

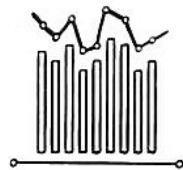
March 2017
SMSF Benchmark Report

Impact of the Super Reforms



Feature

Baby Boomers and Gen X hit hardest by the changes.



Benchmark Data

A profile of SMSFs and their members.



Investment Insights

A detailed picture of how SMSFs invest.



Impact of the Super Reforms

Baby Boomers and Gen X hit hardest by the changes

Baby Boomers and Gen X workers with SMSFs have had the brakes put on their retirement savings by the new, lower cap on concessional contributions, with 25.9% aged 49 and over likely to be affected.

How do we reconcile this with the statement by the Federal Treasury for the May 2016 Federal Budget that only 3.5% of super account holders would be impacted by this measure? The Treasury number is an average across all workers, including the large number of Gen Y and younger Gen Xers who have had super their entire working life. In practice, 90% of the savings from this measure will come from those aged 49 and older.

The average SMSF member is aged 58 and entered the workforce 15 years before the superannuation guarantee (SG) was introduced. They typically had no super before 1992, well over a third of their career. It is no wonder then that 25.9% of SMSF members 49 and older took advantage of the \$35,000 concessional contributions cap to make “catch up” contributions to their retirement nest egg.

From 1 July 2017, those Baby Boomers and Gen Xers will need to cut back to no more than \$25,000 a year, making it much harder to catch up for their pre-SG years.

90% of the reduction in concessional contributions will come from those 49 years and older



Impact of the Super Reforms



Reduction in Annual Concessional Contributions Cap to \$25,000

The Government's figure

Only 3.5% of super account holders make concessional contributions of more than \$25,000 per year.

The SMSF reality

A much higher percentage of SMSF members will have to cut their contributions to come under the reduced cap, especially members aged 49 or over who have not had the benefit of a lifetime of compulsory super and often need to make catch up contributions.

The detail

- 25.9% of members 49 and over contributed greater than \$25,000 in FY2015, the latest year for which there is complete data. Their contributions averaged \$34,100 each, indicating that they generally came very close to their \$35,000 cap, so moving it back to \$25,000 will impact them significantly.
- Measured by value, 90% of the reduction in contributions will come from members aged 49 and over.
- 17.3% of SMSF members under 49 years contributed greater than \$25,000 in FY2015. Their contributions averaged \$29,800 each, very close to their \$30,000 cap.
- Overall, 23.8% of SMSF members are estimated to be impacted.



New Rules for Super Balances over \$1.6m

The Government's figure

Less than 1% of super account holders have a total super balance of more than \$1.6 million.

The SMSF reality

13.8% of SMSFs have at least one member with a super balance greater than this amount. They will be unable to make further non-concessional contributions and will be unable to transfer the full amount to pension phase due to the \$1.6m transfer balance cap.

The detail

- 9.9% of SMSF members have balances over \$1.6m and 13.8% of SMSFs have at least one such member.
- An additional 1.6% of members under 65 have balances between \$1.4m and \$1.6m and will therefore have their bring-forward contribution caps cut back under new rules for members with balances in that range.



25.9%

OF SMSF MEMBERS 49 YEARS AND OVER MADE CONCESSIONAL CONTRIBUTIONS OVER \$25,000 A YEAR



13.8%

OF SMSFS HAVE AT LEAST ONE MEMBER WITH A SUPER BALANCE OVER \$1.6M

Impact of the Super Reforms



Reduction in Non-Concessional Contributions Caps

The Government's figure

Less than 1% of super account holders make or plan to make non-concessional contributions of more than \$300,000 in a 3-year period, using the bring-forward rule.

The SMSF reality

A significantly higher percentage of SMSF members will be impacted by the cap, especially those over 49.

The detail

- Even before FY2017 is completed, in the past 33 months, 6.9% of SMSF members 49 and over made non-concessional contributions of more than \$300,000.
- Among the same age group, 10.6% made non-concessional contributions of over \$100,000 in a single year, FY2015.
- 65-74 year-olds are hit the hardest. While they cannot access the bring-forward rule their annual cap has been reduced from \$180,000 to \$100,000 a year.
 - 11.3% of this age group contributed over \$100,000 in FY2015, averaging \$167,000.
 - If they had been scaled back to \$100,000, this would have reduced overall contributions in that age group by 32.9%.



