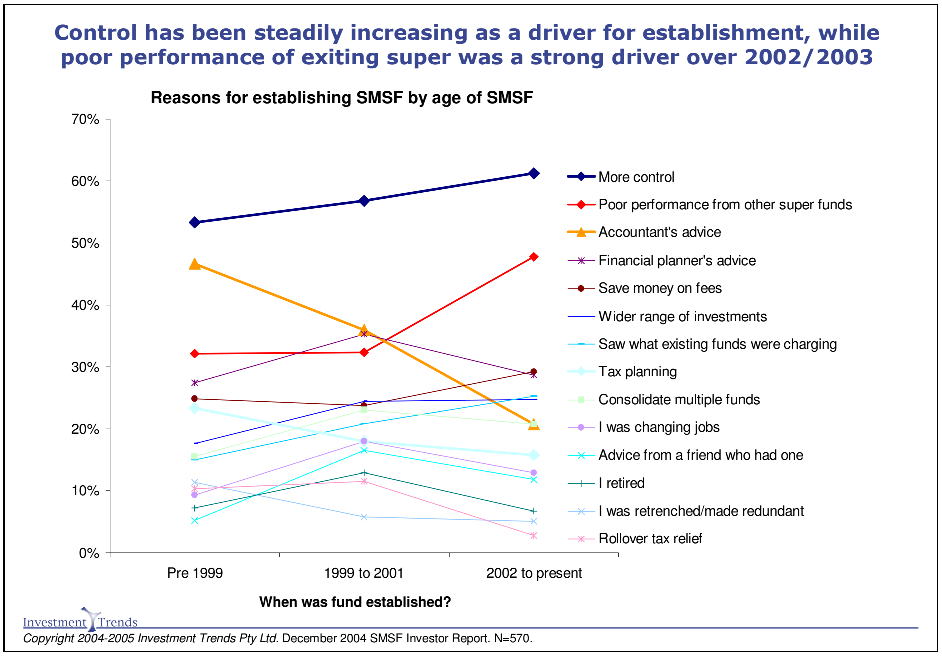
Those who established their SMSFs since 2002 are more likely to say they did so in response to advice from a planner than from an accountant (27% versus 19%). This reflects an ongoing decline in the role of accountants as instigators of SMSFs, in line with increased regulatory scrutiny of accountants advice in this area. Among SMSFs set up before 1999, half (46%) say advice from their accountant was a major reason for doing so. This figure has fallen to 19% for SMSFs established since 2002.

We note that these figures relate only to the role of accountants as **instigators** only, with the majority of SMSFs still being set up with the **assistance** of an accountant.

Advisers collectively have fallen as instigators, as more investors themselves initiate the establishment of an SMSF

While planners have overtaken accountants as instigators since 2002, we note that the number of SMSFs citing planners as instigators also fell between 2002 and the present.

This reflects a broader trend in the market, with SMSFs increasingly being established at the behest of investors, rather than at an adviser's suggestion.

