

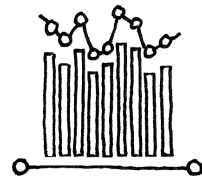
June 2018
SMSF Benchmark Report

Super reform: the great pension squeeze



Feature

Taxable SMSF assets
almost double to \$422bn



Benchmark Data

A profile of SMSFs
and their members



Investment Insights

A detailed picture
of how SMSFs invest



Taxable SMSF assets almost double to \$422bn

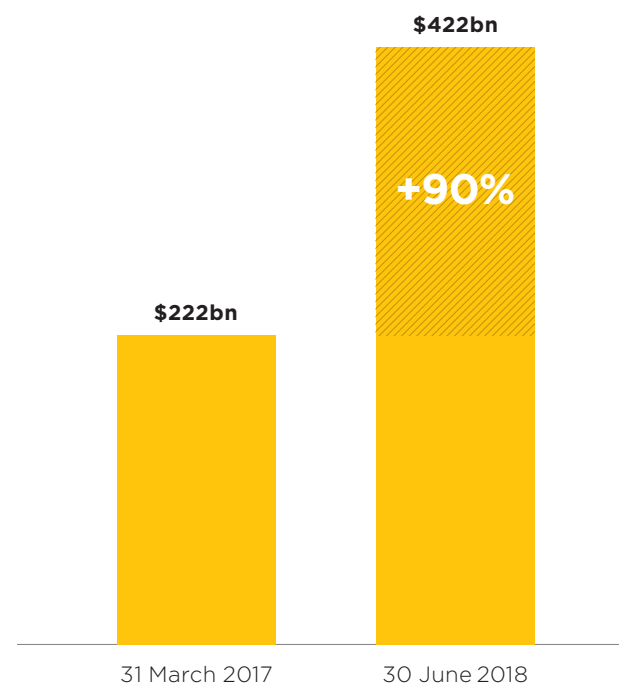
Two years after the 2016 budget announcement, the SMSF industry operates in a vastly different way. Sweeping super reform has impacted how often funds are processed, how often they are reported on, how CGT relief and actuarial certificates are managed and of course, the total asset value that can be held in pension phase.

Policy outcome achieved, lots more taxable super

The introduction of the \$1.6 million transfer balance cap and change to the tax status of TRIS accounts has seen almost 25% of SMSF assets that were tax-free lose that status.

As at June 2018, Class data revealed asset value in accumulation phase was \$422 billion, a 90% increase from March 2017 when asset value in accumulation was \$222 billion - and the tax implications are huge.

Accumulation phase assets

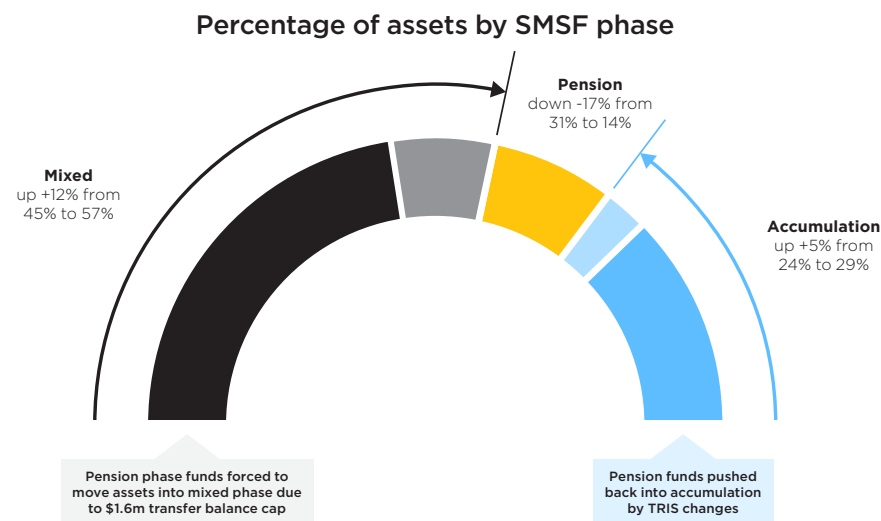


The great pension squeeze

The 2016 super reform changes have now been largely completed. The net result is a tectonic shift in assets.

Pension assets have been squeezed hard – the dual forces of the TRIS change and the \$1.6m transfer balance cap forcing assets into accumulation and mixed phases.