Conclusion

This analysis clearly shows that for a significant percentage of SMSF members, the super reforms legislated in 2016 could throw a hefty spanner into their contributions strategy and overall wealth plan. These will be the people nervously discussing with their accountant or financial planner in the coming months how they can structure their super and other investments to try to mitigate the impact of the government's changes. This is particularly the case for members who need to make catch-up contributions because they are older and have not enjoyed a lifetime of compulsory super or have had significant periods out of the workforce. The latter group is disproportionately women, who on average retire with 47% less super than men.¹



10.6%

**OF SMSF MEMBERS 49 AND OVER
MADE NON-CONCESSIONAL CONTRIBUTIONS
GREATER THAN \$100,000 IN FY2015**

The Government's figure

In 2017-18, 96% of superannuation account holders not affected by super reforms

-Budget 2016

The SMSF reality
About 31% of SMSF members likely to be affected

¹Senate Inquiry, Achieving Economic Security for Women in Retirement

Benchmark Data

Key Statistics at 31 March 2017


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.

58
 **median number of SMSFs per business**

1.9
 **average number of members per fund**

1,074
 **number of Class customer businesses**

\$172bn
 **total value of net assets administered on Class Super across 132,873 SMSFs**

124
 **average number of SMSFs per business**

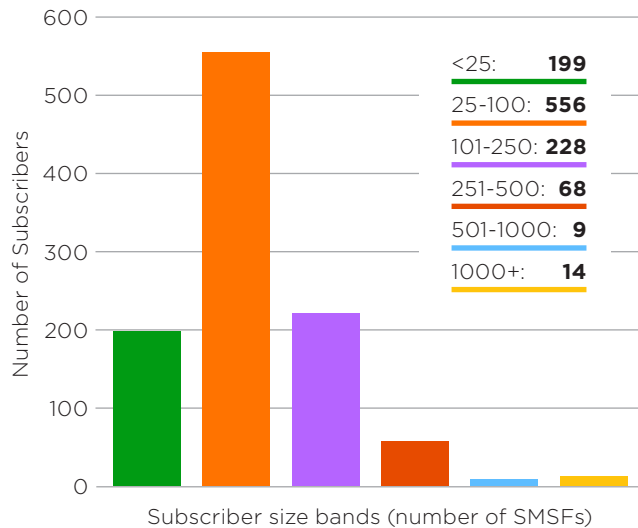
\$1.3m
 **average SMSF balance with an average member balance of \$683,000**

Benchmark Data

While small firms – less than 25 SMSFs – are still a significant subscriber category on Class, 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.

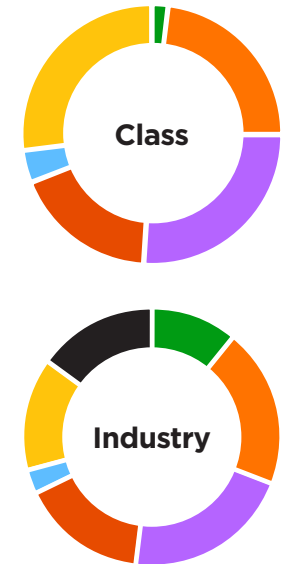
A typical small SMSF practice using Class for more than one year grows on average at 20% per annum, compared to an industry growth rate of 5% (over the 5 years to December 2016).