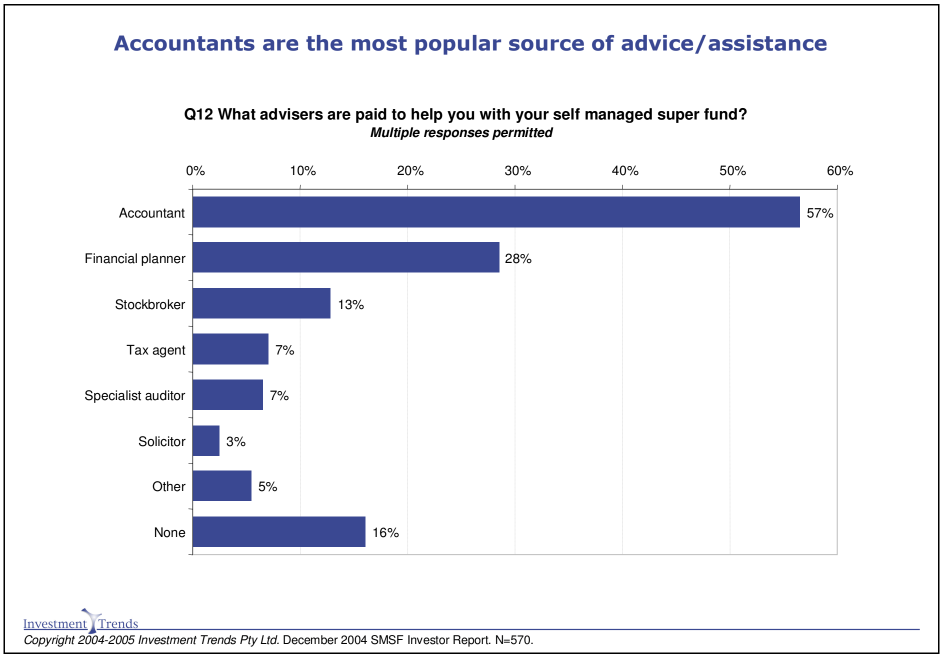


This trend may well continue, with a higher overall number of SMSFs leading to more networking effects (where investors know someone who has an SMSF), and with many investor and mainstream publications now having dedicated SMSF sections and articles on the subject.

5.2 Role of advisers in the ongoing management of SMSFs

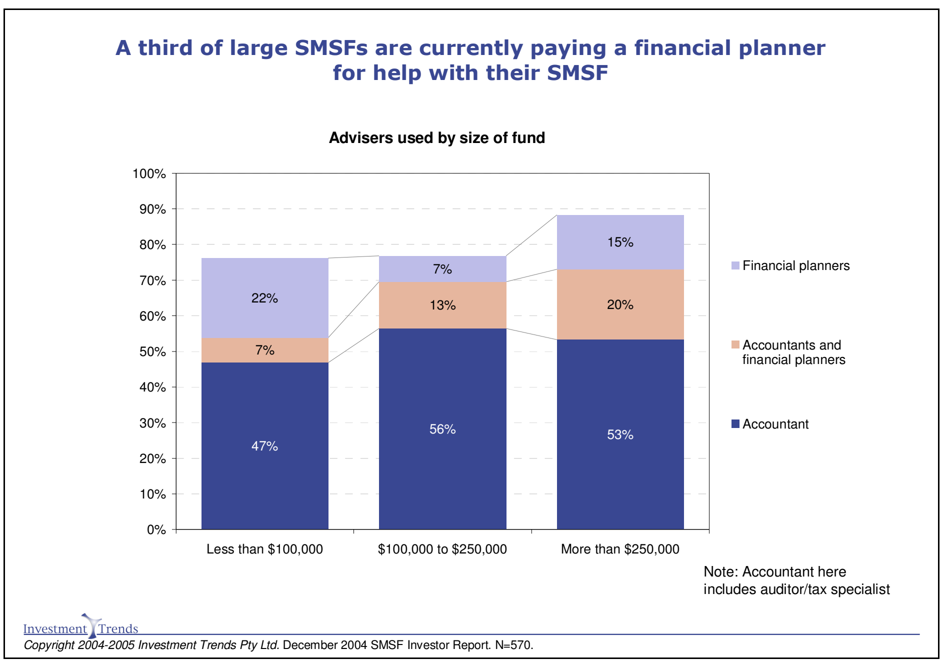
Accountants are the dominant source of advice on SMSFs

Accountants are the most widely used advisers among SMSFs, with 57% saying in the December 2004 survey that they were currently using an accountant to help with their SMSFs. Adding in tax agents and auditors raised this figure to 62% (after removing overlaps).



