

ISA & AIST SUBMISSION

Consultation Paper 216

**Advice on self-managed superannuation funds:
Specific disclosure requirements and SMSF costs**

November 11 2013





About Industry Super Australia

Industry Super Australia (ISA) is an umbrella organisation for the industry super movement.

Formerly known as Industry Super Network, ISA manages collective projects on behalf of sixteen Industry SuperFunds. These include research, policy development, government relations and advocacy as well as the well-known Industry SuperFunds Joint Marketing Campaign.

ISA's objective is to maximise the retirement savings of more than five million Industry SuperFund members.

About AIST

The Australian Institute of Superannuation Trustees (AIST) is a national not-for-profit organisation whose mission is to promote and protect the interests of Australia's \$500 billion not-for-profit superannuation sector. AIST's membership includes the trustee directors and staff of industry, corporate and public-sector funds, who manage the superannuation accounts of nearly two-thirds of the Australian workforce.

As the principal advocate and peak representative body for the not-for-profit superannuation sector, AIST plays a key role in policy development and is a leading provider of research.

AIST provides professional training, consulting services and support for trustees and fund staff to help them meet the challenges of managing superannuation funds and advancing the interests of their fund members. Each year, AIST hosts the Conference of Major Superannuation Funds (CMSF), in addition to numerous other industry conferences and events.

AIST's services are designed to support members in their endeavour to improve the superannuation system and build a better retirement for all Australians.

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Executive Summary

ISA and AIST welcome consultation paper 216. The growth of the SMSF sector warrants an increased focus on the sector to ensure key public policy considerations are met. Not least of these is the need to ensure those who are establishing SMSFs are properly informed and those providing advice regarding the potential establishment of a fund do so in a manner that is clear and informative.

The consultation paper properly recognises that the establishment of a self-managed fund is an important decision, for many, potentially one of the most important financial decision they will make in their lifetime alongside the purchase of their home. ISA and AIST support an enhanced regulatory regime that imposes an obligation on financial planners, accountants and others who “provide a critical entry point on the establishment of SMSFs”¹, which ensures an informed decision is made.

Following an ASIC review of advice provided to SMSF trustees or potential trustees only one piece of advice was capable of being characterised as good with more than 28 per cent of advice being characterised as poor.² There is a clear need for improvement in the quality of advice provided to clients. The proposed disclosure requirements in the consultation paper will go a long way to improving the quality of advice.

In this response to the consultation paper ISA and AIST argue that the cost of establishing and maintaining a SMSF exceeds that outlined by the analysis undertaken by Rice Warner Actuaries on behalf of ASIC. Given the data limitations faced by Rice Warner it is prudent to adopt conservative assumptions which inevitably underestimate the cost of operating an SMSF. AS part of these submissions we highlight significant new research using ATO data from more than 200,000 SMSFs, over the period 2008-2010 inclusive. This data uses actual reported costs of SMSFs. An analysis of this data shows that for all but the very largest of SMSF balances industry funds are a more cost effective option.

ISA and AIST also argue that the data shows that two thirds of SMSFs are inappropriately diversified with only one sixth having a reasonable level of diversification and a further one sixth having a somewhat reasonable level of diversification. ISA notes the comments made by the RBA and others that there are potential issues that flow from SMSF gearing to invest in real property.

We discuss the drivers of SMSF growth and suggest that enhanced concessions available to SMSFs, particularly those associated with real property and business property are significant drivers of growth in the sector.

We believe that the form of any disclosure is important. To meet their best interests and related obligations, advice provided by financial planners and accountants must be clear and unambiguous and of a nature that a reasonable person who is not financially sophisticated can readily be understood.

¹ Consultation Paper 216 Page 6.

² ASIC



There is a case for enhanced education of SMSF trustees to ensure that they are fit and proper to fulfil their important roles and importantly remain capable of fulfilling their duties. More than 60 per cent of SMSF trustees are past preservation age. It is important that SMSF trustees remain capable of exercising their responsibilities and have an exit strategy in the event that trustees are not capable of this in the future. This contingency planning may involve the provision of powers of attorney and a clear understanding which other fund members may or are capable of taking over key responsibilities that may have been previously allocated to another.

ISA and AIST welcome the proposed disclosure requirements and make further recommendations as part of these submissions.

Motivations for the establishment of an SMSF

The drivers that have led to the rapid growth of the SMSF sector to become the largest superannuation sector are relevant to matters that are the subject of this consultation paper. ISA and AIST recognise that investors may be interested in establishing a SMSF for many reasons.

At paragraph 2 on page 6 of the discussion paper it is suggested that there are two key drivers to establish an SMSF: greater control over investments; and the desire to save money on fees charged by funds. However, we question whether these are the only drivers for the establishment of an SMSF.

We suggest that one of if not the key consideration for the establishment of an SMSF is the interplay of tax and other concessions. These drivers can be enhanced when trustees are also small business owners and may be in a position to maximise concessions to their overall advantage. For example, it is not uncommon for real property or capital to be purchased by an SMSF and leased to the business that is related to one or more of the SMSF trustees. This strategy is encouraged by the payment of nominal stamp duties in most Australian states when property is transferred to an SMSF.³

We do not intend in this submission to make any further observations on the interplay between small business and trustee obligations. However, we assert that it is an important consideration in the advice that is provided to many small business owners who are considering establishing an SMSF. It should be recognised that where there are significant taxation gains to a small business or an individual associated with that small business, the actual costs borne by the SMSF and the SMSF's individual beneficiaries may be a lesser consideration than should otherwise be the case.

Where an adviser is providing financial advice to an owner of a small business and to the same person in a personal capacity the interests can be often be considered synonymous; they are not. The sole purpose test requires that where tax benefit is a core aspect of the advice to establish an SMSF, a SoA and disclosure must set out clearly the nature and structure of the tax benefit and impact on accumulation of retirement savings.

The duties of an SMSF trustee and those providing advice to the trustee are focused around the best interests of the SMSF's members, not the interests of another entity or the interests of an individual outside their interest as a beneficiary of the SMSF. We are of the view that this subtle but important distinction should form part of the information disclosure that is provided to potential SMSF trustees. It is important that those clients considering establishing an SMSF clearly understand their responsibility to act in the best interests of all the fund members, ahead of other interests. We suggest that a form of words be added to the disclosure requirements that would address this issue.

³ The transfer of real property owned by a business to a SMSF in NSW has a nominal stamp duty liability of \$50.00. To qualify the transferor must be the only member of the fund or the property is held only for their benefit and the property is used solely for the purpose of providing a retirement benefit to the transferor member.

Alternatively, as part of the registration of an SMSF with the ATO we suggest that SMSF trustees be required to acknowledge that they have read and understood the pro forma words which explain the distinct duties of a SMSF trustee. This could be completed in written form or electronically.