Distribution of Class Subscribers by Size



Size Band	No. of Subscribers	% of Subscribers	No. of SMSFs	% of SMSFs	Average SMSFs	Administrator Type
<25	199	18.5%	2,168	1.6%	11	General Accounting Practice
25-100	556	51.8%	30,212	22.7%	54	Small SMSF Practice
101-250	228	21.2%	34,379	25.9%	151	Medium SMSF Practice
251-500	68	6.3%	23,829	17.9%	350	Large SMSF Practice
501-1000	9	0.8%	5,541	4.2%	616	Emerging Administrator
1000+	14	1.3%	36,744	27.7%	2,625	Major Administrator

Administrator size by number of SMSFs



Subscriber Size	Class	Industry
<25	1.6%	11%
25-100	22.7%	20%
101-250	25.9%	21%
251-500	17.9%	16%
501-1000	4.2%	3%
1000+	27.7%	14%
DIY	0%	15%

Benchmark Data

Membership sizes at 31 March 2017

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 39% more assets than women and their average balance is 26% higher.

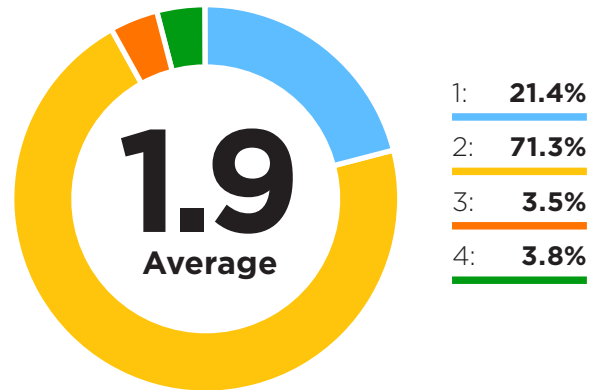
Average assets per member

\$683,303

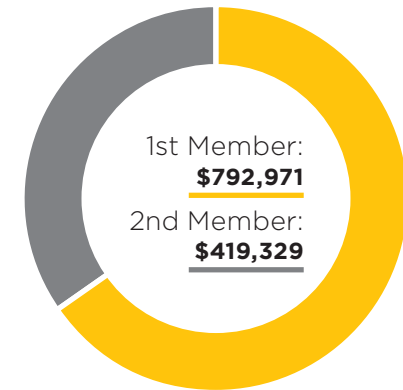
Average assets per SMSF

\$1,296,392

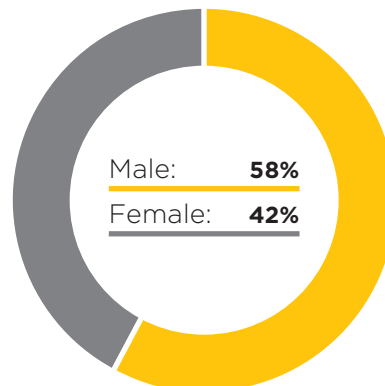
Number of members in SMSFs



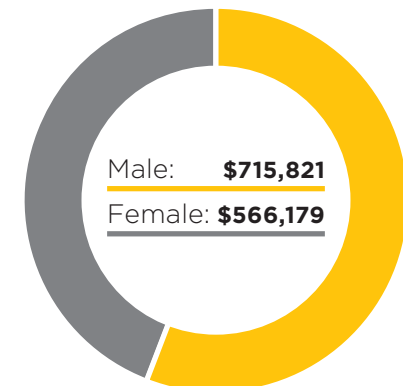
Average member balances in two member funds



SMSF assets by gender



Average member balance by gender

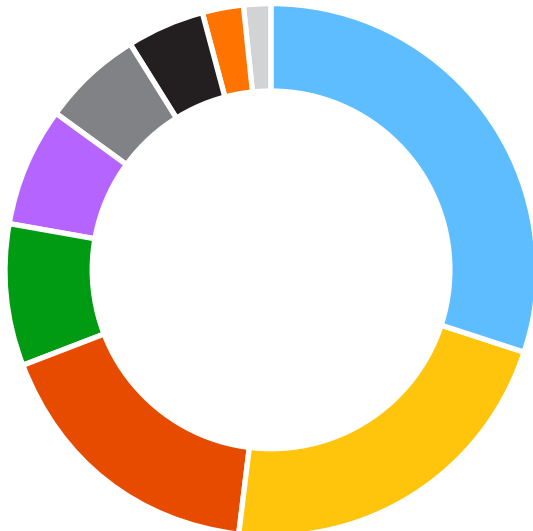


Investment Insights

Asset allocation at 31 March 2017

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 is mostly unlisted managed funds. In the following pages we dig deeper into SMSF investments.