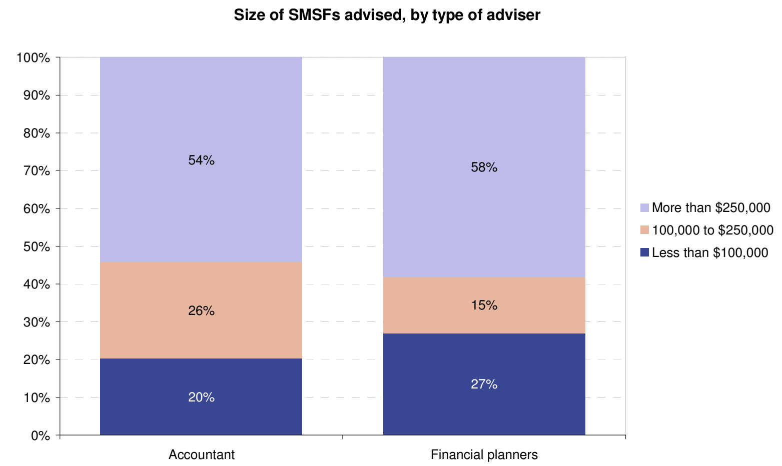
Around 28% of SMSFs said they paid a financial planner.

Four out of five (79%) of funds reported using some form of accountant or a financial planner and there were some overlaps between these advisers, with 11% using both.



We note that 47% of small SMSFs say they use an accountant, with 29% using a planner.

58% of SMSFs using a financial planner were over $250,000



6 Costs involved in running an SMSF

There has been much discussion in the industry about the appropriateness of SMSFs for different groups, and about the minimum balance which is necessary for SMSFs to be a cost-effective form of superannuation. Clearly one of the key dimensions of this debate is the cost involved in running a SMSF, and how these costs compare to alternative forms of superannuation.

6.1 Issues relating to costs

Several concerns are commonly raised in relation to the cost of SMSFs:

1) **A relatively high level of fixed cost make them inappropriate below certain superannuation balances**: There are certain fixed costs involved in maintaining a SMSF which need to be met regardless of the balance of the SMSF:
    a. ATO supervisory levy (annual return lodgement fee)
    b. The cost of the associated audit
    c. There will usually some professional assistance required to meet other compliance obligations, such as preparing accounts, tax returns and members' statements

2) **Potential for double layering of cost**: Another common concern is that there can potentially be two layers of costs involved where SMSFs utilise managed investments. Where other super funds have a single management fee, problems can arise where SMSFs pay this management fee and additionally pay the costs involved in running an SMSF.

3) **Lack of advice on appropriateness**: The above concerns are often emphasised in light of the fact that SMSFs can be and often are set up without associated investment advice, and so in many cases those assisting in establishment fall outside ASIC Policy Statement 146 requirements including 'know your client' rules.

6.2 Average SMSF cost and assumptions approach to calculating this figure

Clearly the level of fees involved is pivotal to any discussion of the SMSF market. To produce quantitative data to inform this industry discussion, in October 2005 Investment Trends surveyed 619 SMSF members in detail on how much they pay for their fund, and how much is paid to different types of advisers where they are used. This data on payments of which SMSF members are aware was then combined with earlier information from our December 2004 survey on the types of investments held (particularly the level of investment in managed funds within SMSFs). All of this data was modelled to produce estimates on the average amount actually spent per annum in running a SMSF.

Based on this survey data and modelling, we estimate the average annual amount spent per SMSF on running their fund at $3,500 as of December 2004.

In evaluating this figure, it is important to be aware of the inclusions, exclusions and assumptions used in the calculations:

- This figure includes fees for advice from accountants, planners, solicitors and other advisers where used.
- It assumes a 2% management expense ratio (MER) on managed fund investments held within SMSFs. It is assumed that managed fund trailing payments to advisers will come from within this 2%. In light of this, SMSF investors were asked to indicate how much was paid to financial planners excluding product commissions (where investor awareness is sometimes low).
- It excludes brokerage on share trades and any property acquisition, management or transaction costs. These costs were excluded to allow comparison with other super funds on a like for like basis, since such transaction and property management costs are usually taken out before performance figures are reported, and before management expense ratios applied on other super funds. We estimate that the average annual cost of property management expenses will be approximately $1,400 per annum per SMSF, with management/carrying costs estimated at 1.2% of property value.
- It includes up front product commissions paid on investments in managed funds. Product commissions were estimated using a combination of consumer perceptions and modelling based on managed funds transactions and awareness of up front fees.
- This figure does not include setup costs, as the effect of setup costs depends on the length of time for which the fund is operated. We have calculated the average setup cost for different groups and if these are amortised on a straight line basis over an assumed 20 year life of the fund, they would typically add $50-$65 per year.
- This figure does not include cost of investment related information such as newspaper and investment magazine subscriptions. We feel that most SMSF investors who purchase such decision-support material would tend to do so