We believe that the drivers behind the popularity of SMSFs are not the desire for fund control and fee reduction as suggested by the consultation paper. Whilst these factors are no doubt important they are not the only key drivers. The evidence is that most SMSF trustees outsource their investment decisions and most pay high, not lower fees. To the extent that disclosure can address this discrepancy between expectation and delivery it is to be welcomed.

Push or pull factors in the establishment of an SMSF

Over the last few months there has been extensive media coverage regarding what the consultation paper describes as aggressive marketing of SMSFs as a vehicle for property investment. It is not only property spruikers who are encouraging investors to invest in property using SMSFs. SMSF seminars and wide scale advertising by SMSF service providers are promoting the establishment of SMSFs.

There is to date no adequate published survey of SMSF trustees which analyses the main drivers behind the rapid growth in SMSFs. There is a need for work to be undertaken which informs policy makers and regulators and ultimately adds to policy formation which would assist SMSF trustees and those considering the establishment of a self-managed fund.

Tax concessions as a driver of SMSFs

Recent work undertaken by academics from the University of New South Wales, the University of Technology Sydney and APRA's former Head of Research utilises an ATO dataset sample of in excess of 70,000 SMSFs for each of the years 2008-2010 inclusive.⁴

The as yet unpublished work finds that tax planning is an important component of the investment strategy adopted by SMSFs. The work points to heavy investments in shares providing fully franked dividends.

The large ATO dataset shows that the reported mean taxes paid by SMSFs over the years 2008-2010 were \$1,221 per annum or 0.22 per cent of assets. The ATO data shows that the SMSF tax rate on net income is a mere 6.31 per cent which provides a significant tax advantage over the 15 per cent concessional tax applying to APRA regulated funds. The concessional tax arrangements possible within SMSFs are clearly a significant driver behind SMSF growth.

The research also cites the flexibility of investment options within SMSFs as potential drivers of growth. These include increased flexibility to invest directly in shares and real property, including business premises. The ability to borrow to invest in property has raised some concerns from the Reserve Bank.

⁴ Arnold. B, Bateman. H, Ferguson. A, Raftery. A, *The cost, asset allocation and investment performance of self-managed superannuation funds in Australia*. University of New South Wales Conference paper 2013. This work is unpublished and was presented in draft form to a University of New South Wales Colloquium of Superannuation Researchers on 26 June 2013.

We suggest that the key drivers behind the growth in SMSFs are more complex than cost and control considerations. Unless there are other factors at play, when considering whether to establish an SMSF an individual must believe that, all things being equal, they can implement an investment strategy that outperforms that undertaken by a professional investor and that they can undertake this function at a lower cost. The fact is that not all things are equal and the enhanced concessions available within the SMSF framework are playing a role in SMSF growth.

Form of disclosure

The form in which disclosure is provided is as equally important as the disclosure itself. ISA and AIST believe that there should be additional steps undertaken to ensure SMSF trustees or potential trustees have the required information and skills to enable them to meet the basic requirements of assuming the role of SMSF trustees. It is important that disclosure is made and understood by all SMSF trustees.

Most SMSFs are established by domestic partners and it should not be assumed that disclosure to one is adequate. Whilst a family based SMSF may often have a dominant member who shoulders the bulk of the responsibilities on behalf of the trustees, all trustees have a duty to the fund and each other for the management of the SMSF. All trustees must be adequately informed prior to and throughout the life of the SMSF.

Registration of SMSFs with the ATO

Currently SMSF trustees are required to sign and keep a trustee declaration form (NAT 71089) which states that they understand their duties and responsibilities as a trustee.

It is suggested that there is an opportunity when a SMSF is registered with the ATO for each of the trustees to formally acknowledge certain matters relating to their duties and responsibilities as SMSF trustees and relating to the risks associated with the operating of an SMSF, including the lack of any compensation scheme and for this form to be forwarded to the ATO.

We are also of the view that that this process could be completed electronically with trustees completing an online acknowledgement of their duties and responsibilities and appropriate information links provided to assist those completing a declaration on line.

In our view it is entirely appropriate that such an exercise take place as the cost of failed SMSFs is borne not only by the individual members, but also by the taxpayer who ultimately bears the cost of tax concessions provided to an SMSF and any additional age pension expenditure required in the event that the SMSF delivers sub-optimal results.

Education

We are of the view that SMSF trustees should be required to demonstrate a basic understanding of the role required of them and a reasonable capacity to fulfil that role. A basic and ongoing educational commitment is required for any trustee to be in a position to claim that they are a fit and proper person to undertake the duties of a trustee. The rapid growth in the number of SMSFs, combined with a considerably older and aging demographic a basic ongoing educational

requirement should be seriously considered. Such a program would assist SMSF trustees refresh and keep abreast of changes to relevant law and could play a role in trustees self-assessing their ability and commitment to continue to fulfil the role of trustee.

Both AIST⁵ and ISA⁶ in their submissions to the Cooper Review called for mandatory training for fund trustees, regardless of the type of fund that they look after. In particular, we considered that there needed to be a minimum level of knowledge training for trustees of SMSFs in the areas of fund compliance and investment management and compliance. We are aware that the Government has since implemented mandatory trustee training for SMSF trustees who record a breach and take this opportunity, once again, to point out the inappropriateness of associating education with punishment.

AIST and ISA still maintain that SMSF trustees are ill-equipped for the complexity of superannuation trusteeship without both initial education, and continual education to stay up to date. However, we also point to the complexity of knowledge required to advise on SMSFs themselves: In AIST and ISN's joint submission⁷ on ASIC's *Consultation Paper CP 212* we recommended that SMSFs were worthy of their own requirements in the specialised knowledge part of RG 146. We stand by this recommendation.

Greater surveillance

Recent announcements that there will be enhanced supervision within the SMSF sector are welcomed. ASIC's review of advice files reported in Report 337 showed only a single piece of advice that was assessed as good. It is hoped that further shadow shopping and investigative reviews of advice providers prior to and following the implementation of the proposed disclosure measures will show that the quality of advice has significantly improved.

Enforcement

We note with approval the comments at paragraph 173 of ASIC's Report 337 which makes the point that those who recommend a SMSF trustee or potential trustee purchase real property through the SMSF are providing financial product advice. This is the case as the investment vehicle, the SMSF, is a financial product. In report 337 ASIC found that there were blatant examples of misleading and deceptive advertising regarding, SMSF fees, returns and risks. It is suggested that there continues to be examples of practices and advertising which require ongoing supervision and is required action.

ISA and AIST welcome the proposed disclosure requirements. However, it is our view that disclosure alone will not adequately address the information and expectation discrepancy.

⁵ AIST. 2010. *AIST Submission: Review into the governance, efficiency, structure and operation of Australia's superannuation system. Phase Three: Structure*. [pdf] Melbourne: Australian Institute of Superannuation Trustees. p. 35. <http://tinyurl.com/kcrqu3e> [Accessed: 8 Nov 2013].