In March 2017, 31% of assets were held in pension phase and 45% were held in mixed phase. As at June 2018, only 14% of assets remain in tax free pension phase, while mixed phase has jumped to 57%.

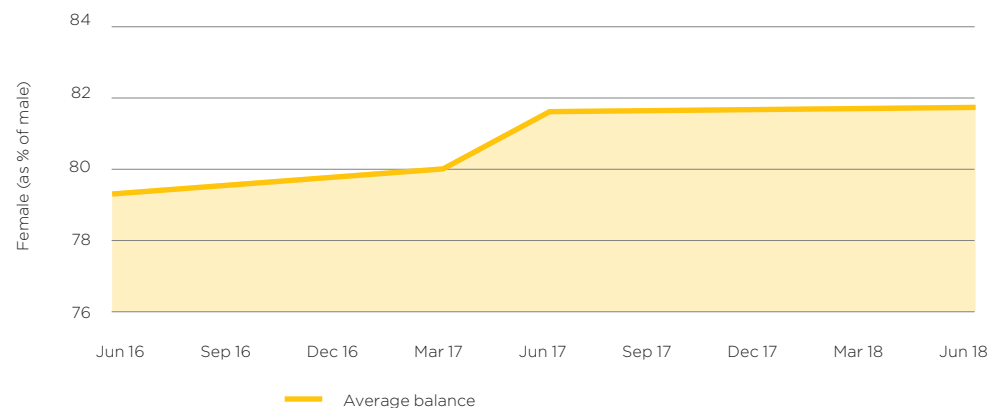


New strategies delivering unexpected benefits

In addition to the anticipated tax implications, some funds appear to have also adopted new strategies in response to the changes. Two of the most notable, an increase in contribution splitting and recontributions, have led to a significant improvement in the gender imbalance in SMSF assets and balances.

This acceleration of contribution splitting across 2 member funds was explored in our [2017 September SMSF Benchmark Report](#) and it will be interesting to see if the trend continues.

Female assets and balances boosted in the lead up to the 2017 super reforms



The rising SMSF tax bill

Even if we assume a modest return of 5% on assets for the 2018 financial year, we would see an uplift in the tax due on SMSF earnings to \$3.2 billion – a whopping \$1.5 billion jump from 2017.

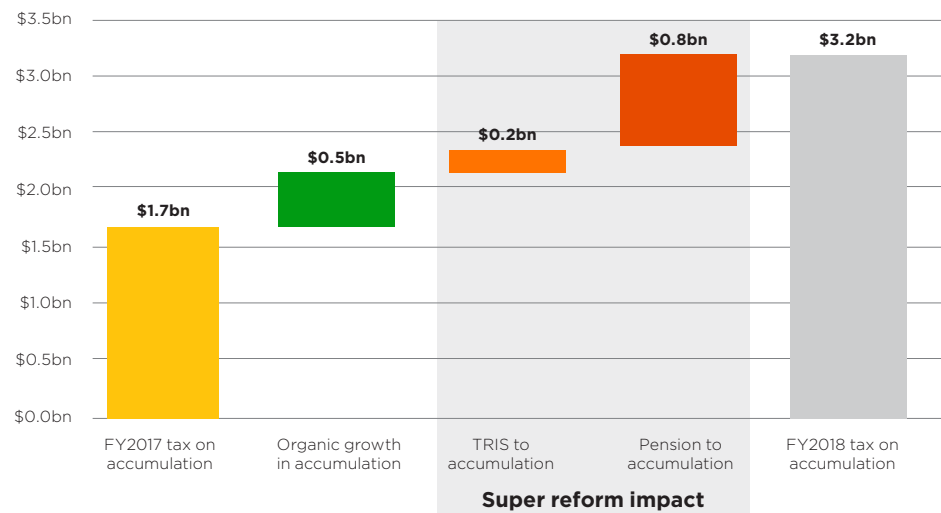
Our tax estimates are based on earnings only. The tax outcome of a fund also needs to take into account contribution tax, deductible expenses and rebates including franking credits.

Pension SMSFs shouldn't be hit again

Given the impact of the 2016 super reforms, we don't consider the proposed Labor policy to further increase the tax burden on self-funded retirees by reducing imputation credits for SMSFs is appropriate, especially if it disproportionately impacts SMSFs compared to APRA funds.