regardless of whether they had an SMSF. Also, we contend that it is unlikely they would claim the cost of such purchases subscriptions against their SMSF for tax purposes, since in most cases it would be more tax-efficient for them to claim these deductions against their personal income.

- We note that figures on cost of professional advice on accountants are based on investor perceptions collected through the survey, and it is possible that some investors may be estimating these figures rather than quoting precise figures.

6.3 Variations in cost

Our calculations indicate that average SMSF costs increase with fund size, but that this increase is not proportional to the increase in fund size. Thus the average cost of the SMSF structure tends to decline in percentage terms as assets increase:

Fund size	Average amount spent per annum	Amount spent as a % of fund assets at this fund size
$175,000	$1,900	1.1%
$470,000	$3,500	0.7%
$820,000	$5,200	0.6%

There are also variations in average total annual cost depending on the mix of advisers used:

- Those currently using an accountant or tax agent to assist with their SMSF spend an average of $3,200 per year, including the accountants' services, managed fund MERs and all other costs outlined in section 6.2.
- Those currently using a financial planner (including those that also use an accountant) spend an average of $5,900 per year, including the planners' advice, managed fund MERs, and all other costs outlined in section 6.2. We note that planner-advised SMSFs tend to be larger than average and thus the higher dollar cost figure reflects both the planners' advice component, a higher proportion of assets in managed funds, and the higher average balances involved.
- The higher cost associated with SMSFs using a financial planner also reflects the fact that 40% of these funds are advised by both an accountant and a financial planner.
- The $3,500 overall average figure thus reflects the fact that only a minority (28%) of SMSFs use a financial planner and are paying for investment advice.

While the above figures suggest that SMSFs can often be a very effective cost structure, it is important to note that averages do not tell the whole story, and this result does not mean they are cost-effective for everyone. To illustrate this point, among the 619 SMSFs taking part in the survey, there were:

- Five cases where SMSF balance was below $100,000 but annual fees were in the $5,000 to $6,000 range (i.e. cost per annum was at least 5%, and potentially much higher)
- Five cases where SMSF balance was below $100,000 but annual fees were in the $3,000 to $3,500 range (i.e. cost per annum was at least 3%, and potentially as high as 7%)
- Five cases where SMSF balance was below $100,000 but initial establishment costs were more than $6,000.

7 Insurance arrangements

Only one in four SMSFs have life insurance arranged through the fund

38% of SMSFs are interested in arranging life insurance through the fund:

- 24% already have life insurance through the fund
- 14% are interested in doing so