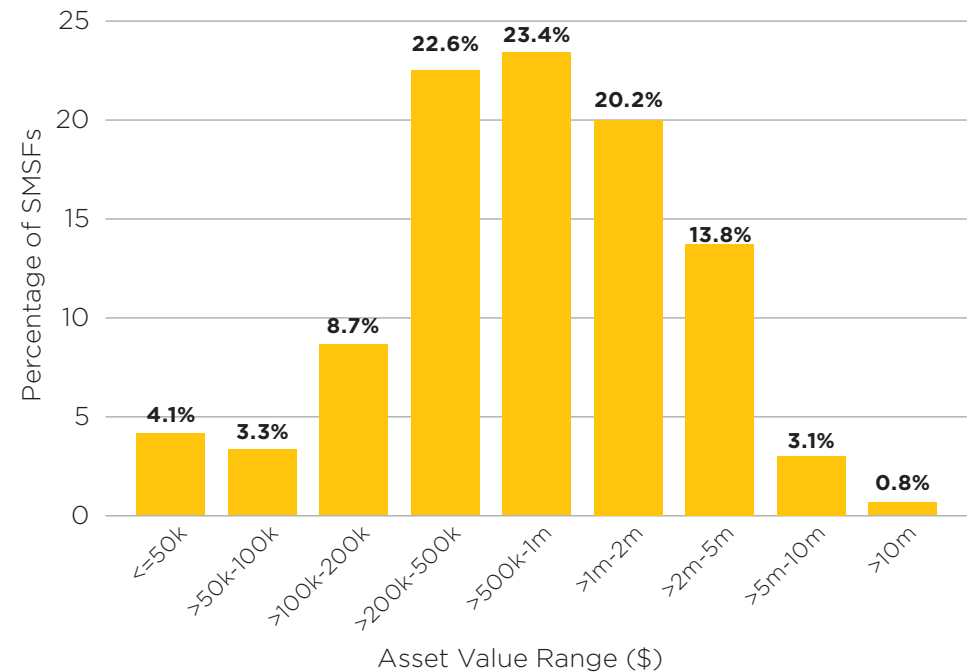
SMSF Asset Allocation 31 March 2017



Listed shares:	30.2%
Cash and term deposits:	21.8%
Unlisted trusts:	17.5%
Non-residential real property:	8.4%
All other assets:	7.2%
Residential real property:	6.2%
Listed trusts:	4.6%
Limited recourse borrowing arrangements:	2.7%
Other managed investments:	1.4%