⁶ ISN. 2010. *Super System Review Phase 3 Structure and SMSFs*. [pdf] Melbourne: Industry Superannuation Network. pp. 17-18. <http://tinyurl.com/mw5gqhe> [Accessed: 8 Nov 2013].

⁷ AIST, ISN. 2013. *Consultation Paper CP 212 Licensing: Training of financial product advisers—Update to RG 146*. [pdf] Melbourne: Australian Institute of Superannuation Trustees and Industry Superannuation Network. p. 9. <http://tinyurl.com/kt4at3p> [Accessed: 8 Nov 2013].

Proposed disclosure requirements

Table 1 disclosure item.

Warning clients about lack of statutory compensation for SMSFs

ISA and AIST support the proposed disclosure requirement contained in Table 1 of the consultation paper. The fact that the majority of SMSF investors in Trio claimed that they were unaware that they would not be entitled to claim compensation in cases of theft or fraud, is in itself sufficient evidence of the need for change.

Table 2 disclosure items.

Responsibilities and obligations for SMSF trustees associated with running an SMSF

The discussion paper makes the important observation that all trustees are equally liable for the fund's compliance with relevant superannuation and taxation law. With this in mind it is important that the explanation of these duties be provided to all trustees at the same time. For example, where a couple are establishing a SMSF the advice should be provided in the same manner and preferable at the same time to both parties. It is suggested that any duty to advise would not be fulfilled if, for example, at a meeting with an adviser the trustee responsibilities and duties were explained and one of the couple receives the information only via an SOA.

We make comment above regarding the ATO trustee declaration form (NAT 71089) and the manner in which it may be completed. A perusal of the marketing material and attendances at seminars of those promoting the establishment of SMSFs, shows, in our view, an inadequate representation of the expectations upon trustees. Numerous service providers suggest that they will complete all the necessary paper work ready for signature and pay limited attention to the individual trustee's role as they emphasise the benefits of outsourcing decisions to obtain the maximum benefit from an SMSF structure.

Risks associated with an SMSF

Insurance risks

It is appropriate that advisers discuss insurance issues with clients who are considering the establishment of an SMSF. At a minimum the adviser should take into consideration and discuss with their client those matters that are detailed at C17 & C18 of ASIC Report 337⁸.

This would require a discussion regarding:

- a) The clients existing coverage;
- b) The future need of insurance coverage;
- c) The cost and options of maintaining or changing the level of coverage through a SMSF;

⁸ ASIC Report 337: SMSFs: Improving the quality of advice given to investors. April 2013

- d) Any health issues that may affect the ability to obtain insurance;
- e) The advantages of maintaining a level of insurance via membership of an existing APRA regulated fund; and
- f) The impact of insurance costs on an SMSFs account balance.

ISA and AIST also agree with C18 on page 67 of Report 337 which recommends that an adviser must consider insurance issues prior to any recommendation regarding the establishment of a SMSF and if the adviser is of the view that they have insufficient expertise in the area, that they refer their client to another advice provider with the relevant expertise prior to recommending the SMSF.

It is worth noting that ASIC Report 337 found that ASIC's advice reviews had shown that only a small number of investors received an insurance recommendation prior to establishing an SMSF and that many trustees were advised to take out too much insurance.⁹

It is important that when advice is being provided regarding insurance arrangements that the impact on an SMSF's account balance is shown by way of example and that any financial or other interest in the provision of the insurance advice is conveyed to the client.

Other risks

We agree that an adviser should warn clients regarding other relevant risks depending on their individual circumstances. At a minimum the following matters should be disclosed to all clients, the implications of:

- a) A lack of access to the Superannuation Complaints Tribunal;
- b) A relationship breakdown amongst fund members;
- c) An illness or death of a trustee;
- d) A fund member no longer wishing to be a member of the fund or moving overseas;
- e) The failure, sale or change in circumstance of a related entity that is closely associated with the SMSF i.e. the bankruptcy of a business that is leasing real or other property owned by the SMSF; and
- f) The advantages and disadvantages of the different forms of SMSF structure i.e. corporate or individual trustees.

Our comments on proposed disclosure item 5 (*The need to consider and develop an exit strategy for an SMSF*) we make comments relevant to item 2(c) above.

The need to develop and implement an appropriate investment strategy for an SMSF

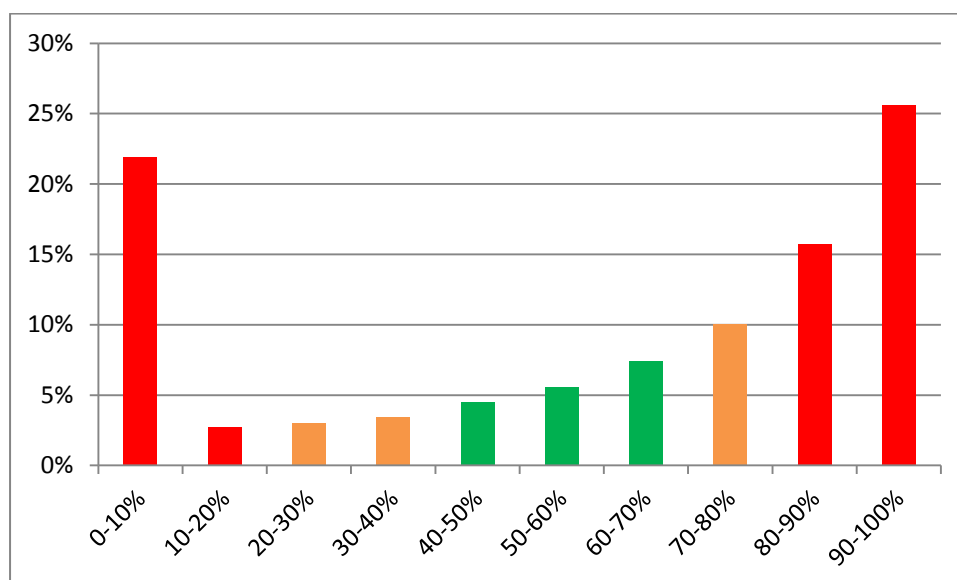
It is appropriate that advisers explain that it is the role of the trustee to set, follow and regularly review an investment strategy to ensure that the SMSF is adequately diversified and is expected to deliver an adequate retirement income. It is also important that advisers clearly explain to clients that there are certain restrictions on investment types from within a SMSF structure.

⁹ Ibid Page 42.

The aggregate data, including that grouped by assets in the ATO’s more recent data, suggests reasonable diversification, however, the work by Arnold et al¹⁰ shows SMSFs are not diversified.

An analysis of the data from the 200,000 SMSF sample as demonstrated in Figure 1 shows two-thirds of SMSFs either have an extremely low risk weighting or an extremely high risk weighting. Only one sixth of SMSFs have what might be described as a reasonable level of diversification, and another sixth have a somewhat reasonable level of diversification.

