

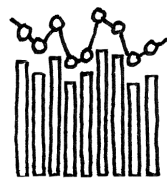
March 2019
SMSF Benchmark Report

Getting started on the SMSF journey



Feature

Characteristics and trends of 26,100 newly established SMSFs



Benchmark Data

A profile of SMSFs and their members



Investment Insights

A detailed picture of how SMSFs invest



Uncovering the facts on newly established SMSFs

In this quarter's feature, we cast a spotlight on the characteristics and trends of newly established SMSFs, including the average number of members, establishment age, fund balances, and asset allocations.

Our analysis is based on a significant data set of 26,100 funds comprising 46,943 members, which were newly established on Class within a 5 year period from 2014 to 2018.

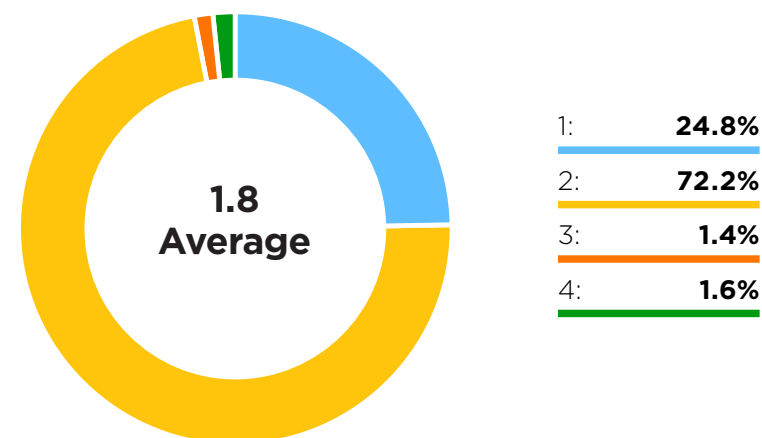
Starting out as a couple

Some people may assume that SMSFs are initially set up as one member funds, with one or more members added to the fund over time.

However, the opposite is what in fact happens – the large majority of SMSFs (over 72%) are established as two member funds from the outset.

Over 72% of SMSFs are established as 2 member funds – making it important to consider overall fund balance, not just individual member balances.

Average number of members in newly established SMSFs



Our analysis also found that the average number of members per fund for our data set of newly established SMSFs is 1.8, which varies only slightly from the 1.9 member average across all SMSFs over time.

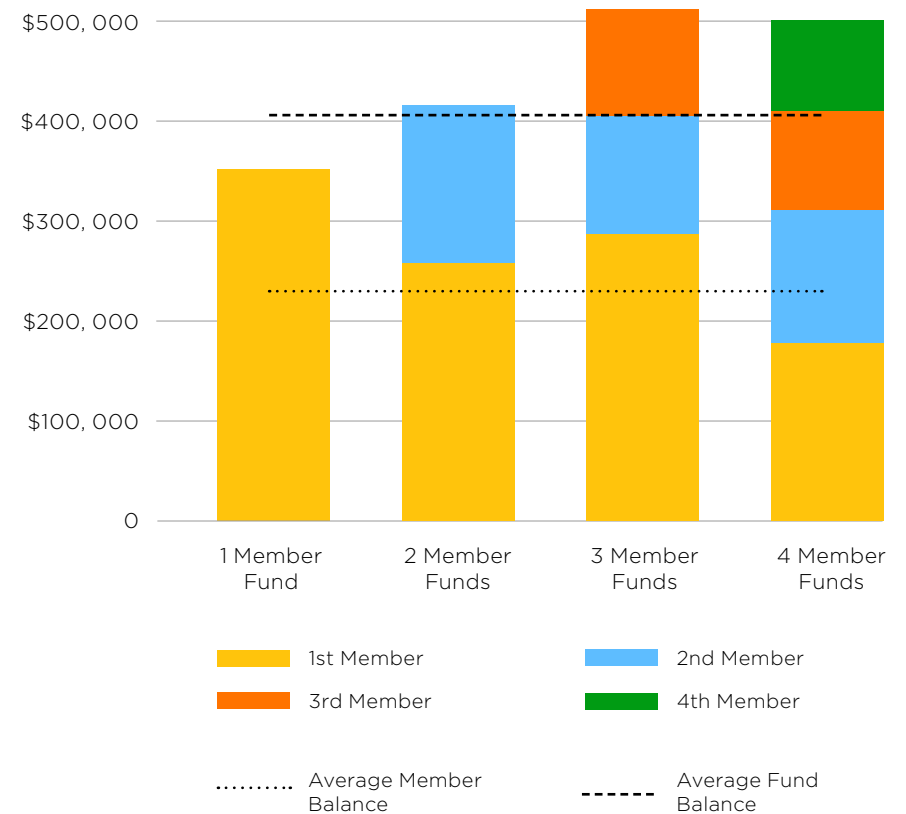
Pooling SMSF dollars delivers more investment clout

There has been considerable debate and analysis in recent times around how much money is needed to make establishing an SMSF a viable proposition, taking into account set-up and ongoing costs against likely investment returns. While many agree there's no clear cut answer, and applying a hard minimum balance isn't necessarily helpful or appropriate, one clear advantage of an SMSF is the ability for individuals in a multi-member fund to pool their investment dollars and give fund members more 'investment clout'.

