

ASIC releases report on the costs of running SMSFs

ASIC has released a report that it commissioned Rice Warner Actuaries to prepare, in relation to the “Costs of Operating SMSFs”.

The Report

Some of the findings from the Rice Warner report are that:

- A person or couple with \$200,000 or less would not be better off in an SMSF compared to an APRA fund unless they do the administration themselves.
- SMSFs with \$200,000 or more are competitive with both industry and retail funds provided the trustees undertake some of the administration.
- For balances of \$250,000 or more SMSFs become the cheapest alternative provided the trustees undertake some of the administration.
- At sizes above \$500,000, SMSFs can be the cheapest alternative.

Proportion of SMSFs by fund size (2010/11 year)

Asset Ranges	Percentage
\$0 - \$50,000	5.6%
\$50,000 - \$100,000	5.4%
\$100,000 - \$200,000	11%
\$200,000 - \$500,000	25.5%
\$500,000 - \$1m	23.6%
\$1m - \$2m	17.5%
\$2m - \$5m	9.5%
\$5m - \$10m	1.6%
\$10m +	0.3%
Total	100%

Investment allocations

Average asset allocation of SMSFs by percentage (as at June 2012)

Australian Listed Assets	34%
Cash & Term Deposits	31%
Real Property	15%
Managed Assets	14%
Debts & Loans	1%
Overseas (All)	1%
Unlisted Shares & Other	4%
Total Assets	100%

Investment Returns

Comparison of aggregate investment returns

Year End 30 June	APRA Gross of fees	SMSF Gross of fees
2005	13.2%	17.4%
2006	14.0%	16.0%
2007	15.6%	20.1%
2008	-7.6%	-4.0%
2009	-11.9%	-4.5%
2010	9.8%	8.3%
2011	8.7%	11.2%
Average	5.4%	8.8%

Should you have any questions in relation to your existing SMSF or you are considering the establishment of a SMSF please give Graeme in our office a call.