Figure 1. SMSFs in deciles by allocation to growth assets



| Diversification level | Risk assets | Proportions | Subtotals |
|-----------------------|-------------------|-------------|-----------|
| Well diversified | 40-70% | 17% | 17% |
| Somewhat diversified | Very low risk | 6% | 17% |
| | Very high risk | 10% | |
| Not diversified | Extreme low risk | 25% | 66% |
| | Extreme high risk | 41% | |
| Total | | 100% | 100% |

Source: ISA analysis based on data in Arnold. B, Bateman. H, Ferguson. A, Raftery. A, *The cost, asset allocation and investment performance of self-managed superannuation funds in Australia*. University of New South Wales Conference paper 2013

The disclosure requirement that trustees and potential trustees must set and regularly review the fund’s investment strategy to ensure it is adequately diversified is appropriate.

¹⁰ Arnold. B, Bateman. H, Ferguson. A, Raftery. A. Op cit.

Property investment by SMSFs

Between 2007 and 2010 SMSF investment in property has doubled to \$80 billion. The Reserve Bank in its September Financial Stability Review¹¹ expressed concerns that the extent of property gearing by self-managed funds will be closely monitored by the bank. The review noted the increase in marketing activities by promoters of property investments within SMSFs and expressed the view that these developments had ...”implications both for risks to financial stability and consumer protection.¹² Whilst recognising the near term risks to be small, the bank expressed the view that the rapid growth of borrowing by SMSFs to purchase property required careful ongoing monitoring.

We welcome ASIC’s statements regarding SMSF property investment and the associated increased surveillance.

Are SMSFs an effective vehicle for trustees operating a small business?

The use of an SMSF by some small businesses can be a tax effective means by which capital owned by an SMSF can be leased to the business. Presuming the arrangements made between the SMSF and the business are at arms-length, that market rates are charged and the arrangements are consistent with the separate legal and commercial obligations upon the trustees of the SMSF and the controllers of the business (usually the same person or persons).

Opportunity for whom?

The secondary benefit achieved by an SMSF trustee investing in or coming to a financial arrangement with their own business can be considerable; however, this benefit should not be the determining factor when making an investment decision. The sole purpose test requires SMSF trustees to invest with the sole purpose of enhancing the retirement incomes of the fund’s beneficiaries not to advance the interests of a related business.

If these decisions to invest in property or capital related to a business owned by an SMSF trustee were at arms-length then there would be many more circumstances where SMSF trustees would invest in another person’s business as the returns to the SMSF may be greater. While it is arguable that a small business owner has intimate knowledge of the financial situation and potential growth of their own business, their judgement may be clouded when making investment decisions due to the related-party connection between the business and the SMSF. Further, the ability to invest in one’s own business may discourage the trustee from investigating alternate investment options and subsequently result in lower returns in their SMSF than would otherwise be the case. Whilst figures are not available, it is suggested that it would be a rare circumstance where a small business operator and SMSF trustee entered into a financial arrangement with a business other than their own.

This is not to say that the overall benefit to the individual is not a positive one. The question is: Is this the role of SMSFs? Self-managed funds are a taxpayer subsidised retirement savings vehicle intended to maximise the retirement savings of members. The return to the taxpayer is a reduced call on future taxpayers as SMSF members rely on their own savings rather than the aged pension.

¹¹ Released on 25 September 2013

¹² Reserve Bank Of Australia. Financial Stability Review September 2013 Box D

On average SMSF's invest approximately \$80 billion or 15.1% of assets in property. Commercial property makes up the bulk of this investment with \$58 billion or 11.7% of the \$495 billion SMSF asset pool.¹³

Changes to gearing to purchase property provide business owners with further options if they transfer a business asset to their SMSF.

The time commitment and skills needed to run an SMSF effectively

We have concerns that the time commitment and skills required to run a SMSF are often not properly disclosed by service providers. It is reasonable that a clear understanding of the type and level of commitment is provided to clients. The implications of a lack of time and/or skills should be provided. This includes the potential failure of the fund to meet its legal obligations and the potential loss of concessional tax treatment.

It is reasonable to expect that trustees of the largest superannuation sector are fit and proper to ensure the fund is operated in a manner that meets minimum legal requirements and provides over the long-term an adequate retirement income to its members. In some circumstances it may be appropriate that an adviser suggest clients undertake further investigation by way of reading material or coursework prior to establishing an SMSF or indeed provide advice that they may not be in a position to undertake the duties of a SMSF trustee.

When estimating the cost of operating an SMSF, there is no dollar estimate of opportunity cost or costing of the significant time SMSF trustees are required to commit to the operations of the SMSF. We do not suggest that this time should be calculated when comparing the operating costs of SMSFs and APRA regulated funds, however, it is appropriate that this cost be highlighted when advice is provided.

The costs of managing an SMSF

For many SMSF members the cost of managing their SMSF can be excessive and can have a dramatic impact on the SMSF's account balance. We agree that advisers must explain the costs associated with managing an SMSF, and also provide clients with an estimate of those costs. These costs should include, establishment, ongoing and windup costs.

We agree with the proposal outlined in Table 4 of the consultation paper that advisers should explain:

- a) set up costs¹⁴;
- b) ongoing costs – minimum requirements such as an annual audit and an allocation of any agreed costs by service providers, likely costs and an allocation for irregular costs;
- c) wind up costs;

¹³ Australian Taxation Office 2011, Self –managed superannuation funds: A statistical overview 2010-2011

¹⁴ It is worth noting that the set up costs of a SMSF are deemed by the ATO not deductible under section 40-25 of the *Income Tax Assessment Act 1997*.

- d) an estimate of the point at which an SMSF will become cost effective when compared to an APRA regulated fund;
- e) the time cost associated with a trustee’s role; and
- f) insurance costs.

ATO cost estimates

The ATO has undertaken their own estimate of average SMSF operating expense ratios by fund size using the SMSFs income tax return. The total operating expenses are then compared to the fund’s average assets to get a ratio of expenses to assets.

Table 1: Average operating expense ratios to assets by SMSF fund size 2011

| | \$1-\$50k | >\$50k- \$100k | >\$100k- \$200k | >\$200k- \$500k | >\$500k- \$1m | >\$1m- \$2m | >\$2m |
|-------------|-----------|-------------------|--------------------|--------------------|------------------|----------------|-------|
| 2011 | 8.29% | 4.02% | 2.83% | 1.37% | 0.69% | 0.41% | 0.23% |

Source: <http://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Super-statistics/SMSF/Self-managed-super-funds--A-statistical-overview-2010-11/?anchor=P2012-54963#P2012-54963>

Rice Warners’ cost estimates

Table 3 in the consultation paper provides a summary of Rice Warner’s findings comparing the cost of SMSFs¹⁵ with the cost of APRA regulated funds and is relevant to the proposed cost estimates to be provided by advisers outlined in d) above.

ISA and AIST believe that the cost estimates provided by Rice Warner underestimate the cost of establishing and maintaining a SMSF and overestimate the cost of APRA regulated funds, in particular not-for –profit funds. Of course, when undertaking modelling of costs it is appropriate that conservative assumptions be used to err on the side of caution.