To illustrate this point, while the average individual member balance of a newly established fund is around \$225k, the average fund balance is nearly \$406k (ranging from \$355k for a single member fund, to over \$500k for 4 member funds).

The gender gap is apparent here too — males have a 42% higher average balance than females when funds are established; this compares with a significantly lower gap of 21% overall across all SMSFs, which indicates that the gender gap does narrow over time.

Average fund balances of newly established SMSFs



Demographic insights

The average establishment age for the newly established funds in our data set was 48.9. There's a small difference between gender, with females being slightly younger than males, at 48.4 and 49.4 respectively.

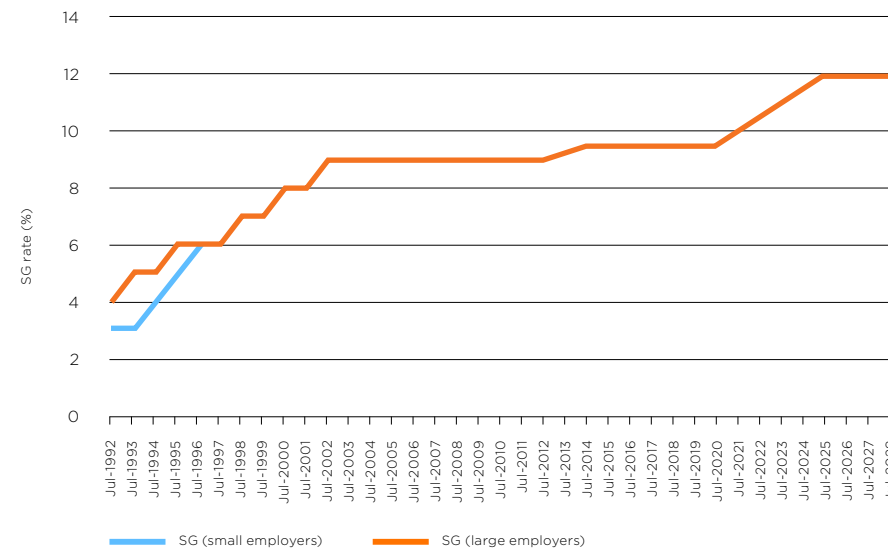
While there was no dramatic variation in the average establishment age across the 5 years represented by our data sample, we did see it increase from 48.6 in 2014 to a high of 49.5 in 2017, and then slide back again to 48.6. This spike may have been associated with the increased level of non-concessional contributions made prior to the super reforms taking effect.

A trend towards younger age groups

There is a continuing trend for members of new SMSFs to be from younger age groups. The most recent average member ages at establishment are all below the 2012 average age of approximately 50, published by the ATO.

One factor that may see this trend continue is the proposal to increase the Superannuation Guarantee from its current rate of 9.5% by half a percentage point from July 2021, until it hits 12% in 2025. This will enable the younger workforce to accumulate greater super balances at a younger age over time.

Superannuation Guarantee rate increases - past and scheduled



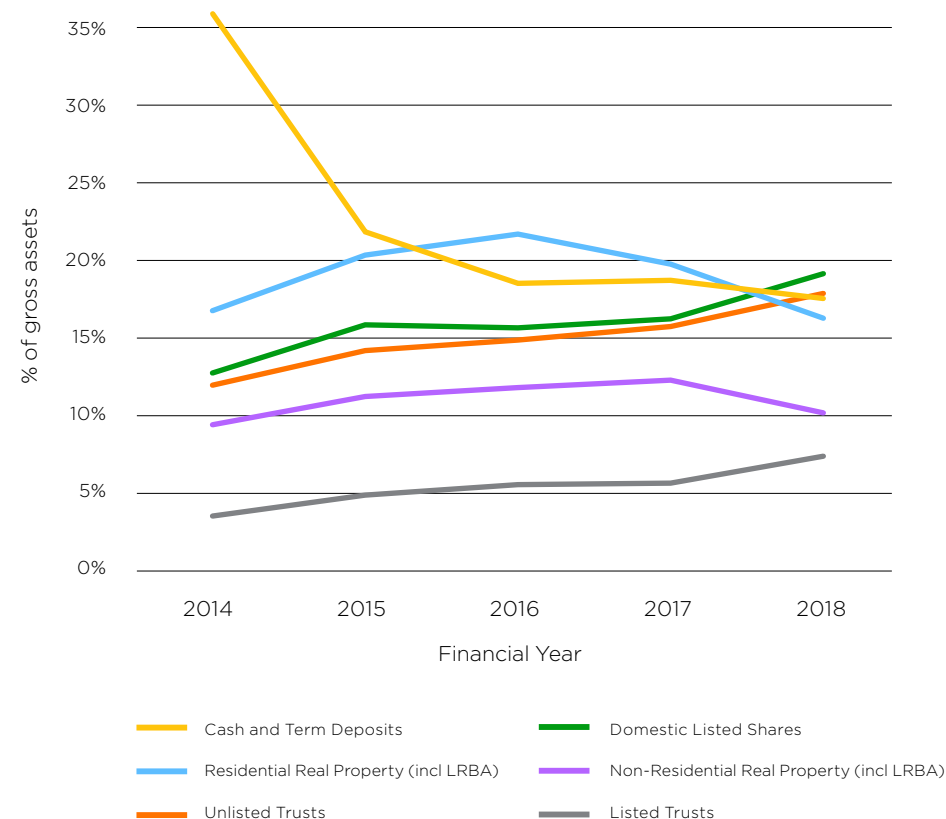
Healthy diversification of assets over time

