

June 2019
SMSF Benchmark Report

The Smart Automation Shaping the Future of SMSFs



Feature

How technology is solving the industry's biggest headaches



Benchmark Data

A profile of SMSFs and their members



Investment Insights

A detailed picture of how SMSFs invest



How technology is solving the industry's biggest headaches

Accountants responsible for administering self-managed super funds (SMSFs) have faced unprecedented challenges over the last few years. Remaining compliant has become more time consuming than ever before and pressure on pricing has intensified as low-cost administrators drive down fees.

Research reveals that 38% of SMSF trustees find managing their SMSF far more time consuming than they expected and they are looking to their accountants and advisers to help simplify processes for them.

Frustration from accountants, advisers and trustees is driving the need for innovation, and innovation is built on smart automation. The most impactful automation benefits are felt when they address the biggest challenges accountants have to overcome.

In 2014, Class brought to market bulk processing of complex corporate actions. Funds that typically took weeks to complete can now be processed in a fraction of the time thanks to reliable and secure direct-connect data feeds and bulk processing.



38%

of members find running their SMSF more time consuming than expected



SMSF admin fees now as low as

\$1,500
per year

Innovation to address real pain

In 2019, Class launched Tax Statement Automation. Class collects underlying tax statement data for a large number of directly held securities, removing the need for administrators to source and enter the data manually.

The industry has long recognised the process of manually compiling tax statement data was a highly demanding, time consuming task. Given the poor availability of data, administrators often had to source statements from issuers of underlying securities or from wrap platforms and investment brokers. Waiting for providers to issue statements, keying in data and then reconciling those numbers regularly caused delays in lodging returns.

More than 58,000 SMSFs on Class require tax statement processing. On average, our Tax Statement Automation is being applied to 3.3 holdings per fund, each with its own set of tax statements. For a Class client with 100 SMSFs this would typically amount to 113 holdings.

Without Tax Statement Automation, many hours would be wasted manually sourcing, keying and reconciling data.

More than

58,000

SMSFs on Class can now benefit from Tax Statement Automation

A client with

100 SMSFs

typically benefits from automated tax statement processing on

113 holdings

Innovation to deliver the gift of time

Class estimates that 95% of its client administrators and 34% of SMSFs on Class will directly benefit from the tax statement automation solution. Administrators using Class receive the invaluable gift of time thanks to reliable and secure data, consolidated as a single source and streamlined SMSF administration that processes funds faster.

Early users of the solution are reporting average savings of up to 30 minutes per fund and up to 10 minutes per tax statement. Victorian accounting firm First Class Super has saved an average of 30 minutes in processing time per SMSF since using Class's Tax Statement Automation.

CEO Paul Murray says this has allowed the firm to focus more on reviewing statements to ensure data is reliable, which ultimately adds value for clients.

"The more tax statements we have, the more time we save," says Paul. "With less processing, we have become more efficient and have reduced our keying errors."