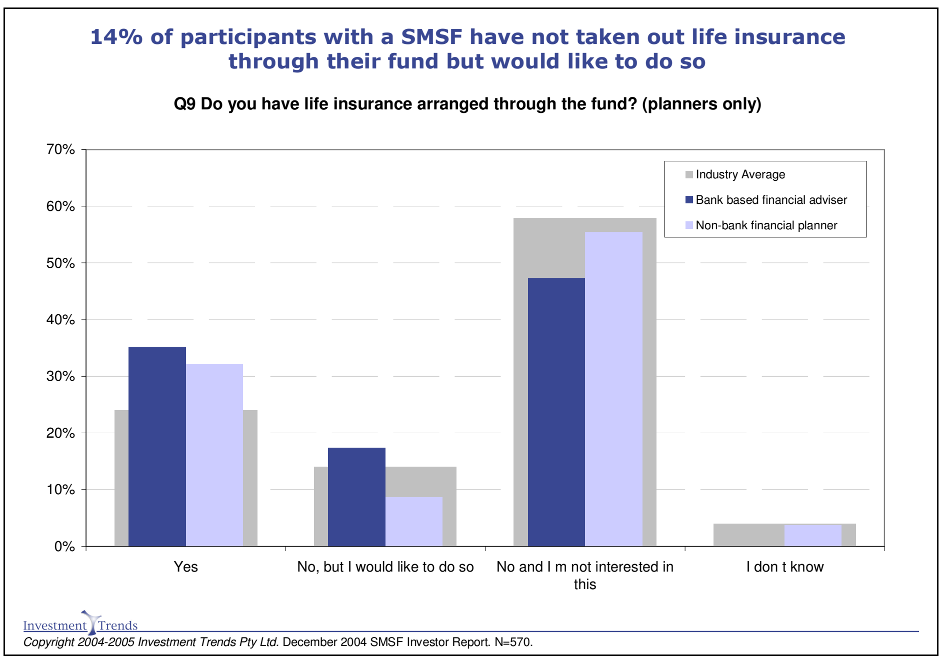
Insurance levels are better where an adviser is involved

Among financial planner SMSF clients:

- 32% already have life insurance through the fund
- 9% are interested in doing so

Among bank based adviser SMSF clients:

- 35% already have life insurance through the fund
- 17% are interested in doing so



While bank based planners' SMSF clients have a higher overall level of interest in having life insurance through the fund, these figures suggest that other financial planners have done a better job at bringing this issue to a conclusion, with fewer clients interested in this but not having insurance in place.