It's perhaps no surprise that newly established SMSFs start their lives with high levels of cash and term deposits (36.4%). This drops down over the course of the following year to around 22%, as the fund becomes more fully invested and diversified across other assets, including residential and non-residential real properties (including LRBA's), domestic listed shares, listed and unlisted trusts.

Cash and term deposits continue to drop over subsequent years, reaching around 17.6% in year five – an encouraging indication of healthy asset diversification.

It's worth bearing in mind that these initial high levels of cash and term deposits may lead to lower fund returns for the first year of establishment – a factor to be taken into account when debating viability and return of new SMSFs.

Main asset class weightings over time for funds established in 2014



Benchmark Data

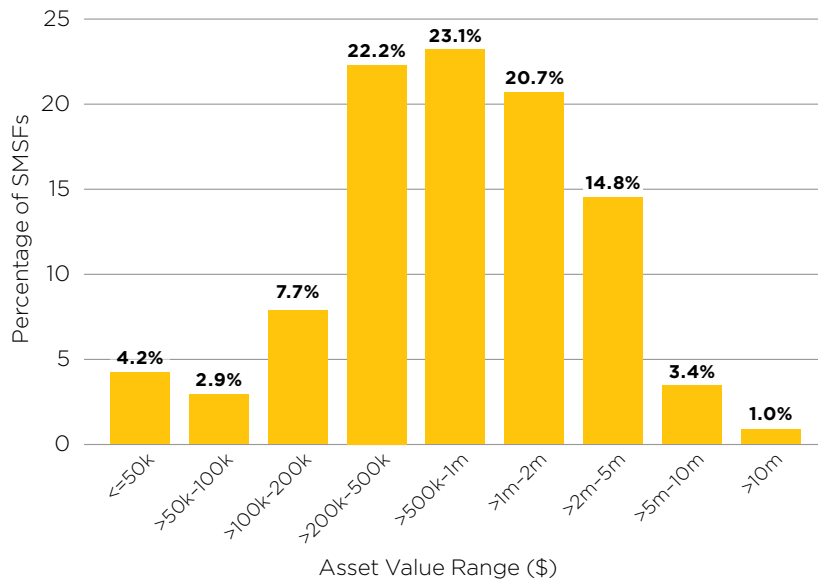
Key Statistics at 31 March 2019

Class believes it is important for our customers and other participants in the industry to have access to timely benchmark data and key metrics about their industry, their peers and the SMSFs they service.

Much of the data available from other sources is estimated, based on small non-representative samples or is collated many months after the fact.

SMSFs by size

Distribution of SMSFs by total asset value



54

 **median number of SMSFs per business**

1.9

 **average number of members per fund**

1,496

 **number of Class customer businesses**

\$237bn

 **total value of net assets administered on Class Super across 169,660 SMSFs**

113

 **average number of SMSFs per business**

\$1.4m

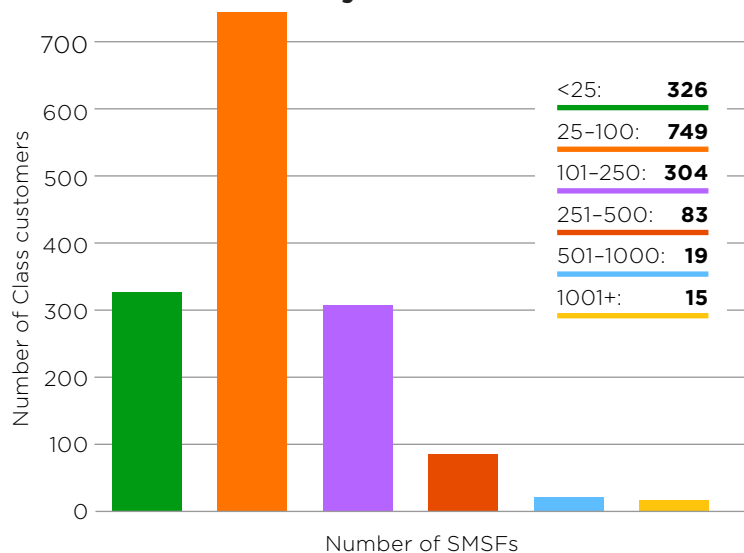
 **average SMSF balance with average assets per member of \$738,153**