SMSFs by Asset Value

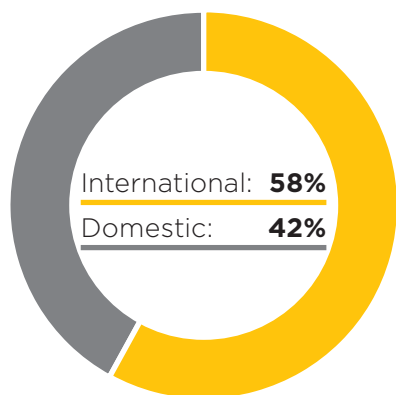
Distribution of SMSFs by total assets



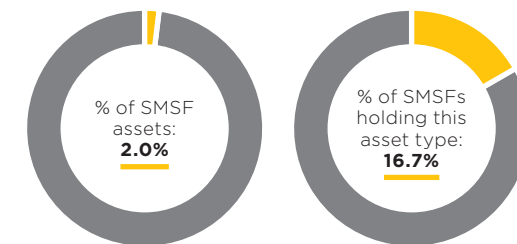
Investment Insights

Exchange-Traded Funds at 31 March 2017

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 58% 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
1	IVV	Ishares S&P 500 ETF - Chess Depository Interests 1:1 Ishs&P500	I	22.0%	10.3%
2	IOO	Ishares Global 100 ETF - Chess Depository Interests 1:1 Ishglb100	I	15.1%	5.4%
3	STW	SPDR S&P/ASX 200 Fund - Exchange Traded Fund Units Fully Paid	D	14.6%	8.3%
4	VEU	Vanguard All-World Ex-Us Shares Index ETF - Chess Depository Interests 1:1	I	14.2%	3.9%
5	VTS	Vanguard Us Total Market Shares Index ETF - Chess Depository Interests 1:1	I	13.6%	5.4%
6	VAP	Vanguard Australian Property Securities Index ETF - Exchange Traded Fund Units Fully Paid	D	13.3%	3.4%
7	MGE	Magellan Global Equities Fund (Managed Fund) - Trading Managed Fund Units Fully Paid	I	11.6%	4.1%
8	SLF	SPDR S&P/ASX 200 Listed Property Fund - Exchange Traded Fund Units Fully Paid	I	10.8%	3.2%
9	VAS	Vanguard Australian Shares Index ETF - Exchange Traded Fund Units Fully Paid	D	8.9%	6.7%
10	IEU	Ishares Europe ETF - Chess Depository Interests 1:1 Isheu350	I	8.4%	2.1%
11	IEM	Ishares MSCI Emerging Markets ETF - Chess Depository Interests 1:1 Ishmsciem	I	8.0%	1.6%
12	VHY	Vanguard Australian Shares High Yield ETF - Exchange Traded Fund Units Fully Paid	D	7.9%	3.5%
13	IXJ	Ishares Global Healthcare ETF - Chess Depository Interests 1:1 Ishhealth	I	7.1%	1.8%
14	VAF	Vanguard Australian Fixed Interest Index ETF - Exchange Traded Fund Units Fully Paid	D	6.5%	2.9%
15	AAA	Betashares Australian High Interest Cash ETF - Exchange Traded Fund Units Fully Paid	D	6.0%	2.3%
16	IAA	Ishares Asia 50 ETF - Chess Depository Interests 1:1 Ishasia	I	5.7%	1.2%
17	YMAX	Betashares Aus Top 20 Equity Yield Max Fund (Mg Fd) - Trading Managed Fund Units Fully Paid	D	4.5%	1.5%
18	USD	Betashares U.S. Dollar ETF - Exchange Traded Fund Units Fully Paid	I	4.1%	1.9%
19	IVE	Ishares MSCI Eafe ETF - Chess Depository Interests 1:1 Isheafe	I	4.1%	1.2%
20	SFY	SPDR S&P/ASX 50 Fund - Exchange Traded Fund Units Fully Paid	D	3.9%	1.9%
Total (Percentage that the top 20 make up of total SMSF investments in Exchange-Traded Funds)					72.6%

¹ Percentage each security makes up of the total SMSF ETF investments e.g. IVV is 10.3% of the total SMSF investments in ETFs.

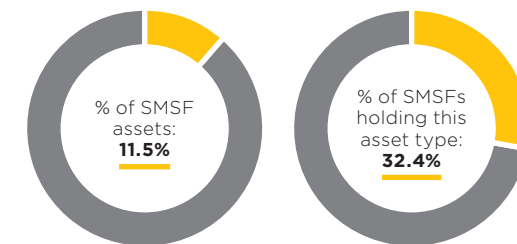
Investment Insights

Managed Funds at 31 March 2017

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	57.8%
Australian Fixed Interest	10.0%
Cash	9.1%
International Fixed Interest	7.6%
Australian Equities	6.6%
Listed Property	4.9%
Other	4.0%