If the proposed changes go through, SMSFs will not only be subject to 15% income tax on a higher portion of their assets (now in accumulation), but they may also lose their tax credits on their pension and accumulation assets.

Growth tax on accumulation: FY2017 to FY2018



The outlook for SMSFs

The unprecedented SMSF regulatory changes over the last two years have presented significant challenges for SMSF accountants, administrators, planners and trustees alike.

While maintaining compliance and maximising retirement wealth has never been more complex, we hope the end of super reform impact is now in sight.

Benchmark Data

Key Statistics

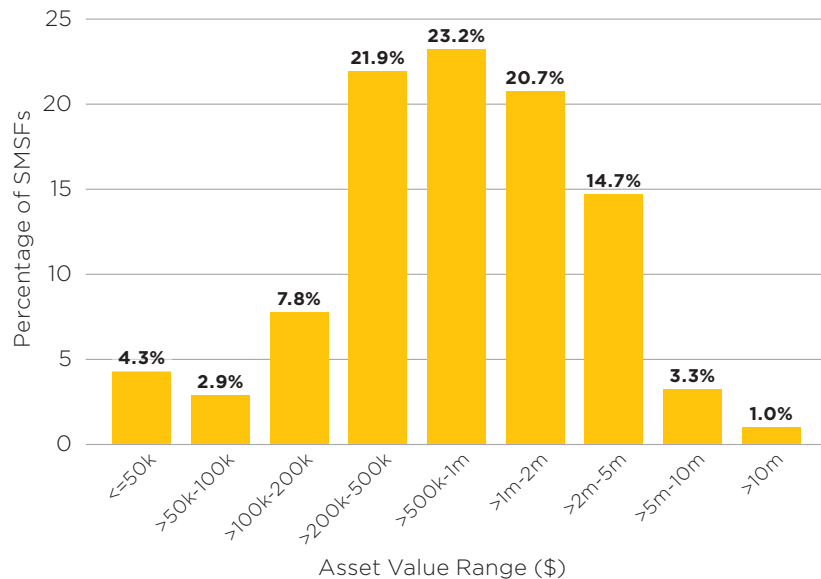
at 30 June 2018

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



58

 **median number of SMSFs per business**

1.9

 **average number of members per fund**

1,363

 **number of Class customer businesses**

\$228bn

 **total value of net assets administered on Class Super across 163,464 SMSFs**

120

 **average number of SMSFs per business**

\$1.4m

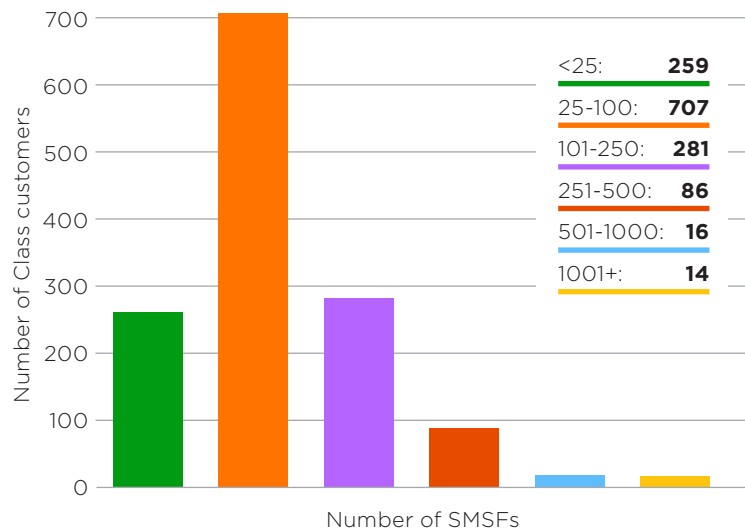
 **average SMSF balance with an average member balance of \$734,324**

Benchmark Data

SMSF Administrator Statistics at 30 June 2018

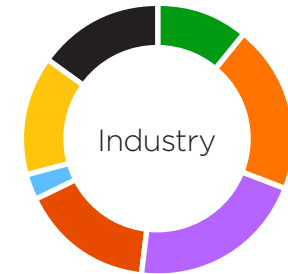
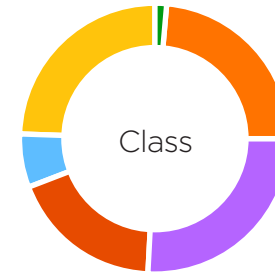
While small firms – less than 25 SMSFs – are still a significant subscriber category on Class, a typical small SMSF practice for Class has between 25-100 funds. The SMSF industry is consolidating and we would expect that percentage to decrease over time. This trend among Class clients will also be driven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