Benchmark Data

SMSF Administrator Statistics at 31 March 2019

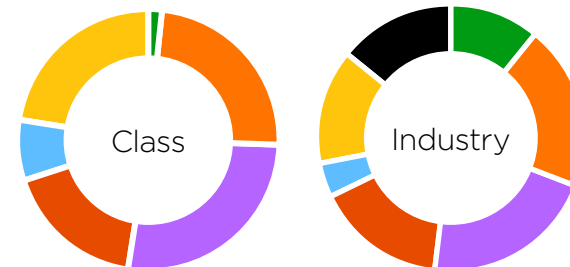
While small firms - less than 25 SMSFs - are still a significant subscriber category on Class, a typical small SMSF practice for Class has between 25-100 funds. The SMSF industry is consolidating and we would expect that percentage to decrease over time. This trend among Class customers will also be driven by the higher growth rates of businesses on Class.

Class customers by size



Administrator by size and industry

No. of SMSFs	Class	Industry
<25	1.9%	11%
25-100	23.8%	20%
101-250	27.0%	21%
251-500	17.4%	16%
501-1000	7.5%	4%
1001+	22.4%	14%
DIY	0%	14%



Size Band	No. of Subscribers	Percent of Subscribers	Number of SMSFs	Percent of SMSFs	Average (No. SMSFs)	Administrator Type
<25	326	21.8%	3,239	1.9%	10	General Accounting Practice
25-100	749	50.1%	40,342	23.8%	54	Small SMSF Practice
101-250	304	20.3%	45,821	27.0%	151	Medium SMSF Practice
251-500	83	5.5%	29,573	17.4%	356	Large SMSF Practice
501-1000	19	1.3%	12,641	7.5%	665	Emerging Administrator
1001+	15	1.0%	38,044	22.4%	2,536	Major Administrator

Benchmark Data

Membership Sizes at 31 March 2019

There remains a big difference between the average balance of members in two member funds, with the first member having almost double the assets of the second. However, we would expect that disparity to reduce now that the super reforms have placed tighter restrictions around member contributions and balances. As a group, men currently have 33% more assets than women and their average balance is 21% higher.