The findings regarding comparative costs included in Table 3 of the consultation paper are not inconsistent with statements regarding potential SMSF minimum account balances made by government, regulators and others. To date the general consensus appears to be that a minimum SMSF account balance of \$200,000 is required before a SMSF can be cost effective.

The Rice Warner report suggests that SMSFs with balances of between \$100,000 and \$200,000 can be competitive with more expensive APRA–regulated funds if the trustees undertake the boarder investment and administration functions. In doing so there is no cost allocation for the service or significant time commitment required of trustees.

The Rice Warner analysis finds that the 11 per cent of SMSFs that have balances of \$100,000 or less are not competitive in comparison to APRA regulated funds and only SMSFs with \$500,000 or more can provide equivalent value to APRA-regulated funds on a full service basis.

¹⁵ Rice Warner Actuaries; Costs of Operating SMSFs ASIC May 2013.

New research into operating costs of SMSFs

The as yet unpublished research by Arnold et al¹⁶ is by far the most extensive research undertaken regarding SMSF costs as it uses actual costs reported by SMSFs based on an ATO dataset of more than 200,000 SMSF reports over the period 2008-2010 inclusive.

This research found that the mean reported expenses of the sample SMSFs over the period 2008-2010 were 1.33 per cent of assets or \$7,299. The work confirms the advantages of scale with expenses of 14.03 per cent of assets or \$3,126 reported for the smallest fund decile, and 0.80 per cent of assets or \$19,253 for the largest fund decile.

An analysis of the new work finds that only the very largest SMSFs would be cheaper to operate than the most expensive accumulation industry superannuation funds. Table 2 uses the expenses data reported to the ATO by more than 200,000 SMSFs and clearly demonstrates that for the vast majority of funds SMSFs are an expensive retirement vehicle.

The regression analysis in Figure 2 shows a cost base is about \$2,600 plus about 70 bps when comparing series 1 data which excludes insurance premiums to provide an appropriate comparison with APRA regulated funds.

The analysis shows that the very smallest SMSFs (average size \$25,000; mostly invested in cash) are 'below the line' at an average cost of around \$1,800. They are still completely unviable at this cost level, and perhaps 15 times the cost of an equivalently sized industry fund.

Only the very largest SMSFs would be cheaper than the most expensive accumulation industry fund.

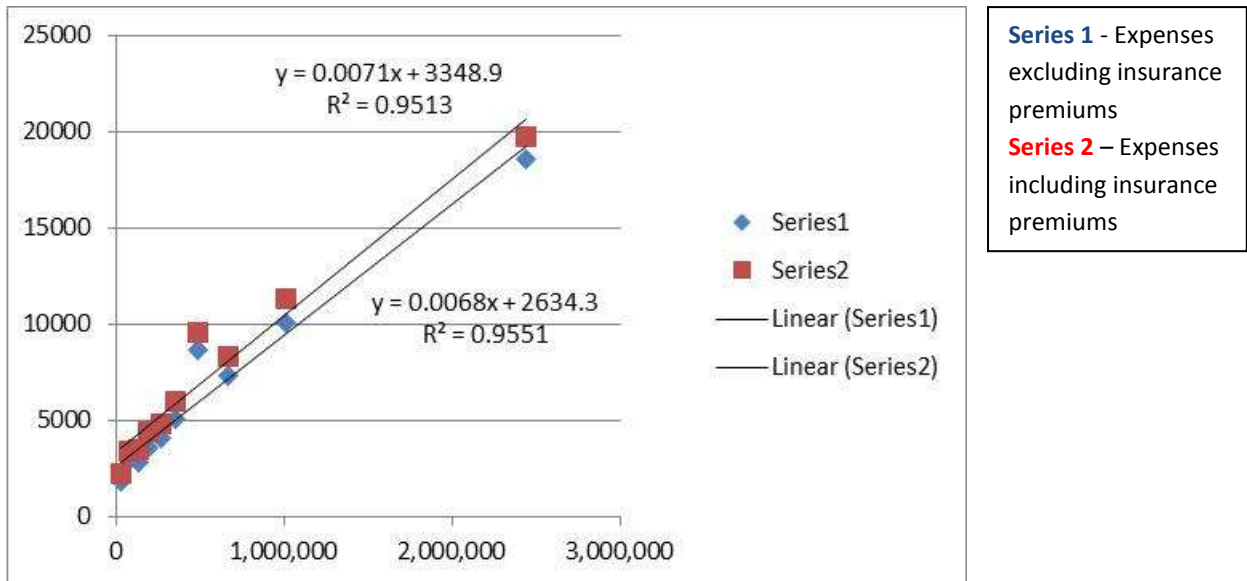
Table 2. SMSF Expenses, by assets, 2010

| Decile | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | average | median |
|--------------------------------------|------|------|------|------|------|------|------|------|-------|-------|---------|--------|
| Assets (\$th) | 25 | 79 | 131 | 191 | 265 | 357 | 481 | 672 | 1,013 | 2,500 | 599 | 311 |
| Expenses (including insurance prems) | 2258 | 3420 | 3509 | 4402 | 4838 | 6022 | 9576 | 8354 | 11297 | 19775 | 7287 | 5430 |
| Insurance | 425 | 564 | 720 | 823 | 793 | 962 | 914 | 1069 | 1210 | 1221 | 841 | 878 |
| Expenses (less insurance premiums) | 1833 | 2857 | 2789 | 3579 | 4045 | 5060 | 8661 | 7285 | 10087 | 18555 | 6446 | 4553 |
| MER | 7.2% | 3.7% | 2.1% | 1.9% | 1.5% | 1.4% | 1.8% | 1.1% | 1.0% | 0.8% | 1.2% | 1.5% |
| Fixed cost (model) | 2634 | 2634 | 2634 | 2634 | 2634 | 2634 | 2634 | 2634 | 2634 | 2634 | 2634 | 2634 |
| Variable cost (model) | 173 | 532 | 890 | 1302 | 1798 | 2423 | 3272 | 4545 | 6859 | 16601 | 3812 | 2110 |
| Total cost (model) | 2807 | 3167 | 3525 | 3936 | 4432 | 5058 | 5906 | 7179 | 9493 | 19236 | 6446 | 4745 |

Source: ISA analysis based on data in Arnold. B, Bateman. H, Ferguson. A, Raftery. A, *The cost, asset allocation and investment performance of self-managed superannuation funds in Australia*.