Class customers



Administrator by size and industry

No. of SMSFs	Class	Industry
<25	1.6%	11%
25-100	23.4%	20%
101-250	26.0%	21%
251-500	18.3%	16%
501-1000	6.4%	4%
1001+	24.3%	14%
DIY	0%	14%



No. of SMSFs	No. of Class customers	% of Class customers	No. of SMSFs	% of SMSFs	Average SMSFs	Administrator Type
<25	259	19.0%	2,682	1.6%	10	General Accounting Practice
25-100	707	51.9%	38,323	23.4%	54	Small SMSF Practice
101-250	281	20.6%	42,481	26.0%	151	Medium SMSF Practice
251-500	86	6.3%	29,905	18.3%	348	Large SMSF Practice
501-1000	16	1.2%	10,392	6.4%	650	Emerging Administrator
1001+	14	1.0%	39,681	24.3%	2,834	Major Administrator

Benchmark Data

Membership Sizes at 30 June 2018

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 34% more assets than women and their average balance is 22% higher.

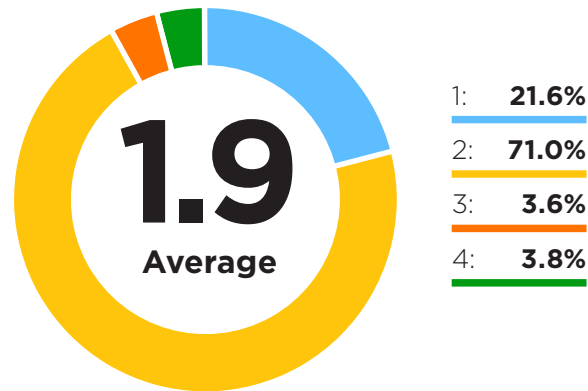
Average assets per member

\$734,324

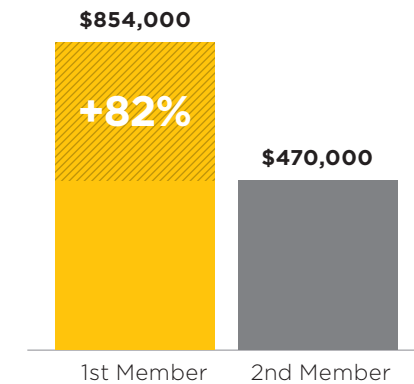
Average assets per SMSF

\$1,393,134

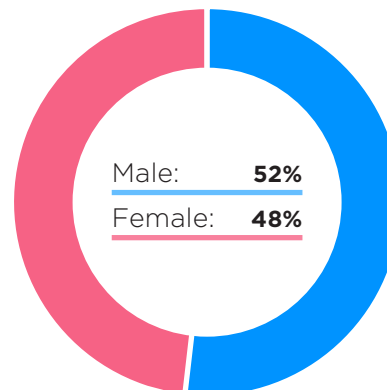
Number of members in SMSFs



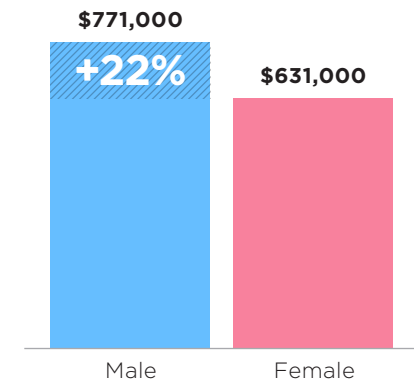
Average member balances in two member funds