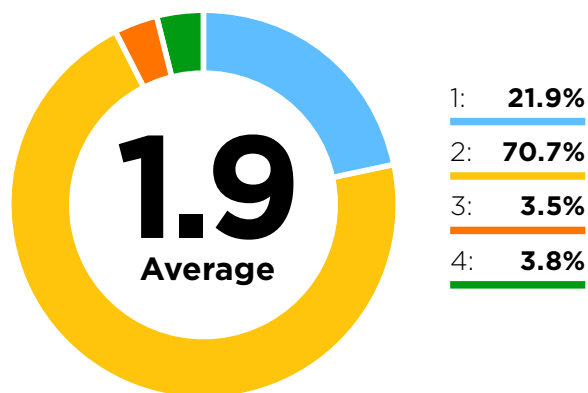
Average assets per member

\$738,153

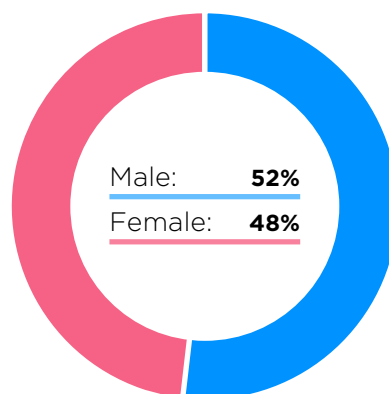
Average assets per SMSF

\$1,397,888

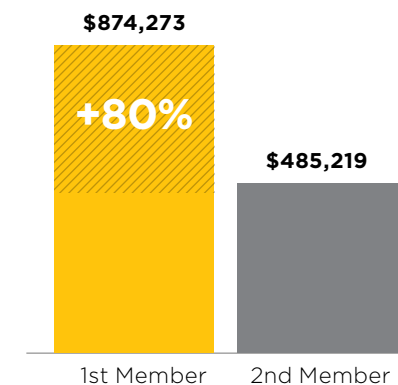
Number of members in SMSFs



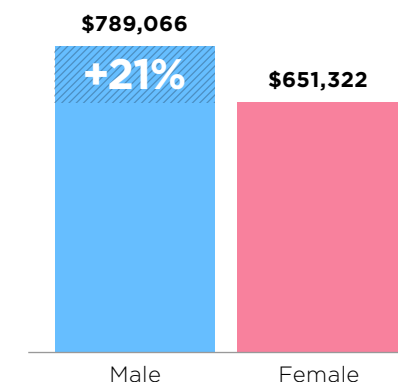
SMSF members by gender



Average member balances in two member funds



Average member balance by gender



Benchmark Data

Accumulation and Pension Statistics at 31 March 2019

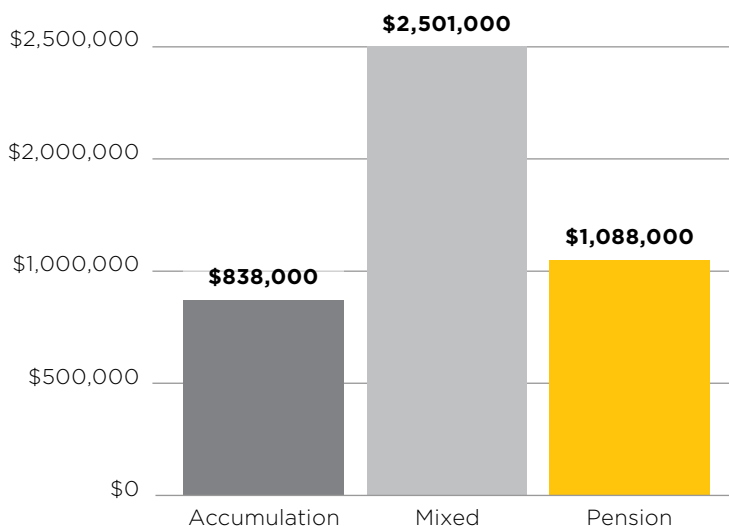
While mixed phase SMSFs are not the largest SMSF member segment, they do hold significantly more in net assets per member than those in either accumulation or pension phase#.

Mixed SMSFs include funds where all members are in pension phase but some fund assets are held outside of pensions, as well as funds with a mix of accumulation members and pension members. Mixed funds may only have one member if that member has both accumulation and pension balances.

Accumulation SMSFs are defined as those which only have accumulation members. Pension SMSFs are purely pensions with no assets in accumulation.

As of 1 July 2017 funds with pension members over \$1.6M will typically be in mixed phase.

Average net assets per SMSF by phase



SMSFs by member phase



Accumulation	52%
Mixed	31%
Pension	17%

Metrics	Accumulation	Mixed	Pension
% of net assets	31%	56%	13%
% of members	52%	33%	15%
Average number of members per SMSF	1.9	2.0	1.7
Average net assets per SMSF*	\$838,000	\$2,501,000	\$1,088,000
SMSFs by member phase	52%	31%	17%
Average age of members	52	66	73
Average net assets per member*	\$441,000	\$1,248,000	\$650,000

* Rounded to nearest \$'000

Investment Insights

Asset Allocation at 31 March 2019

For consistency, the asset allocation chart below uses the same asset categories as the ATO. However, these are unsatisfactory for obtaining a true picture of what SMSFs are investing in. Listed trusts, for example, is a broad category that includes ETFs and REITs, while unlisted trusts are mostly unlisted managed funds. In the following pages we dig deeper into SMSF investments.

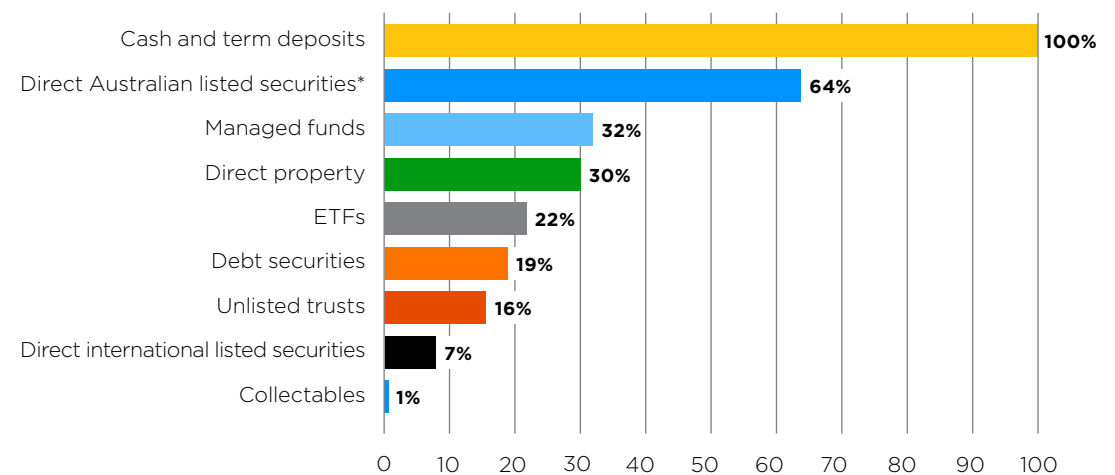
SMSF Asset Allocation 31 March 2019



Listed shares	26.9%
Cash and term deposits	20.0%
Unlisted trusts	19.1%
Non-residential real property	10.0%
All other assets	7.6%
Residential real property	5.9%
Listed trusts	5.4%
Limited recourse borrowing arrangements	3.7%
Other managed investments	1.3%

What are SMSFs investing in?