**Tax Statement Automation
expected to benefit**

95%

of administrators using Class

Average saving of

30 minutes
per fund and

10 minutes
per tax statement

Benchmark Data

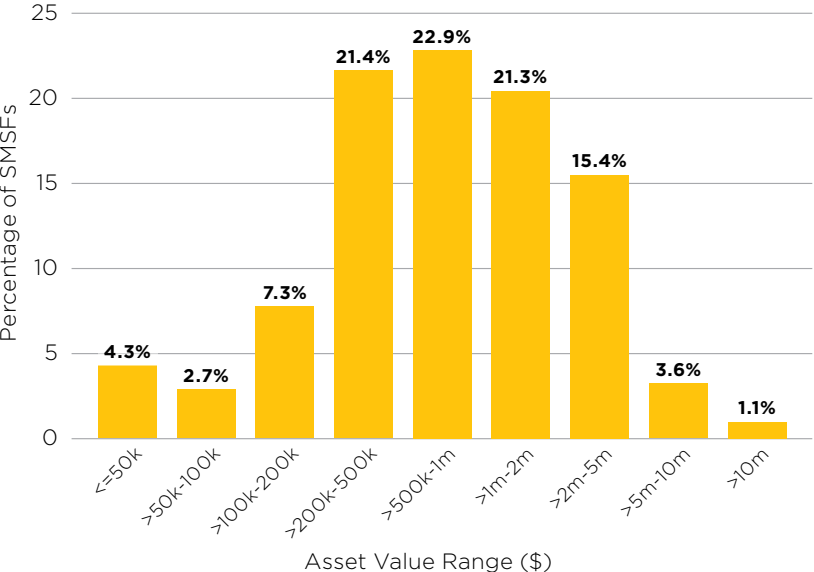
Key Statistics at 30 June 2019

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



53

median number of SMSFs per business

1.9

average number of members per fund

1,534

number of Class customer businesses

\$249bn

total value of net assets administered on Class Super across 171,447 SMSFs

112

average number of SMSFs per business

\$1.5m

average SMSF balance with an average member balance of \$767,037

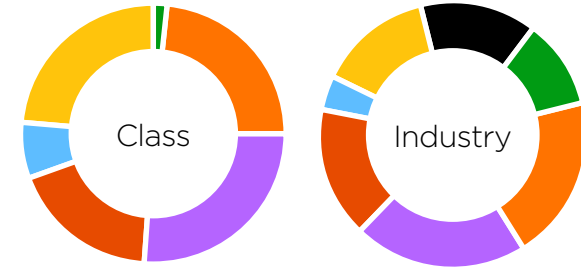
Benchmark Data

SMSF Administrator Statistics at 30 June 2019

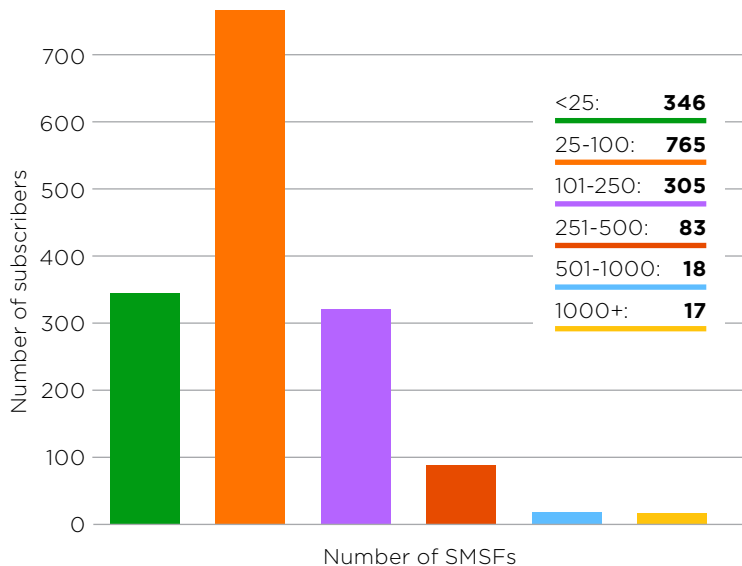
While small firms – less than 25 SMSFs – are still a significant subscriber category on Class, a typical small SMSF practice for Class has between 25-100 funds. The SMSF industry is consolidating and we would expect that percentage to decrease over time. This trend among Class customers will also be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

% of SMSFs by administrator size

No. of SMSFs	Class	Industry
<25	2.0%	11%
25-100	23.9%	20%
101-250	26.8%	21%
251-500	17.2%	16%
501-1000	6.8%	4%
1000+	23.3%	14%
DIY	0%	14%