SMSF members by gender



Average member balance by gender



Benchmark Data

Accumulation and Pension Statistics at 30 June 2018

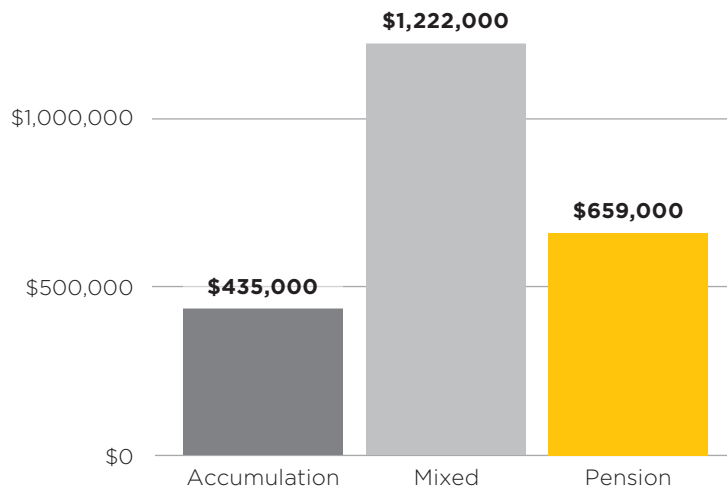
While mixed phase SMSFs are not the largest SMSF member segment, they do hold significantly more in net assets per member than those in either accumulation or pension phase#.

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	51%
Mixed	32%
Pension	17%

Metrics	Accumulation	Mixed	Pension
% of net assets	30%	56%	14%
% of members	51%	34%	15%
Average number of members per SMSF	1.9	2.0	1.7
Average net assets per SMSF*	\$828,000	\$2,453,000	\$1,101,000
SMSFs by member phase	51%	32%	17%
Average age of members	52	65	72
Average net assets per member*	\$435,000	\$1,222,000	\$659,000

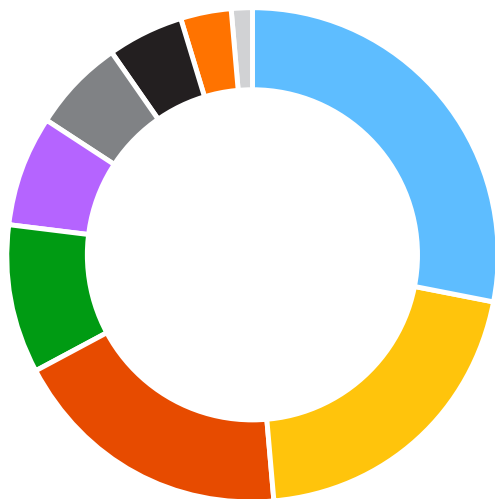
* Rounded to nearest \$'000

Investment Insights

Asset Allocation at 30 June 2018

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.

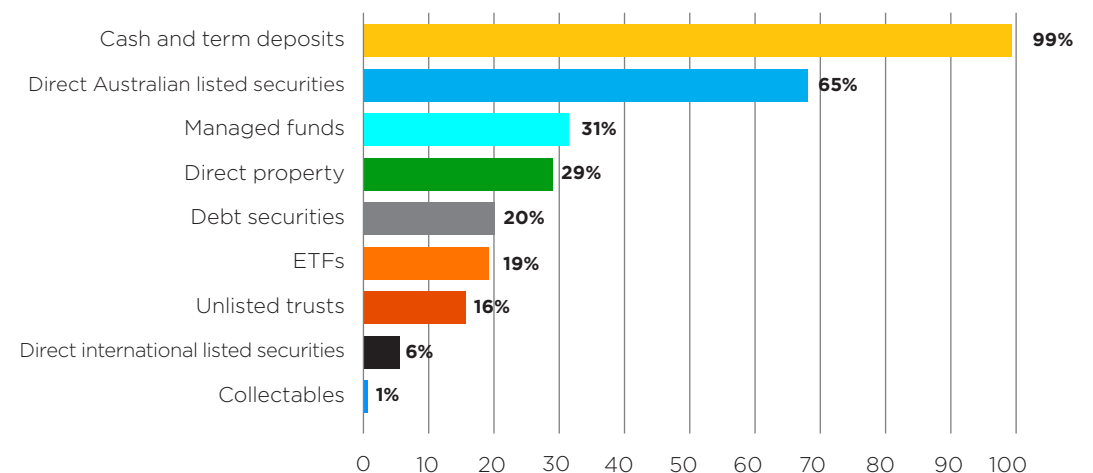
SMSF Asset Allocation 30 June 2018



Listed shares:	28.1%
Cash and term deposits:	20.6%
Unlisted trusts:	18.6%
Non-residential real property:	9.6%
All other assets:	7.3%
Residential real property:	6.2%
Listed trusts:	4.8%
Limited recourse borrowing arrangements:	3.4%
Other managed investments:	1.3%

What are SMSFs investing in?