8 Investments used by SMSFs

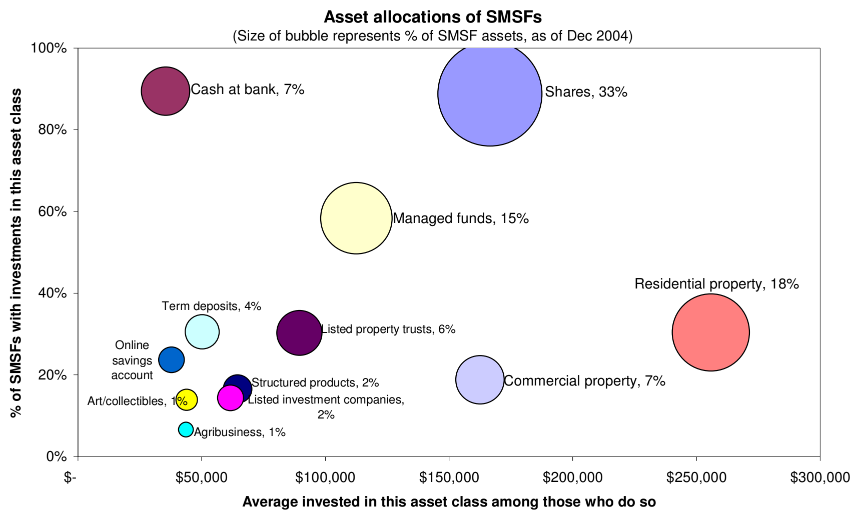
8.1 Asset classes currently used

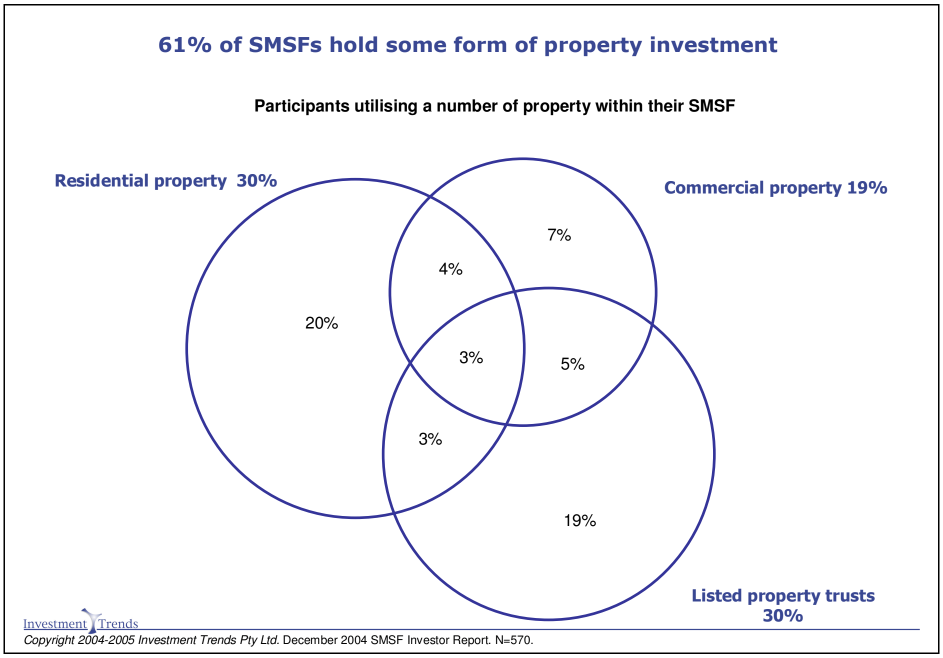
Shares and property are the dominant asset classes for SMSFs

SMSFs favour direct equity investments and use a range of different means to invest in property:

- 89% of SMSFs hold shares
- The average share portfolio among those doing so is $180,000
- 60% of SMSFs hold property of some kind within their self managed super
- 30% hold residential property, with a high average investment level of $280,000 reflecting gearing restrictions.
- 30% of SMSFs hold residential property.
- Residential property makes up 18% of total assets held within SMSFs
- A third of clients investing in residential property also invest in commercial property or listed property trusts
- 30% of clients hold listed property trusts within their SMSF
- If we add commercial property and listed property this raises the total proportion of assets to 31%

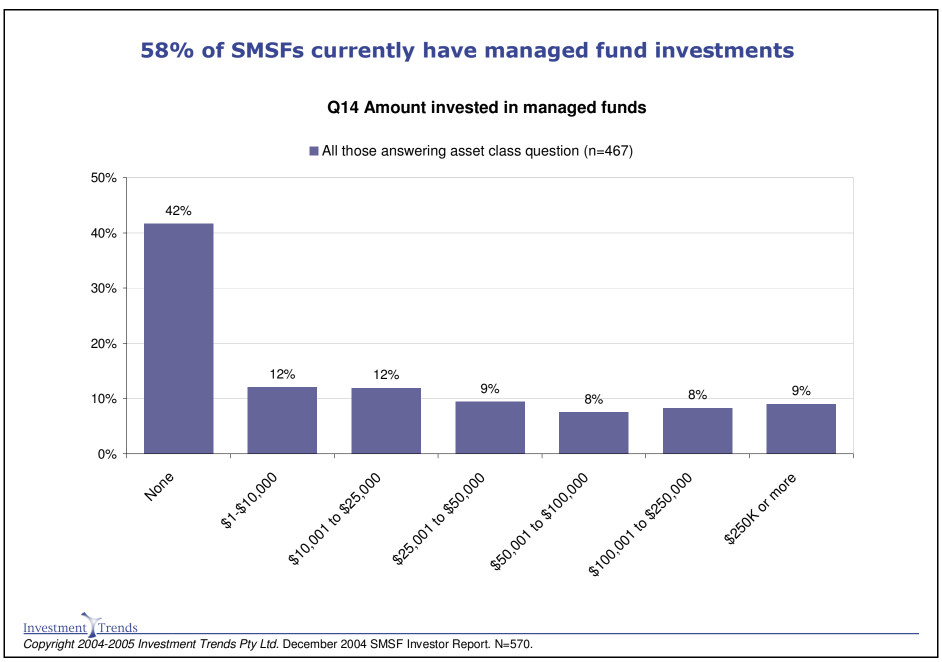
Asset allocation: Incidence and average investment size
58% of SMSFs hold managed funds, with an average investment of $120,000





Managed funds are an important asset class within SMSFs

Some 58% of SMSFs hold managed fund investments, with an average holding of $120k.