¹⁶ Arnold. B, Bateman. H, Ferguson. A, Raftery. A, *The cost, asset allocation and investment performance of self-managed superannuation funds in Australia*. University of New South Wales Conference paper 2013

Figure 2. SMSF Expenses, by assets, 2010



Source: Arnold. B, Bateman. H, Ferguson. A, Raftery. A, *The cost, asset allocation and investment performance of self-managed superannuation funds in Australia.*

Figure 3: Comparison of operating costs by fund type and asset level 2010

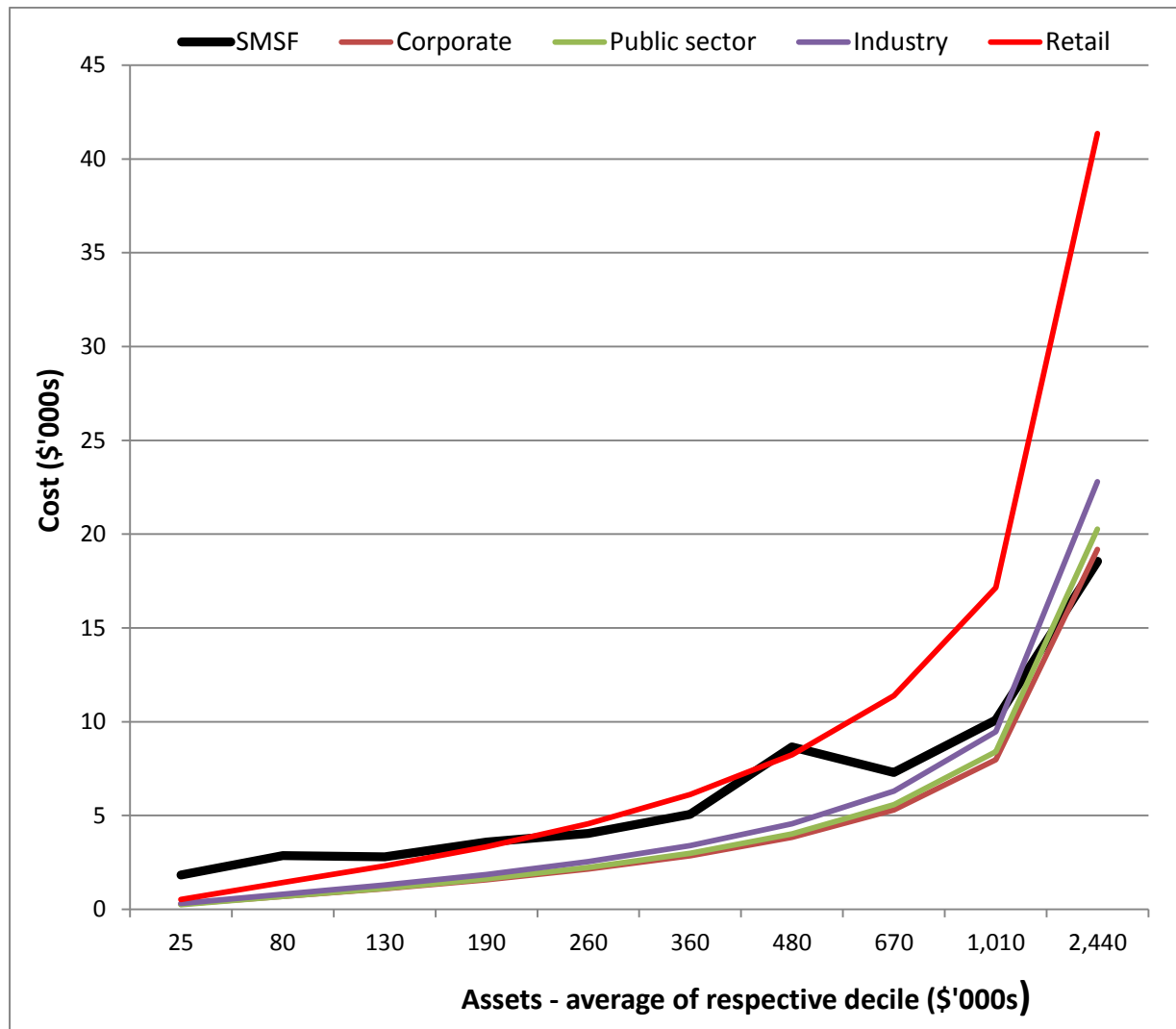


Table 3: Comparison of operating costs by fund type and asset level 2010

| Assets ('000s) | 25 | 80 | 130 | 190 | 260 | 360 | 480 | 670 | 1010 | 2440 |
|----------------------|-----|-----|-----|-----|-----|-----|-----|------|------|------|
| SMSF | 1.8 | 2.9 | 2.8 | 3.6 | 4.0 | 5.1 | 8.7 | 7.3 | 10.1 | 18.6 |
| Corporate | 0.3 | 0.7 | 1.1 | 1.6 | 2.1 | 2.9 | 3.8 | 5.3 | 8.0 | 19.2 |
| Public sector | 0.2 | 0.7 | 1.1 | 1.6 | 2.2 | 3.0 | 4.0 | 5.6 | 8.4 | 20.3 |
| Industry | 0.3 | 0.8 | 1.3 | 1.9 | 2.5 | 3.4 | 4.6 | 6.3 | 9.5 | 22.8 |
| Retail | 0.5 | 1.4 | 2.3 | 3.3 | 4.6 | 6.1 | 8.2 | 11.4 | 17.1 | 41.4 |

Source: ISA analysis based on SuperRatings data. Average dollar and variable fees by sector applied to asset base.

The data in Table 3 produces quite a different outcome than the Rice Warner data and we believe it is to be preferred as it uses actual reported costs and does so from an extensive database. The cost findings in the early deciles are not inconsistent with Rice Warner’s findings but are inconsistent in the middle and high end deciles. The data shows that only at the 5th decile does a SMSF become cheaper to operate and only then when compared to a retail fund. It is not until the 10th decile (averaging \$2.4 million) that an SMSF may become a cost effective option relative to not for profit funds..

The need to consider and develop an exit strategy and contingency planning for an SMSF

Many SMSF trustees will over time decide that an SMSF is no longer meeting their needs or they are unable to continue to make the time commitment required of a responsible trustee. SMSFs are complex arrangements which tend to become more complex with maturity.

As of June 2013 more than 61 per cent of SMSF members were past preservation age¹⁷ The age of SMSF members should be a key consideration for policy makers and those providing advice to existing SMSF members and those considering establishing an SMSF.

Table 3: Member demographic table – age ranges

| Age ranges | Male | Female | Total |
|--------------|-------|--------|-------|
| <25 | 1.0% | 1.0% | 1.0% |
| 25–34 | 3.4% | 3.3% | 3.4% |
| 35–44 | 10.4% | 12.1% | 11.2% |
| 45–54 | 21.6% | 24.2% | 22.8% |
| 55–64 | 32.5% | 34.5% | 33.5% |
| >64 | 31.1% | 24.9% | 28.1% |
| Total | 100% | 100% | 100% |
| All ages | 52.6% | 47.4% | 100% |

Source: ATO This table contains an approximate age distribution of individuals who were members of SMSFs as at the end of June 2013. The data behind this table was extracted on 8 July 2013 and is an estimate based on Australian Business Register (ABR) data.

¹⁷ Preservation age is 55 for anyone born prior to the 1 July 1960.