% of SMSFs holding each asset type



* Excluding ETFs

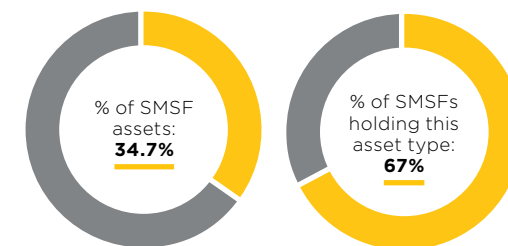
Investment Insights

Domestic Listed Securities at 31 March 2019

Direct investment by SMSFs in domestic listed securities is highly concentrated in the largest 20 domestic shares, especially the banks, with the latter making up 42% of the top 20 investment holdings.

The domestic listed securities asset class comprises:

Shares	76.8%
ETFs	8.4%
Debt and hybrid securities	7.8%
Stapled securities	5.8%
Other listed trusts	1.3%



Top 20 Investment Holdings

Rank	Security Code	Description	% of Funds with Domestic Listed Securities that hold this security	% of total SMSF Domestic Listed Securities investments*
1	WBC	Westpac Banking Corporation	48.6%	5.0%
2	BHP	BHP Group Limited	46.4%	5.4%
3	TLS	Telstra Corporation Limited.	46.2%	2.9%
4	NAB	National Australia Bank Limited	45.0%	4.4%
5	CBA	Commonwealth Bank Of Australia.	45.0%	6.2%
6	ANZ	Australia And New Zealand Banking Group Limited	43.6%	4.2%
7	WES	Wesfarmers Limited	34.4%	2.1%
8	WPL	Woodside Petroleum Limited	29.8%	1.8%
9	WOW	Woolworths Group Limited	26.4%	1.7%
10	CSL	CSL Limited	22.3%	3.7%
11	RIO	Rio Tinto Limited	19.4%	1.8%
12	MQG	Macquarie Group Limited	18.0%	2.1%
13	S32	South32 Limited	17.9%	0.4%
14	TCL	Transurban Group - Ordinary Shares/Units Fully Paid Triple Stapled	17.5%	1.4%
15	SYD	Sydney Airport - Fully Paid Stapled Securities	13.9%	0.8%
16	QBE	QBE Insurance Group Limited	13.3%	0.6%
17	CYB	Cybg PLC - Cdi 1:1 Foreign Exempt Lse	13.3%	0.1%
18	RHC	Ramsay Health Care Limited	12.9%	0.7%
19	AGL ★	AGL Energy Limited	11.7%	0.8%
20	ORG	Origin Energy Limited	11.6%	0.5%
Total (Percentage that the top 20 make up of total SMSF investments in Direct Domestic Shares)			46.7%	

*Percentage each security makes up of the total SMSF Domestic Listed Securities e.g. WBC is 5.0% of the total SMSF investments in Domestic Listed Securities.

★ New to top 20 this quarter

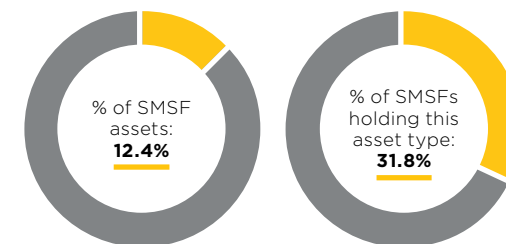
Investment Insights

Managed Funds at 31 March 2019

Some claim that SMSFs are underinvested in international assets compared to APRA funds. However, they often fail to take into account indirect investment by SMSFs. The figures below show that SMSFs are using managed funds to get much of their international asset exposure rather than investing directly.

Asset exposure of the top 20 most popular managed funds

International Equities	53.4%
Cash	11.0%
International Fixed Interest	10.5%
Australian Fixed Interest	10.1%
Australian Equities	8.2%
Other	3.5%
Listed Property	3.3%



Top 20 Investment Holdings

Rank	Security Code	Description	% of Funds with Managed Funds that hold this security	% of total SMSF Managed Fund investments*
1	MGE0001AU	Magellan Global Fund	23.8%	4.0%
2	PLA0002AU	Platinum International Fund	20.9%	3.3%
3	PLA0004AU	Platinum Asia Fund	10.0%	1.4%
4	MAQ0482AU	Winton Global Alpha Fund	7.7%	0.8%
5	ETL0018AU	PIMCO Global Bond Fund - Wholesale Class	7.1%	0.8%
6	IOF0045AU	Antipodes Global Fund - Class P	7.1%	1.0%
7	FID0008AU	Fidelity Australian Equities Fund	6.6%	1.2%
8	MAQ0277AU	Macquarie Income Opportunities Fund	6.5%	1.0%
9	HOW0052AU	Kapstream Absolute Return Income Fund	6.5%	1.0%
10	IOF0145AU	Janus Henderson Tactical Income Fund	6.3%	0.9%
11	MIA0001AU	MFS Global Equity Trust	6.3%	1.0%
12	VAN0003AU	Vanguard W'sale International Shares Index Fund	6.0%	1.1%
13	CSA0038AU	Bentham Global Income Fund	5.9%	0.6%
14	MAQ0410AU	Walter Scott Global Equity Fund	5.8%	1.2%
15	BFL0004AU	Bennelong ex-20 Australian Equities Fund	5.3%	0.7%
16	VAN0004AU	Vanguard Australian Property Securities Index Fund	5.1%	0.6%
17	ETL0032AU	Aberdeen Standard Emerging Opportunities Fund	5.1%	0.4%
18	ETL0016AU	PIMCO Diversified Fixed Interest Fund - Wholesale Class	4.9%	0.8%
19	TGP0034AU	RARE Infrastructure Value Fund - Unhedged	4.4%	0.4%
20	MGE0002AU ★	Magellan Infrastructure Fund	4.4%	0.5%