% of SMSFs holding each asset type



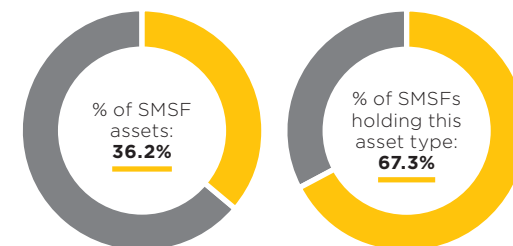
Investment Insights

Domestic Listed Securities at 30 June 2018

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 46% of the top 20 investment holdings.

The domestic listed securities asset class comprises:

Shares	78.5%
Debt and hybrid securities	8.1%
ETFs	6.9%
Stapled securities	5.6%
Other listed trusts	0.8%



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	TLS	Telstra Corporation Limited	48.4%	2.4%
2	WBC	Westpac Banking Corporation	47.0%	5.6%
3	BHP	BHP Billiton Limited	45.3%	4.9%
4	NAB	National Australia Bank Limited	43.9%	4.6%
5	CBA	Commonwealth Bank Of Australia.	43.6%	6.4%
6	ANZ	Australia And New Zealand Banking Group Limited	43.2%	4.6%
7	WES	Wesfarmers Limited	34.4%	3.1%
8	WPL	Woodside Petroleum Limited	28.4%	1.8%
9	WOW	Woolworths Group Limited	27.0%	1.8%
10	CSL	CSL Limited	20.6%	3.7%
11	S32	South32 Limited	19.5%	0.4%
12	RIO	Rio Tinto Limited	19.2%	1.6%
13	TCL	Transurban Group - Ordinary Shares/Units Fully Paid Triple Stapled	16.4%	1.1%
14	MQG	Macquarie Group Limited	16.2%	1.9%
15	QBE	QBE Insurance Group Limited	15.5%	0.5%
16	CYB	Cybg PLC - Cdi 1:1 Foreign Exempt Lse	14.7%	0.1%
17	SYD	Sydney Airport - Fully Paid Stapled Securities Us Prohibited	13.7%	0.8%
18	AMP	AMP Limited	13.0%	0.3%
19	RHC	★ Ramsay Health Care Limited	12.4%	0.6%
20	MPL	Medibank Private Limited	12.1%	0.4%
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. TLS is 2.4% of the total SMSF investments in Domestic Listed Securities.

★ New to top 20 this quarter

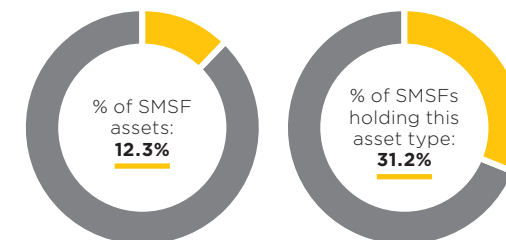
Investment Insights

Managed Funds at 30 June 2018

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	58.7%
Cash	10.4%
Australian Equities	9.3%
Australian Fixed Interest	7.8%
International Fixed Interest	7.8%
Other	3.7%
Listed Property	2.3%