Top 20 Investment Holdings

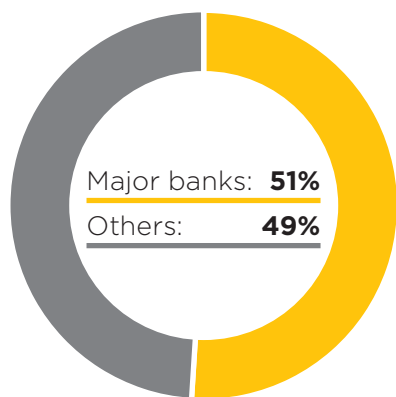
Rank	Security Code	Description	% of Funds with Managed Funds that hold this security	% of total SMSF Managed Fund investments ¹
1	PLA0002AU	Platinum International Fund	25.3%	4.3%
2	MGE0001AU	Magellan Global Fund	24.7%	4.3%
3	PLA0004AU	Platinum Asia Fund	10.5%	1.8%
4	MAQ0482AU	Winton Global Alpha Fund	8.4%	1.0%
5	FID0008AU	Fidelity Australian Equities Fund	7.8%	1.4%
6	ETL0032AU	Aberdeen Emerging Opportunities Fund	6.5%	0.6%
7	MIA0001AU	MFS Global Equity Trust	6.3%	1.1%
8	GSF0002AU	Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged) Fund	6.3%	0.9%
9	MAQ0277AU	Macquarie Income Opportunities Fund	5.9%	1.0%
10	SCH0028AU	Schroder Fixed Income Fund - Wholesale Class	5.8%	0.9%
11	MAQ0410AU	Walter Scott Global Equity Fund	5.7%	1.1%
12	MAQ0404AU	IFP Global Franchise Fund	5.5%	0.9%
13	VAN0004AU	Vanguard W'sale Australian Property Securities Index Fund	5.4%	0.7%
14	ETL0018AU	PIMCO Global Bond Fund - Wholesale Class	5.3%	0.7%
15	TGP0034AU	RARE Infrastructure Value Fund - Unhedged	4.9%	0.5%
16	IOF0145AU	Henderson Tactical Income Fund	4.8%	0.8%
17	HOW0052AU	Kapstream Wholesale Absolute Return Income Fund	4.6%	0.8%
18	TGP0008AU	RARE Infrastructure Value Fund - Hedged	4.5%	0.4%
19	APN0008AU	APN AREIT Fund	4.5%	0.6%
20	CSA0038AU	Bentham Wholesale Global Income Fund	4.4%	0.5%
Total (Percentage that the top 20 make up of total SMSF investments in Managed Funds)			24.1%	

¹ Percentage each security makes up of the total SMSF Managed Fund investments e.g. PLA0002AU is 4.3% of the total SMSF investments in Managed Funds.

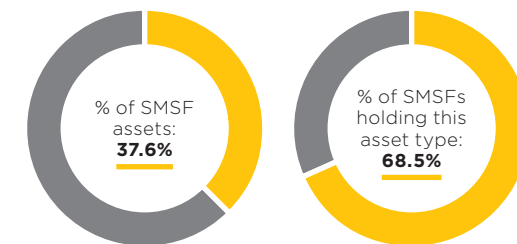
Investment Insights

Direct Domestic Shares at 31 March 2017

Direct investment by SMSFs in Australian shares is highly concentrated in the largest 20 domestic shares, especially the banks, with the latter making up just over half of investment in the top 20. However, Telstra and BHP are the two most popular stocks.



Major banks make up 51% of the Top 20 domestic share holdings.



Top 20 Investment Holdings

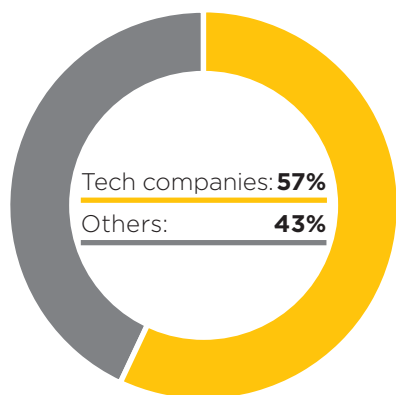
Rank	Security Code	Description	% of Funds with Domestic Shares that hold this security	% of total SMSF Domestic Share investments ¹
1	TLS	Telstra Corporation Limited.	52.5%	4.4%
2	BHP	BHP Billiton Limited	48.9%	3.8%
3	WBC	Westpac Banking Corporation	48.5%	6.9%
4	ANZ	Australia And New Zealand Banking Group Limited	45.9%	5.6%
5	NAB	National Australia Bank Limited	45.4%	5.7%
6	CBA	Commonwealth Bank Of Australia.	44.6%	8.1%
7	WES	Wesfarmers Limited	37.7%	3.3%
8	WOW	Woolworths Limited	32.1%	1.9%
9	WPL	Woodside Petroleum Limited	29.5%	1.7%
10	S32	South32 Limited	27.4%	0.4%
11	CSL	CSL Limited	20.1%	2.6%
12	RIO	Rio Tinto Limited	19.4%	1.3%
13	CYB	Cybg PLC - Cdi 1:1 Foreign Exempt Lse	19.2%	0.1%
14	QBE	QBE Insurance Group Limited	18.1%	0.8%
15	TCL	Transurban Group - Ordinary Shares/Units Fully Paid Triple Stapled	15.4%	1.1%
16	AMP	AMP Limited	15.0%	0.6%
17	MQG	Macquarie Group Limited	14.7%	1.5%
18	MPL	Medibank Private Limited	14.5%	0.4%
19	ORG	Origin Energy Limited	14.4%	0.6%
20	STO	Santos Limited	13.7%	0.4%
Total (Percentage that the top 20 make up of total SMSF investments in Direct Domestic Shares)				51.3%