Class customers by size



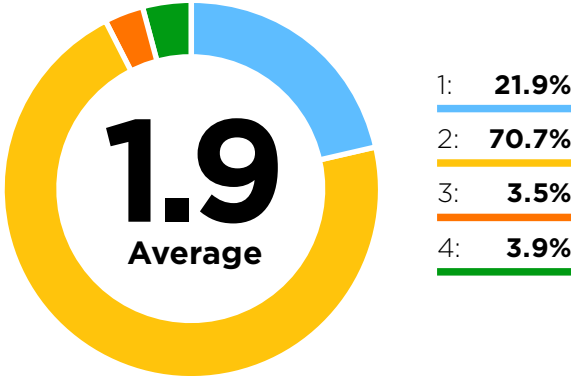
No. of SMSFs	No. of subscribers	% of subscribers	No. of SMSFs	% of SMSFs	Average SMSFs	Administrator Type
<25	346	22.6%	3,411	2.0%	10	General Accounting Practice
25-100	765	49.9%	41,032	23.9%	54	Small SMSF Practice
101-250	305	19.9%	45,933	26.8%	151	Medium SMSF Practice
251-500	83	5.4%	29,536	17.2%	356	Large SMSF Practice
501-1000	18	1.2%	11,632	6.8%	646	Emerging Administrator
1000+	17	1.1%	39,903	23.3%	2,347	Major Administrator

Benchmark Data

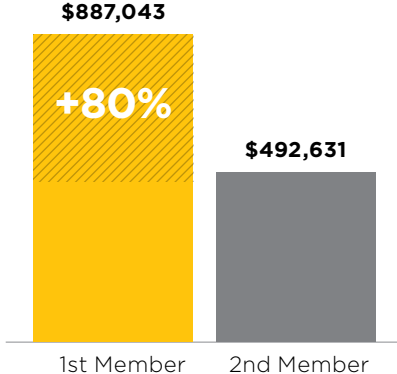
Membership Sizes at 30 June 2019

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 32% more assets than women and their average balance is 21% higher.

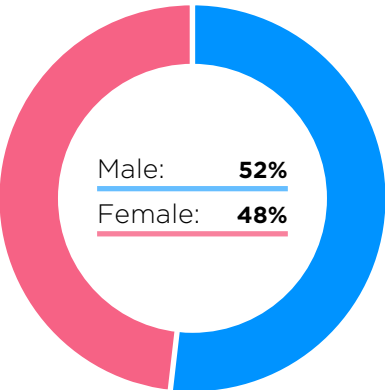
Number of members in SMSFs



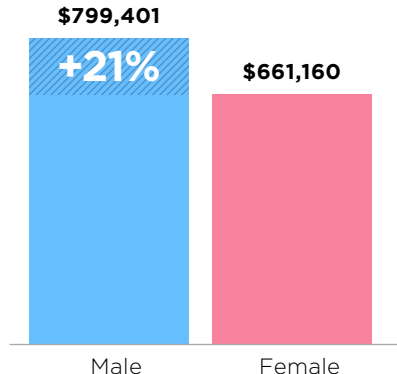
Average member balances in two member funds



SMSF members by gender



Average member balance by gender



Average assets per member

\$767,037

Average assets per SMSF

\$1,452,914

Benchmark Data

Accumulation and Pension Statistics at 30 June 2019

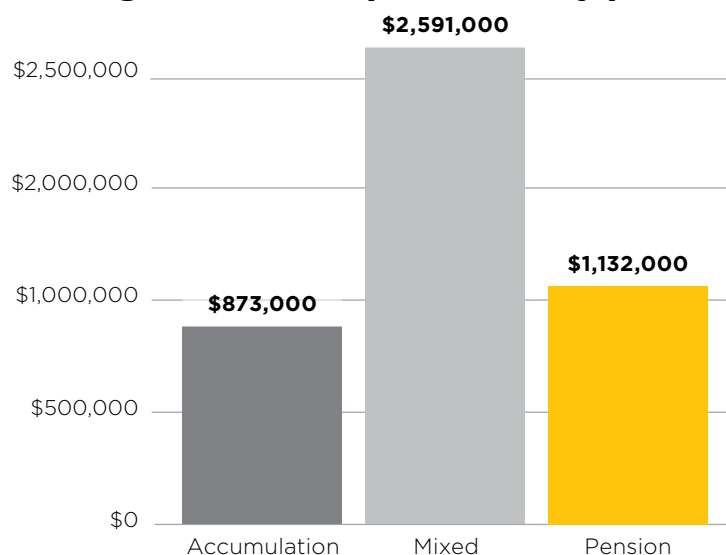
While mixed phase SMSFs are not the largest SMSF member segment, they do hold significantly more in net assets per member than those in either accumulation or pension phase#.