Total (Percentage that the top 20 make up of total SMSF investments in Managed Funds)

22.5%

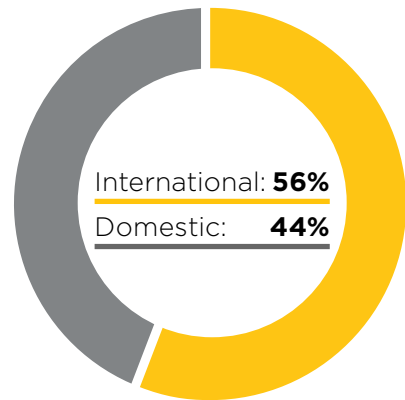
*Percentage each security makes up of the total SMSF Managed Fund investments e.g. MGE0001AU is 4.0% of the total SMSF investments in Managed Funds.

★ New to top 20 this quarter

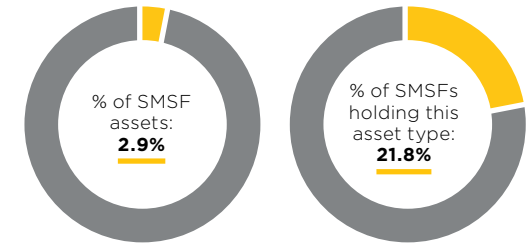
Investment Insights

Exchange-Traded Funds at 31 March 2019

SMSFs mostly use ETFs to get exposure to developed market equities and as a passive investment in Australian shares. Emerging markets and Australian listed property are also relatively popular.



International ETFs make up 56% of the Top 20 ETF Investment Holdings.



Top 20 Investment Holdings

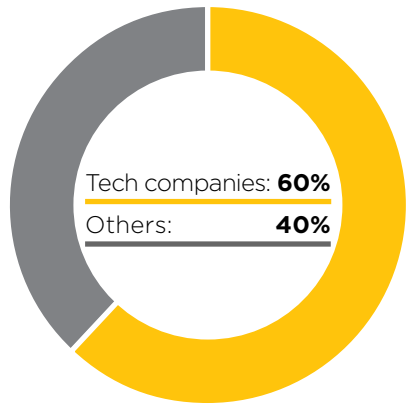
Rank	Security Code	Description	Intl/ Domestic	% of Funds with ETFs that hold this Security	% of total SMSF ETF investments*
1	IVV	Ishares S&P 500 ETF - Exchange Traded Fund Units Fully Paid	I	17.9%	7.6%
2	VAP	Vanguard Australian Property Securities Index ETF - Exchange Traded Fund Units Fully Paid	D	12.3%	3.2%
3	IOO	Ishares Global 100 ETF - Exchange Traded Fund Units Fully Paid	I	12.3%	4.2%
4	VEU	Vanguard All-World Ex-Us Shares Index ETF - Chess Depository Interests 1:1	I	12.1%	3.6%
5	MGE	Magellan Global Equities Fund (Managed Fund) - Trading Managed Fund Units Fully Paid	I	11.8%	4.3%
6	VTS	Vanguard Us Total Market Shares Index ETF - Chess Depository Interests 1:1	I	10.5%	4.1%
7	STW	SPDR S&P/ASX 200 Fund - Exchange Traded Fund Units Fully Paid	D	10.4%	5.5%
8	AAA	Betashares Australian High Interest Cash ETF - Exchange Traded Fund Units Fully Paid	D	9.9%	2.7%
9	VAS	Vanguard Australian Shares Index ETF - Exchange Traded Fund Units Fully Paid	D	9.8%	6.7%
10	SLF	SPDR S&P/ASX 200 Listed Property Fund - Exchange Traded Fund Units Fully Paid	D	9.0%	1.9%
11	IEU	Ishares Europe ETF - Exchange Traded Fund Units Fully Paid	I	7.8%	1.7%
12	VGS	Vanguard MSCI Index International Shares ETF - Exchange Traded Fund Units Fully Paid	I	7.5%	3.2%
13	VHY	Vanguard Australian Shares High Yield ETF - Exchange Traded Fund Units Fully Paid	D	6.8%	2.5%
14	IEM	Ishares MSCI Emerging Markets ETF - Exchange Traded Fund Units Fully Paid	I	6.7%	1.2%
15	VAF	Vanguard Australian Fixed Interest Index ETF - Exchange Traded Fund Units Fully Paid	D	6.4%	2.3%
16	DJRE	SPDR Dow Jones Global Real Estate Fund - Exchange Traded Fund Units Fully Paid	I	5.7%	0.7%
17	IAA	Ishares Asia 50 ETF - Exchange Traded Fund Units Fully Paid	I	5.7%	1.2%
18	IXJ	Ishares Global Healthcare ETF - Exchange Traded Fund Units Fully Paid	I	5.4%	1.2%
19	NDQ	Betashares Nasdaq 100 ETF - Exchange Traded Fund Units Fully Paid	I	4.9%	1.1%
20	MVW	Vaneck Vectors Australian Equal Weight ETF - Exchange Traded Fund Units Fully Paid	D	4.3%	1.5%
Total (Percentage that the top 20 make up of total SMSF investments in Exchange-Traded Funds)					60.4%