As the population ages financial decision making can become more difficult. Investment and other decisions can become more complex. SMSF trustees have the responsibility to manage their own funds and as they age there is a greater chance of cognitive disability, including Alzheimer's Disease and dementia. SMSF trustees are an older cohort and more likely to face cognitive decline, either directly or difficulties resulting from the illness of another fund trustee.

It is not uncommon for one SMSF fund member (usually male) who has undertaken the majority of the management of an SMSF to become ill and for the key trustee responsibilities to shift to another trustee (commonly the female spouse) who may not be prepared to undertake the tasks required. Hsu and Willis (2011, p1) reported that "as the financial decision maker's cognition declines, the management of finances is eventually turned over to his cognitively intact spouse, often well after difficulties handling money have already emerged."¹⁸

It would be appropriate that when providing advice regarding the establishment of an SMSF that there be a recommendation that a contingency plan be put in place in the event that one or more members becomes incapable of fulfilling their responsibilities as a trustee. In addition there should be a requirement to disclose the cost and implications of a windup of the SMSF at a future point.

A recent study found that over half of those making poor financial judgements in a survey also reported cognitive dementia symptoms. The work found that:

"Further evidence is needed to explore the mechanisms needed to prompt a voluntary cognitive assessment and to take action to reduce the consequential financial risks, particularly for managers of self-managed superfunds.... Early advice may assist members of funds to make the best possible decisions before significant cognitive decline robs them of the opportunity."¹⁹

The laws and policies that affect SMSFs are subject to change

It is the case that a change in laws may impact the relative attractiveness of different superannuation products. Disclosure that general law relating to superannuation may change is, we believe, of limited utility. However, we believe that it is appropriate that a where an advisor is of the view that a clients' decision to establish an SMSF is linked to a specific rule, law or tax concession, we believe that the adviser's duty to the client would only be properly fulfilled if a disclosure was provided that the relevant law may change. The form of the disclosure should be in writing.

¹⁸ Hsu, Joanne W., and Robert Willis (2011) The implications of Alzheimer's Risk for Household Financial Decision-Making. Presented at the Conference on Health, Aging and Human Capital RAND, December 2-3, <https://irs-editprinceton.edu/sites/irs/files/uploads/documents/RevisedRobertWillis.pdf>

¹⁹ Earl, J., Gerrans, P., Asher A., Woodside, J.: Cognitive Functioning and Financial Decision-making in Older Australians: Investigating the influence of cognitive decline on the quality of financial decision-making in older adults: The case of self-managed superannuation funds. Presented at University of New South Wales Colloquium of Superannuation Researchers on 26 June 2013. <http://ssm.com/abstract=2261105>

Transition period

We have no objection to the proposed transitional period. It is recognised that many advisers are currently providing disclosure and information consistent with that proposed in the consultation paper and many more will be encouraged by the consultation process to do so.

Comments on Table 3 Summary of Rice Warner's findings comparing the cost of SMSFs with the cost of APRA regulated funds.

The work undertaken by researchers at the University of New South Wales (UNSW) and the University of Technology, Sydney (UTS) is unprecedented in its scope and shows the real costs of SMSFs as reported by the trustees themselves to be greater than the Rice Warner estimates.

We recognise that the Rice Warner findings summarised in table 3 of the report are based on conservative assumptions and are guidelines. We believe further work is required in this area and it is highly likely that the SMSF balances required to provide equivalent value to APRA regulated funds will be considerably higher.

The research undertaken by the UNSW and UTS using actual SMSF costs is not consistent with the SMSF cost estimates contained in the consultation paper. The consultation paper suggests that for balance between \$250,000 and \$500,00 where trustees undertake some of the administration SMSFs and more generally for SMSF balances above \$500,000 SMSFs are a cost effective option. The research focusing on actual costs suggests this is not the case.

At Attachment 2 we replicate an ATO warning regarding the comparison of SMSF and APRA regulated fund data. The warning indicates that it is likely that some costs borne by SMSFs are likely to be underestimated or not included.

The work undertaken by Rice Warner regarding the establishment costs associated with SMSFs is not disputed and appears to be the only work of its kind.

Conclusion

We welcome the consultation paper and its proposal that advisers to SMSF trustees and potential SMSF trustees provide disclosure on a range of matters. Work by ASIC has shown that there is an unacceptably high level of poor advice being received by those contemplating the establishment of an SMSF with an advice review finding only one example of good advice.

The evidence is that too many people with small account balances have established an SMSF and that their costs to earnings ratio are unacceptably high, especially when compared to industry and other not-for-profit funds. In addition far too many SMSFs have what could only be described as a highly undiversified investment portfolio and a consequently high risk investment strategy with real property investment being a leading factor.



We concur that it is important that SMSF trustees develop and maintain an exit strategy. With more than 61 per cent of SMSF trustees over preservation age it is essential that these matters are front of mind when establishing or switching to a SMSF.

Unprecedented work from researchers at the University of New South Wales and Sydney University of Technology using reported expenses from more than 200,000 SMSFs over the period 2008-2010 has clearly shown that SMSF costs remain higher than industry and other not-for-profit funds at all points other than the largest SMSF account balances well in excess of \$1 million.

More informed work is required regarding SMSF cost estimates. ISA and AIST suggest that further industry consultation take place to ensure an appropriate cost estimate forms part of any future advice to potential SMSF trustees.

Attachment 1

ISA and AIST responses to consultation paper questions

Proposal B1 - Warning clients about lack of statutory compensation for SMSFs

We propose to modify Pt 7.7 of the Corporations Act, by way of class order, to require AFS licensees and their authorised representatives who provide personal advice to clients on establishing or switching to an SMSF:

- (a) to warn clients that SMSFs do not have access to the compensation arrangements under Pt 23 of the SIS Act in the event of fraud or theft (see Table 1); and
- (b) to give clients the warning at the same time, and by the same means, as the advice is provided. If the advice is provided in an SOA, the warning can be given by including it in the SOA. If the advice is not provided in an SOA, we expect the warning to be recorded in the SOA when it is later given to clients.