¹ Percentage each security makes up of the total SMSF Domestic Share investments e.g. TLS is 4.4% of the total SMSF investments in Domestic Shares.

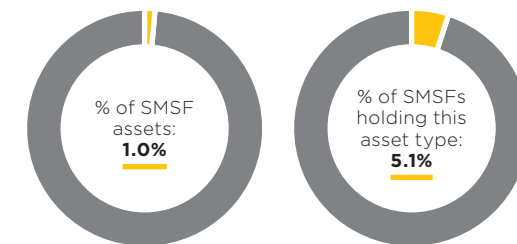
Investment Insights

Direct International Shares at 31 March 2017

Technology stocks are the most popular for SMSFs investing directly in international shares, with tech stocks making up 57 per cent of the top 20 investment in international shares. More than 1 in 10 SMSFs which directly hold international shares own a stake in Apple.



Tech companies make up 57% of the Top 20 international share holdings.



Top 20 Investment Holdings

Rank	Security Code	Description	% of Funds with Int'l Shares that hold this security	% of total SMSF Int'l Share investments ¹
1	AAPL	Apple Inc	10.9%	4.6%
2	GOOG	Google Inc - Class A Shares	6.5%	1.2%
3	MSFT	Microsoft Corp	5.1%	1.2%
4	GOOGL	Google Inc - Class C Shares	4.8%	1.1%
5	V	Visa Inc	4.4%	0.8%
6	IGAS	IGas Energy PLC	3.9%	<0.1%
7	PYPL	PayPal Holdings Inc	3.8%	0.6%
8	LLOY	Lloyds Banking Group PLC	3.7%	0.7%
9	JNJ	Johnson & Johnson	3.4%	0.9%
10	WFC	Wells Fargo & Co	3.3%	0.7%
11	FOX	Twenty-First Century Fox, Inc. - Class B Voting Common Stock-Cdi	3.1%	0.8%
12	AMZN	Amazon.com Inc	3.1%	0.7%
13	BRK/B	Berkshire Hathaway Inc	3.1%	1.4%
14	EBAY	eBay Inc	3.0%	0.3%
15	C	Citigroup Inc	2.9%	0.6%
16	ORCL	Oracle Corp	2.8%	0.4%
17	MA	MasterCard Inc	2.8%	0.5%
18	PFE	Pfizer Inc	2.6%	0.4%
19	NDSN	Nordson Corp	2.5%	0.4%
20	GILD	Gilead Sciences Inc	2.4%	0.3%
Total (Percentage that the top 20 make up of total SMSF investments in Direct International Shares)				17.7%

¹ Percentage each security makes up of the total SMSF International Share investments e.g. AAPL is 4.6% of the total SMSF investments in International Shares

About The Class SMSF Benchmark Report

Class Super is now used by over 1,000 accounting, financial planning and specialist administration businesses to administer over 130,000 SMSFs, 22.4% of the estimated 593,000 SMSFs¹ in Australia as at 31 March 2017.

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 advisers 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 130,000 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

¹ Class estimate based on historic growth trend.
* To view the methodology used, please click [here](#).