* Percentage each security makes up of the total SMSF ETF investments e.g. IVV is 7.6% of the total SMSF investments in ETFs.

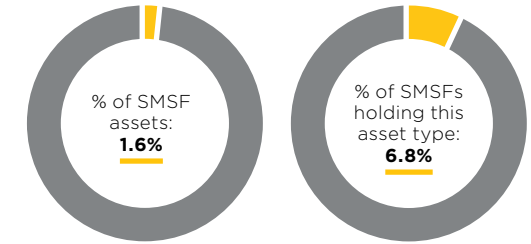
Investment Insights

Direct International Shares at 31 March 2019

Technology stocks are the most popular for SMSFs investing directly in international shares, with tech stocks making up 60% of the top 20 investments in international shares.



Tech companies make up 60% of the Top 20 international share holdings.



Top 20 Investment Holdings

Rank	Security Code	Exchange	Description	% of Funds with Int'l Shares that hold this security	% of total SMSF Int'l Share investments*
1	GOOG(L)#	NASDAQ	Alphabet Inc – Class C (A) Shares combined	19.2%	3.8%
2	AAPL	NASDAQ	Apple Inc	15.6%	4.4%
3	AMZN	NASDAQ	Amazon.com Inc	13.7%	2.8%
4	MSFT	NASDAQ	Microsoft Corp	11.2%	2.0%
5	FB	NASDAQ	Facebook Inc	10.0%	1.2%
6	BABA	NYSE	Alibaba Grp Shs Sponsored American Deposit Share Repr 1 Sh	9.4%	1.0%
7	V	NYSE	Visa Inc	9.0%	1.5%
8	PYPL	NASDAQ	PayPal Holdings Inc	5.9%	0.9%
9	BRK.A/B#	NYSE	Berkshire Hathaway Inc. Classes A & B combined	5.7%	4.3%
10	MA	NYSE	MasterCard Inc	5.7%	1.0%
11	JNJ	NYSE	Johnson & Johnson	5.0%	0.7%
12	SBUX ★	NASDAQ	Starbucks Corporation	4.9%	0.3%
13	700	SEHK	Tencent Holdings Ltd.	4.7%	0.6%
14	BAC	NYSE	Bank of America Corp	4.5%	0.6%
15	WFC	NYSE	Wells Fargo & Co	4.1%	0.5%
16	LLOY	LON	Lloyds Banking Group PLC	3.8%	0.6%
17	ACN	NYSE	Accenture PLC	3.5%	0.3%
18	HD ★	NYSE	Home Depot Inc	3.4%	0.3%
19	JPM ★	NYSE	JPMorgan Chase & Co	3.4%	0.6%
20	DIS	NYSE	Walt Disney Company	3.4%	0.3%
Total (Percentage that the top 20 make up of total SMSF investments in Direct International Shares)				27.7%	

* Percentage each security makes up of the total SMSF International Share investments e.g. GOOG(L) is 3.8% of the total SMSF investments in International Shares.

GOOG/GOOGL and BRK.A/BRK.B combined into single entries. ★ New to top 20 this quarter.

About

The Class SMSF Benchmark Report

Class Super is used by over 1,400 accounting, financial planning and specialist administration businesses to administer approximately 170,000 SMSFs, representing 28% of the estimated 598,000 SMSFs in Australia as at 31 March 2019.

Call **1300 851 057**
Visit **class.com.au**

The *Class SMSF Benchmark Report* is compiled using de-identified data extracted from across the Class Super user base*. Class Super supplies data to its customers via transaction and market data feeds which include daily balances from a wide range of banks, brokers and wrap and other platform providers – the richness and timeliness of this data provides a unique, up to date view across a significant portion of the SMSF sector.

At Class, we've been developing and delivering cloud software solutions for the Australian wealth accounting market since 2009. Our mission is to deliver innovative administration solutions that automate manual workloads, driving high levels of processing efficiency and scalability. Class software enables accountants, administrators and planners to increase profitability, fuel business growth and deliver better client service.

Class Super is the leading cloud SMSF administration software, used to quickly and efficiently administer approximately 170,000 funds.

Class Portfolio is a powerful solution for accounting, administration and reporting of other investment portfolios.

The underlying figures for the charts and tables used in this report are available by emailing **media@class.com.au**

*To view the methodology used, please click [here](#).