Top 20 Investment Holdings

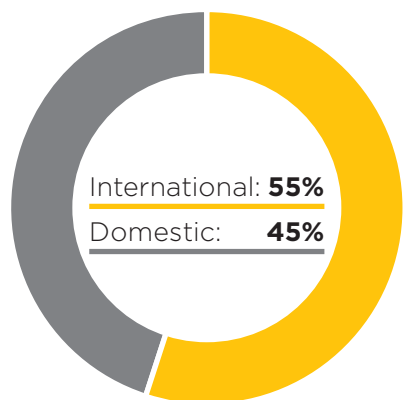
Rank	Security Code	Description	% of Funds with Managed Funds that hold this security	% of total SMSF Managed Fund investments*
1	MGE0001AU	Magellan Global Fund	23.9%	4.1%
2	PLA0002AU	Platinum International Fund	21.5%	3.7%
3	PLA0004AU	Platinum Asia Fund	9.8%	1.6%
4	MAQ0482AU	Winton Global Alpha Fund	7.9%	0.8%
5	FID0008AU	Fidelity Australian Equities Fund	7.2%	1.4%
6	MIA0001AU	MFS Global Equity Trust	6.6%	1.0%
7	MAQ0277AU	Macquarie Income Opportunities Fund	6.4%	1.0%
8	ETL0032AU	Aberdeen Emerging Opportunities Fund	6.1%	0.5%
9	HOW0052AU	Kapstream Absolute Return Income Fund	6.0%	1.0%
10	ETL0018AU	PIMCO Global Bond Fund - Wholesale Class	5.6%	0.7%
11	IOF0145AU	Janus Henderson Tactical Income Fund	5.6%	0.8%
12	MAQ0410AU	Walter Scott Global Equity Fund	5.5%	1.1%
13	VAN0003AU	Vanguard W'sale International Shares Index Fund	5.5%	1.1%
14	VAN0004AU	Vanguard Australian Property Securities Index Fund	5.3%	0.5%
15	GSF0002AU	Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged) Fund	5.2%	0.6%
16	IOF0045AU	Antipodes Global Fund - Class P	5.2%	0.8%
17	TGP0034AU	RARE Infrastructure Value Fund - Unhedged	4.9%	0.4%
18	CSA0038AU	Bentham Global Income Fund	4.9%	0.6%
19	BFL0004AU	Bennelong ex-20 Australian Equities Fund	4.7%	0.7%
20	MAQ0404AU	IFP Global Franchise Fund	4.7%	0.7%
Total (Percentage that the top 20 make up of total SMSF investments in Managed Funds)				22.9%

*Percentage each security makes up of the total SMSF Managed Fund investments e.g. MGE0001AU is 4.1% of the total SMSF investments in Managed Funds.

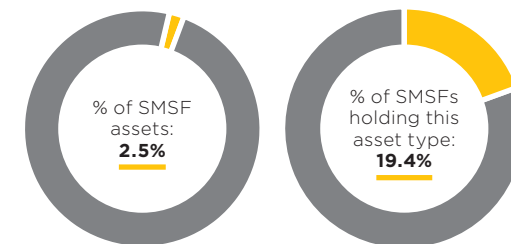
Investment Insights

Exchange-Traded Funds at 30 June 2018

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 55% 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 - Chess Depository Interests 1:1 Ishs&P500	I	19.7%	8.7%
2	VEU	Vanguard All-World Ex-Us Shares Index ETF - Chess Depository Interests 1:1	I	14.0%	4.0%
3	IOO	Ishares Global 100 ETF - Chess Depository Interests 1:1 Ishglb100	I	13.6%	3.5%
4	VAP	Vanguard Australian Property Securities Index ETF - Exchange Traded Fund Units Fully Paid	D	13.0%	3.4%
5	VTS	Vanguard Us Total Market Shares Index ETF - Chess Depository Interests 1:1	I	12.4%	4.9%
6	MGE	Magellan Global Equities Fund (Managed Fund) - Trading Managed Fund Units Fully Paid	I	12.3%	4.3%
7	STW	SPDR S&P/ASX 200 Fund - Exchange Traded Fund Units Fully Paid	D	11.7%	6.4%
8	SLF	SPDR S&P/ASX 200 Listed Property Fund - Exchange Traded Fund Units Fully Paid	D	10.0%	2.1%
9	VAS	Vanguard Australian Shares Index ETF - Exchange Traded Fund Units Fully Paid	D	9.5%	7.0%
10	IEU	Ishares Europe ETF - Chess Depository Interests 1:1 Isheu350	I	8.9%	2.1%
11	VHY	Vanguard Australian Shares High Yield ETF - Exchange Traded Fund Units Fully Paid	D	7.9%	3.1%
12	AAA	Betashares Australian High Interest Cash ETF - Exchange Traded Fund Units Fully Paid	D	7.4%	2.8%
13	IEM	Ishares MSCI Emerging Markets ETF - Chess Depository Interests 1:1 Ishmsciem	I	7.1%	1.3%
14	VGS	Vanguard MSCI Index International Shares ETF - Exchange Traded Fund Units Fully Paid	I	6.6%	2.8%
15	VAF	Vanguard Australian Fixed Interest Index ETF - Exchange Traded Fund Units Fully Paid	D	6.3%	2.3%
16	IXJ	Ishares Global Healthcare ETF - Chess Depository Interests 1:1 Ishhealth	I	6.2%	0.9%
17	IAA	Ishares Asia 50 ETF - Chess Depository Interests 1:1 Ishasia	I	6.2%	1.4%
18	SFY	SPDR S&P/ASX 50 Fund - Exchange Traded Fund Units Fully Paid	D	4.9%	1.8%
19	DJRE	SPDR Dow Jones Global Real Estate Fund - Exchange Traded Fund Units Fully Paid	I	4.7%	0.6%
20	NDQ	★ Betashares Nasdaq 100 ETF - Exchange Traded Fund Units Fully Paid	I	4.3%	1.1%
Total (Percentage that the top 20 make up of total SMSF investments in Exchange-Traded Funds)					64.5%