Willingness to utilise managed fund usage is fairly high across different sizes of SMSFs:

- 60% of SMSFs with less than $100,000 in total assets utilise managed funds
- 51% of SMSFs between $100k and $250k utilise managed funds

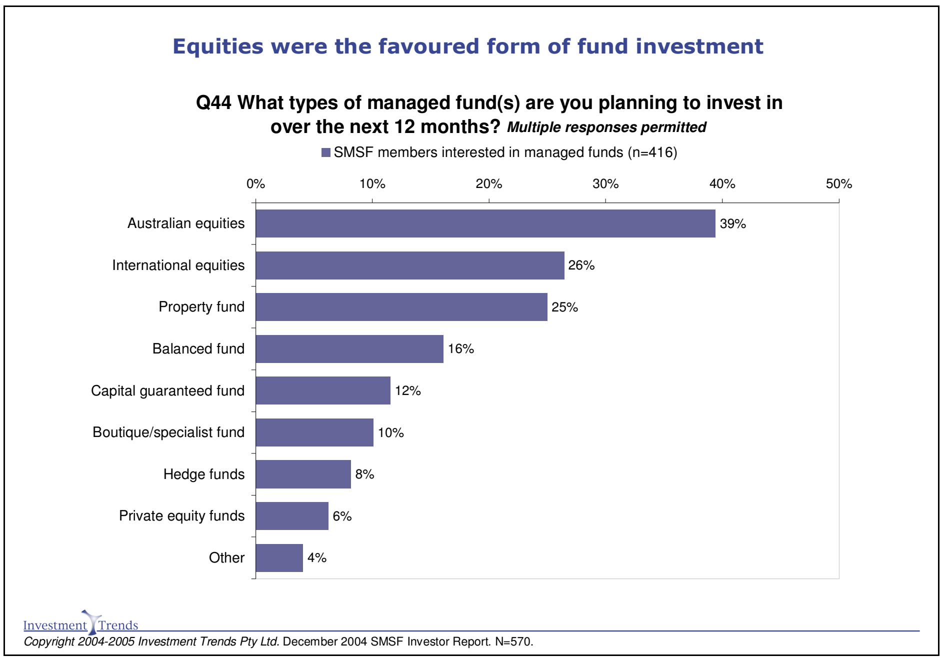
- 66% of SMSFs of over $250k utilise managed funds

We note though that those larger SMSFs who utilised managed funds tended to invest a higher proportion of their total assets into managed funds than did low balance SMSFs utilising managed funds.

Future managed fund investments

SMSF members are also quite open to using managed funds going forward, with 78% indicating a willingness to do so. Among those interested, the most popular type of funds sought are:

- Australian equities (39%)
- International equities (26%)
- Property funds (22%)



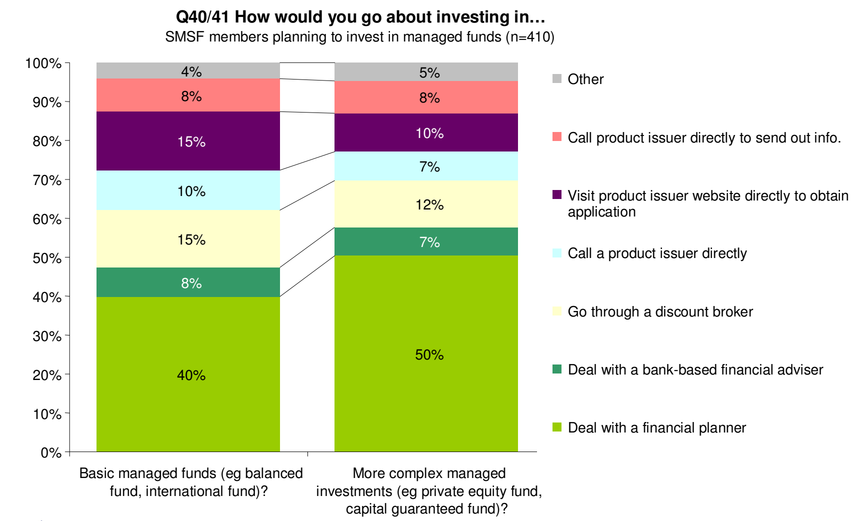
Half of those SMSFs planning to invest in managed funds do not plan to use an adviser to do so