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*	\$873,000	\$2,591,000	\$1,132,000
SMSFs by member phase	52%	31%	17%
Average age of members	52	66	73
Average net assets per member*	\$459,000	\$1,293,000	\$676,000

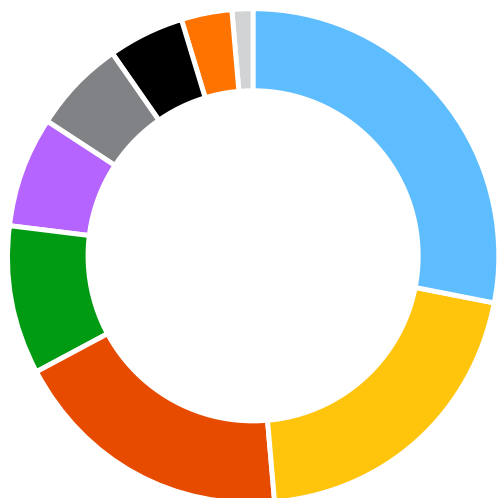
* Rounded to nearest \$'000

Investment Insights

Asset Allocation at 30 June 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.

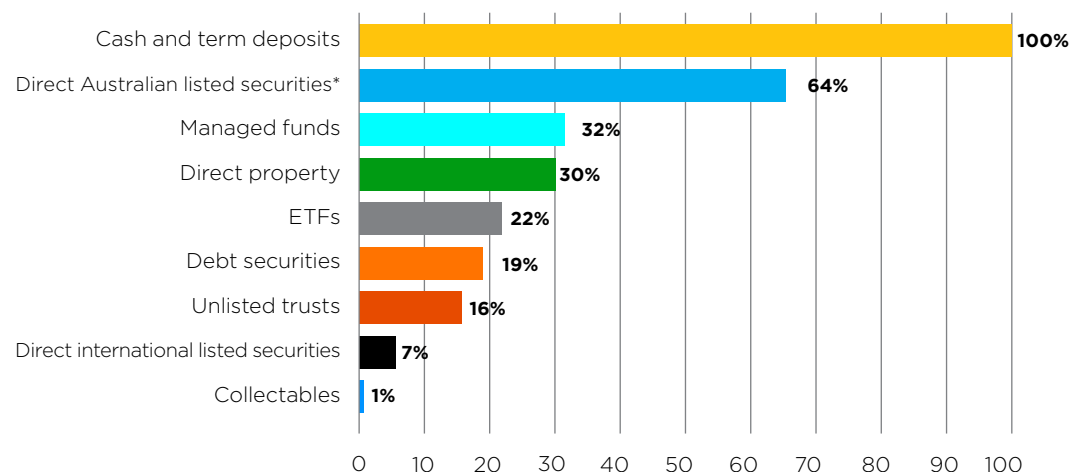
SMSF Asset Allocation 30 June 2019



Listed shares:	27.5%
Cash and term deposits:	19.5%
Unlisted trusts:	19.0%
Non-residential real property:	9.9%
All other assets:	7.7%
Residential real property:	5.7%
Listed trusts:	5.7%
Limited recourse borrowing arrangements:	3.7%
Other managed investments:	1.3%

What are SMSFs investing in?