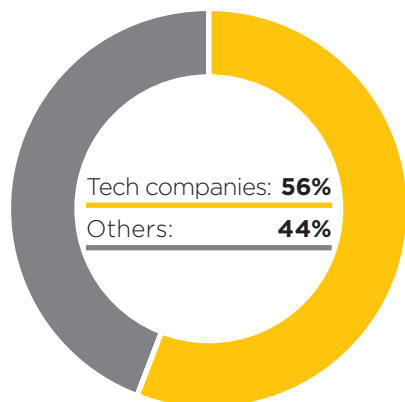
* Percentage each security makes up of the total SMSF ETF investments e.g. IVV is 8.7% of the total SMSF investments in ETFs.

★ New to top 20 this quarter

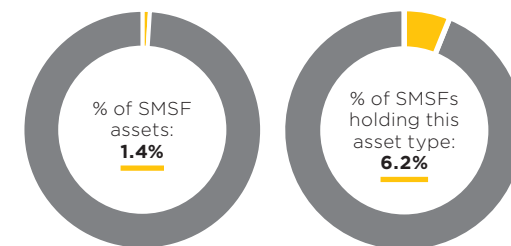
Investment Insights

Direct International Shares at 30 June 2018

Technology stocks are the most popular for SMSFs investing directly in international shares, with tech stocks making up 56% of the top 20 investment in international shares.



Tech companies make up 56% 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	16.4%	3.3%
2	AAPL	NASDAQ	Apple Inc	13.4%	4.9%
3	FB	NASDAQ	Facebook Inc	9.0%	1.3%
4	MSFT	NASDAQ	Microsoft Corp	8.5%	1.4%
5	AMZN	NASDAQ	Amazon.com Inc	8.5%	2.1%
6	V	NYSE	Visa Inc	6.6%	1.1%
7	PYPL	NASDAQ	PayPal Holdings Inc	6.4%	0.8%
8	GE	NYSE	General Electric Co	5.0%	0.3%
9	MA	NYSE	MasterCard Inc	4.9%	0.8%
10	JNJ	NYSE	Johnson & Johnson	4.8%	0.7%
11	BRK.A/B#	NYSE	Berkshire Hathaway Inc. Classes A & B combined	4.8%	6.4%
12	C	NYSE	Citigroup Inc	4.4%	0.4%
13	BABA	NYSE	Alibaba Grp Shs Sponsored American Deposit Share Repr 1 Sh	4.3%	0.6%
14	ORCL	NYSE	Oracle Corp	4.2%	0.3%
15	LLOY	LON	Lloyds Banking Group PLC	4.1%	0.6%
16	WFC	NYSE	Wells Fargo & Co	4.0%	0.6%
17	BAC	NYSE	Bank of America Corp	3.6%	0.6%
18	EBAY	NASDAQ	eBay Inc	3.5%	0.3%
19	SIE	FRA	★ Siemens AG	3.5%	0.3%
20	IGAS	LON	IGas Energy PLC	3.5%	< 0.1%
Total (Percentage that the top 20 make up of total SMSF investments in Direct International Shares)				26.8%	

* Percentage each security makes up of the total SMSF International Share investments e.g. GOOG(L) is 3.3% 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 1,300 accounting, financial planning and specialist administration businesses to administer over 160,000 SMSFs, representing over 27% of the estimated 600,000 SMSFs in Australia as at 30 June 2018.

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 over 160,000 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](#).