Among those SMSFs planning to invest in funds, the preferred investment channels for doing so were:

- 48% say they would use a planner or bank based adviser to invest in basic managed funds
- This figure rises to 57% for more complex managed investments such as private equity funds

- 48% would prefer to invest directly or through a discount in basic managed funds, falling to 37% for complex funds

Increased reliance on advisers for more complex managed funds but still a significant proportion are prepared to invest directly



9 Methodology

IFSA commissioned Investment Trends to produce this report examining the self managed super fund SMSF) market. Analysis is based on two detailed quantitative surveys totalling 1,189 SMSF members conducted by Investment Trends. The findings in this report are excerpted from two of Investment Trends' syndicated reports:

October 2005 SMSF Investor Report
Calculations of total SMSF costs were conducted based on a survey of 619 SMSF members conducted by Investment Trends in October 2005. The survey focused on advice and fees in relation to SMSFs. This report is in production and will be available for subscription from November 2005. Certain assumptions were also based on the earlier December 2004 survey.

December 2004 SMSF Investor Report
Unless otherwise stated the findings in this report are drawn from the Investment Trends December 2004 Self Managed Super Fund (SMSF) Investor Report. This report was designed after extensive consultation with fund managers, SMSF administrators, SMSF members, financial planners and accountants, and it's results based on a survey of 570 SMSF trustees.

This survey was conducted in late December 2004. SMSF members were sourced from several research companies who had previously conducted broad based research which included asking whether people had a SMSF, and obtained permission to contact these people for future research. SMSF members were sent an email inviting them to participate in the SMSF survey. The survey was incentivised with prizes available based on a prize draw.

A total of 6,119 email invitations were sent. After data cleaning and de-duplication, 671 validated responses were received. The survey also incorporated a number of questions designed to eliminate those who thought they had a self managed super fund but did not. After this secondary cleaning phase, a final sample of 570 was available for analysis. Maximum sampling error (centre of the range) at 95% confidence interval for a sample of this size is +/- 4.1%. A slight bias to younger respondents was noted when comparing the survey sample to available ATO data on SMSF members. This was expected given the online methodology. A post-stratification weighting by age was used to correct this bias. No other weighting was required as the age-weighted sample otherwise conformed closely to known ATO data.

10 Further information

More extensive and detailed research on SMSFs is available on a subscription basis from Investment Trends:

- **December 2004 SMSF Investor Report**: This report gives a clear understanding of the motivations, intentions, influencers and preferences of SMSF members. Using this report financial services organisations can optimise product design, channel strategies and marketing messages. The report includes detailed coverage of:
  - The drivers, experiences and difficulties of running a SMSF
  - Investments, investment strategies, goals and behaviour
  - Dealing with advisers and product suppliers
  - Investment vehicles: share trading
  - Investment vehicles: managed funds
  - Investment platforms
  - Media Usage
  - SMSF Member Profile
- **2005 SMSF Investor Report**: This expands on the analysis in the 2004 report, provides tracking and includes additional information on adviser interactions, fees and costs involved in running a SMSF.
- **2005 SMSF Planner Report**: This report examines the activities, behaviour and needs of financial planners in relation to self managed super funds. It is based on a survey of over 350 financial planners conducted in October/November 2005.
- **2005 SMSF Accountant Report**: This report examines the activities, behaviour and needs of accountants in relation to self managed super funds and covers areas such as:
  - What services offered and needed around SMSFs.
  - Fee models and contestable fee streams.
  - In house investment advice and/or planner referral relationships

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