% of SMSFs holding each asset type



*Excluding ETFs

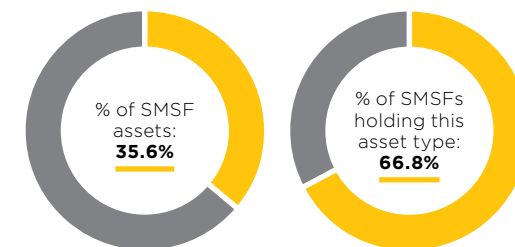
Investment Insights

Domestic Listed Securities at 30 June 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 44% of the top 20 investment holdings.

The domestic listed securities asset class comprises:

Shares	76.7%
ETFs	8.6%
Debt and hybrid securities	7.5%
Stapled securities	5.8%
Other listed trusts	1.4%



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	48.4%	5.2%
2	BHP	BHP Group Limited	45.8%	5.2%
3	TLS	Telstra Corporation Limited.	45.0%	3.0%
4	CBA	Commonwealth Bank Of Australia.	44.6%	6.8%
5	NAB	National Australia Bank Limited	44.4%	4.3%
6	ANZ	Australia And New Zealand Banking Group Limited	43.0%	4.2%
7	WES	Wesfarmers Limited	34.2%	2.2%
8	WPL	Woodside Petroleum Limited	29.9%	1.8%
9	WOW	Woolworths Group Limited	25.2%	1.7%
10	CSL	CSL Limited	22.9%	3.9%
11	RIO	Rio Tinto Limited	19.2%	1.7%
12	MQG	Macquarie Group Limited	19.0%	2.0%
13	TCL	Transurban Group -Ordinary Shares/Units Fully Paid Triple Stapled	17.7%	1.4%
14	S32	South32 Limited	17.5%	0.3%
15	SYD	Sydney Airport -Fully Paid Stapled Securities	13.8%	0.8%
16	RHC	Ramsay Health Care Limited	12.9%	0.8%
17	CYB	Cybg PLC -Cdi 1:1 Foreign Exempt Lse	12.8%	0.1%
18	COL ★	Coles Group Ltd	12.7%	0.2%
19	QBE	QBE Insurance Group Limited	12.3%	0.5%
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 5.2% of the total SMSF investments in Domestic Listed Securities.

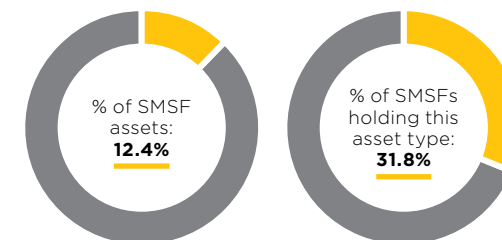
Investment Insights

Managed Funds at 30 June 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	55.4%
International Fixed Interest	11.2%
Cash	9.3%
Australian Fixed Interest	9.2%
Australian Equities	8.3%
Listed Property	3.3%
Other	3.2%



Top 20 Investment Holdings

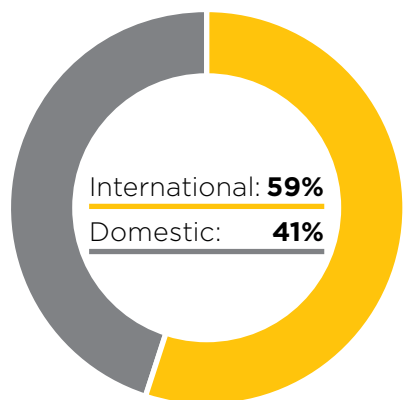
Rank	Security Code	Description	% of Funds with Managed Funds that hold this security	% of total SMSF Managed Fund investments*
1	MGE0001AU	Magellan Global Fund	23.5%	4.1%
2	PLA0002AU	Platinum International Fund	20.5%	3.2%
3	PLA0004AU	Platinum Asia Fund	9.8%	1.4%
4	MAQ0482AU	Winton Global Alpha Fund	7.6%	0.7%
5	IOF0045AU	Antipodes Global Fund -Class P	7.3%	1.1%
6	ETL0018AU	PIMCO Global Bond Fund -Wholesale Class	7.1%	0.8%
7	HOW0052AU	Kapstream Absolute Return Income Fund	6.5%	0.9%
8	FID0008AU	Fidelity Australian Equities Fund	6.4%	1.2%
9	MAQ0277AU	Macquarie Income Opportunities Fund	6.4%	0.9%
10	IOF0145AU	Janus Henderson Tactical Income Fund	6.3%	0.9%
11	MIA0001AU	MFS Global Equity Trust	6.1%	1.0%
12	VAN0003AU	Vanguard W'sale International Shares Index Fund	6.0%	1.2%
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	ETL0016AU	PIMCO Diversified Fixed Interest Fund -Wholesale Class	5.0%	0.8%
18	ETL0032AU	Aberdeen Standard Emerging Opportunities Fund	4.8%	0.4%
19	MGE0002AU	Magellan Infrastructure Fund	4.6%	0.5%
20	TGP0034AU	RARE Infrastructure Value Fund -Unhedged	4.4%	0.4%
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 4.1% of the total SMSF investments in Managed Funds.

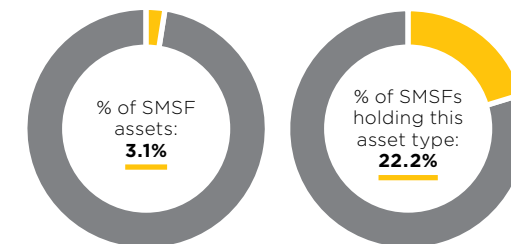
Investment Insights

Exchange-Traded Funds at 30 June 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 59% 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	18.1%	7.4%
2	VAP	Vanguard Australian Property Securities Index ETF - Exchange Traded Fund Units Fully Paid	D	12.5%	3.5%
3	IOO	Ishares Global 100 ETF - Exchange Traded Fund Units Fully Paid	I	12.4%	4.3%
4	VEU	Vanguard All-World Ex-US Shares Index ETF -Chess Depository Interests 1:1	I	12.3%	3.5%
5	MGE	Magellan Global Equities Fund (Managed Fund) -Trading Managed Fund Units Fully Paid	I	12.3%	4.5%
6	VTS	Vanguard Us Total Market Shares Index ETF - Chess Depository Intrests 1:1	I	10.6%	4.0%
7	VAS	Vanguard Australian Shares Index ETF -Exchange Traded Fund Units Fully Paid	D	10.1%	6.9%
8	STW	SPDR S&P/ASX 200 Fund - Exchange Traded Fund Units Fully Paid	D	10.1%	5.3%
9	SLF	SPDR S&P/ASX 200 Listed Property Fund - Exchange Traded Fund Units Fully Paid	D	8.8%	1.7%
10	AAA	Betashares Australian High Interest Cash ETF - Exchange Traded Fund Units Fully Paid	D	8.1%	2.2%
11	IEU	Ishares Europe ETF -Exchange Traded Fund Units Fully Paid	I	7.8%	1.6%
12	VGS	Vanguard MSCI Index International Shares ETF -Exchange Traded Fund Units Fully Paid	I	7.7%	3.0%
13	VAF	Vanguard Australian Fixed Interest Index ETF -Exchange Traded Fund Units Fully Paid	D	7.0%	2.3%
14	IEM	Ishares MSCI Emerging Markets ETF -Exchange Traded Fund Units Fully Paid	I	6.6%	1.1%
15	VHY	Vanguard Australian Shares High Yield ETF -Exchange Traded Fund Units Fully Paid	D	6.5%	2.4%
16	DJRE	SPDR Dow Jones Global Real Estate Fund - Exchange Traded Fund Units Fully Paid	I	5.9%	0.6%
17	IXJ	Ishares Global Healthcare ETF -Exchange Traded Fund Units Fully Paid	I	5.5%	1.2%
18	IAA	Ishares Asia 50 ETF - Exchange Traded Fund Units Fully Paid	I	5.5%	1.1%
19	NDQ	Betashares Nasdaq 100 ETF -Exchange Traded Fund Units Fully Paid	I	5.2%	1.1%
20	QUAL★	VanEck Vectors MSCI World ex Australia Quality ETF -Exchange Traded Fund Units Fully Paid	I	5.1%	1.3%
Total (Percentage that the top 20 make up of total SMSF investments in Exchange-Traded Funds)					59.2%

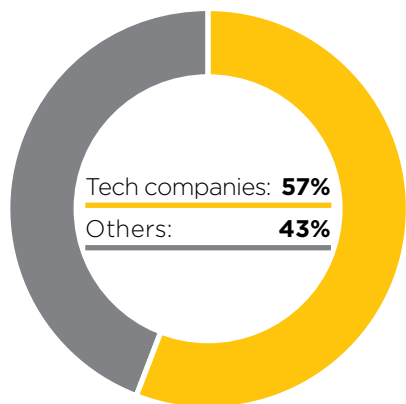
* Percentage each security makes up of the total SMSF ETF investments e.g. IVV is 7.4% of the total SMSF investments in ETFs.

★ New to top 20 this quarter

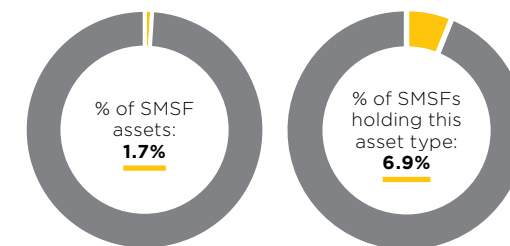
Investment Insights

Direct International Shares at 30 June 2019

Technology stocks are the most popular for SMSFs investing directly in international shares, with tech stocks making up 57% of the top 20 investments in international shares.



Tech companies make up 57% 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	20.1%	3.5%
2	AAPL	NASDAQ	Apple Inc	15.4%	4.2%
3	AMZN	NASDAQ	Amazon.com Inc	14.4%	2.8%
4	MSFT	NASDAQ	Microsoft Corp	12.0%	2.2%
5	FB	NASDAQ	Facebook Inc	10.3%	1.4%
6	BABA	NYSE	Alibaba Grp Shs Sponsored American Deposit Share Repr 1 Sh	10.1%	1.0%
7	V	NYSE	Visa Inc	9.5%	1.7%
8	BRK.A/B#	NYSE	Berkshire Hathaway Inc. Classes A & B combined	6.2%	6.2%
9	PYPL	NASDAQ	PayPal Holdings Inc	6.0%	1.0%
10	MA	NYSE	MasterCard Inc	5.8%	1.0%
11	700	SEHK	Tencent Holdings Ltd	5.4%	0.6%
12	JNJ	NYSE	Johnson & Johnson	5.2%	0.6%
13	SBUX	NASDAQ	Starbucks Corporation	4.9%	0.4%
14	BAC	NYSE	Bank of America Corp	4.6%	0.6%
15	WFC	NYSE	Wells Fargo & Co	3.8%	0.5%
16	JPM	NYSE	JPMorgan Chase & Co	3.8%	0.7%
17	INTC	NASDAQ	Intel Corp	3.8%	0.2%
18	LLOY	LON	Lloyds Banking Group PLC	3.7%	0.5%
19	DIS	NYSE	Walt Disney Company	3.7%	0.4%
20	ACN	NYSE	Accenture PLC	3.6%	0.3%
Total (Percentage that the top 20 make up of total SMSF investments in Direct International Shares)				29.6%	

* Percentage each security makes up of the total SMSF International Share investments e.g. GOOG(L) is 3.5% of the total SMSF investments in International Shares.

GOOG/GOOGL and BRK.A/BRK.B combined into single entries.

About

The Class SMSF Benchmark Report

Class Super is used by over 1,500 accounting, financial planning and specialist administration businesses to administer over 170,000 SMSFs, representing over 28% of the estimated 600,000 SMSFs in Australia as at 30 June 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 over 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

Find out how Class can add value in your practice by [booking a no-obligation 30 minute demo](#).

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