Table 1: Specific response to B1 consultation paper questions

| | | |
|------|--|---|
| B1Q1 | Do you agree with our proposed disclosure requirement in Table 1? If not, why not? | Yes. |
| B1Q2 | Do you think that the proposed warning will benefit clients who are considering setting up or switching to an SMSF? If not, what other warnings would help clients decide whether it is appropriate in their circumstances to establish or switch to an SMSF? | The proposed warning will benefit clients, particularly those that may be under the misapprehension that compensation is payable. |
| B1Q3 | Do you think the proposed warning should be given to clients in a prescribed format? For example, should the warning be given in a stand-alone document, or should it feature more prominently in the SOA? If you do not think the warning should be given in a prescribed format, please explain why. | We believe the warning should be provided in a prescribed format and should be prominent in the SOA. |
| B1Q4 | Do you think that clients should be asked to sign a document acknowledging that they understand that SMSFs are not entitled to receive compensation under the SIS Act? Are there any alternatives to obtaining client acknowledgement that will help to ensure that investors understand the lack of compensation available to SMSFs? If so, please provide details. | We believe that clients should be required to sign an acknowledgement that SMSFs are not entitled to compensation under the SIS Act |
| B1Q5 | Are our proposed disclosure requirements likely to result in additional compliance costs for AFS licensees and their authorised representatives? Please give details, including figures and reasons. | We don't see how this form of disclosure would have anything but the most negligible cost associated with it. |
| B1Q6 | Are there any practical problems with the implementation of this proposal? Please give details. | We don't believe there are any practical issues that would need to be overcome. |

Proposal B2 – Disclosure details in Table 2

We propose to modify Pt 7.7 of the Corporations Act, by way of class order, to require AFS licensees and their authorised representatives who provide personal advice to clients on establishing or switching to an SMSF:

- (a) to disclose to clients the matters set out in Table 2. The level of detail about a matter that is required is such as a client would reasonably require to decide whether it is appropriate in their circumstances to establish or switch to an SMSF; and
- (b) to give clients the disclosures at the same time, and by the same means, as the advice is provided. If the advice is provided in an SOA, the disclosures can be given by including them in the SOA. If the advice is not provided in an SOA, we expect the disclosures to be recorded in the SOA when it is later given to clients.

Table 2: Specific response to B2 consultation paper questions

| | | |
|------|---|--|
| B2Q1 | Do you agree with our proposed disclosure requirements in Table 2? If not, why not? | Yes |
| B2Q2 | Do you think the proposed disclosure requirements will benefit clients who are considering setting up or switching to an SMSF? If not, what other disclosures do you think would help clients decide whether it is appropriate in their circumstances to establish or switch to an SMSF? | We do believe that the proposed disclosure will be of assistance to clients. |
| B2Q3 | Do you think that the proposed disclosure requirements in Table 2 should be given to clients in a prescribed format? If not, why not? | ISA and AIST believe that the form of disclosure is an important consideration. A prescribed form of disclosure would set a minimum level of disclosure which could be enhanced by the relevant advisor. |
| B2Q4 | Do you think that clients should also be asked to sign a document acknowledging the responsibilities and risks associated with running an SMSF? Are there any alternatives to obtaining client acknowledgement that will help to ensure that clients understand the risks associated with SMSFs? If so, please provide details. | We believe that future trustees fully acknowledge the important role they are about to undertake. The process of signing is in itself less important than the record of acknowledgement from clients that they are entering a serious undertaking. |
| B2Q5 | Are our proposed disclosure requirements likely to result in additional compliance costs for AFS licensees and their authorised representatives? Please give details, including figures and reasons. | Any additional compliance costs will be negligible and outweighed by the benefits to both clients and advisers. |
| B2Q6 | Are there any practical problems with the implementation of this proposal? Please give details. | None known |
| B2Q7 | Do you think we should provide further guidance on the disclosure obligations? If so, please provide details. | There may be some benefit in providing guidance on SMSFs and the sole purpose test. In particular the interaction between a fund and a related entity such as a business owned by one or more of the SMSF trustees. |

Proposal B3 - Transition period

We propose that an AFS licensee or its authorised representatives that provide personal advice to a client on establishing or switching to an SMSF should be required to make the disclosures in proposals B1 and B2 six months after we release our class order on the disclosure requirements.

Table 3: Specific response to B3 consultation paper question

| | | |
|------|---|---|
| B3Q1 | Do you agree with the proposed timeframe for the implementation of proposals B1 and B2? If you think that a transition period of longer or shorter than six months is required, please explain why. | ISA and AIST believe that the transitional period is sufficient and adequately balances the interests of gatekeepers and clients It is suggested that additional transitional arrangements could be provided on a case by case basis with the onus on those requesting any extension of the transitional period to demonstrate why it is required and why they were not reasonably in a position to act earlier. |
|------|---|---|

Proposal C1 - Guidance on costs

We propose to provide guidance that, when giving advice to clients on establishing or switching to an SMSF, advisers must consider and be able to show that they have informed clients of each of the SMSF cost issues set out in Table 4.

Our proposed guidance will take into account Rice Warner's findings and the feedback received in response to it.

Table 4: Specific response to B4 consultation paper questions

| | | |
|------|--|--|
| C1Q1 | <p>Do you agree with Rice Warner's findings? In particular, do you agree with: (a) the way that Rice Warner has described SMSF costs in its report? If not, why not?</p> <p>(b) Rice Warner's analysis about the points at which an SMSF becomes cost-effective compared with an APRA-regulated fund? If not, why not?</p> | <p>The submissions above deal with this question in detail. We have reservations regarding the Rice Warner cost estimates and the manner in which they have been described and findings as to cost and the points at which a SMSF becomes cost effective.</p> <p>Actual reported costs of a large sample group are to be preferred to conservative cost estimates.</p> |
| C1Q2 | <p>Do you agree that we should provide guidance on the costs associated with setting up, managing and winding up an SMSF? If not, why not? If yes:</p> <p>(a) what are the costs associated with setting up, running and winding up an SMSF?</p> <p>(b) is insurance purchased through an SMSF cost-effective compared with insurance through an APRA-regulated fund? If not, why not?</p> <p>(c) do you think we should provide actual dollar costs (or a range of dollar costs) for the following SMSF costs? If not, why not?</p> <p>(i) the costs associated with setting up, running and winding up an SMSF;</p> <p>(ii) the time cost associated with managing an SMSF;</p> <p>(iii) the cost of an SMSF not having access to compensation under the SIS Act; and</p> <p>(iv) the cost of obtaining insurance; and</p> <p>(d) what are the costs or benefits of SMSF structures compared with other superannuation vehicles? Please provide details.</p> | <p>ISA and AIST do believe that cost guidance should be provided.</p> <p>(a) These will vary but a range not inconsistent with Rice Warner's estimates is appropriate. Wind up costs may be much higher where complex tax arrangements are in place and related entities lease capital or property from the SMSF;</p> <p>(b) Insurance purchased via a SMSF is unlikely to be as cost effective as large group insurance purchased by APRA regulated funds;</p> <p>(c) We prefer a range of dollar costs associated with a range of SMSF sizes. This should include a more helpful breakdown that the proposed small, medium and large SMSF size groupings. We propose a minimum of 8 cost groupings.</p> <p>The costs of time and lack of compensation will vary significantly depending on circumstances and should be mentioned as an important factor that has a monetary value.</p> |

| | | |
|------|--|--|
| C1Q3 | Should advisers be required to consider and inform clients of the costs in Table 4 before establishing an SMSF? If not, why not? | We do not believe advisers would be meeting their best interests test if they did not consider and inform clients of the costs contained in Table 4. |
| C1Q4 | Are there any other SMSF costs that need to be disclosed to clients? If so, should they be disclosed in actual dollar costs (or a range of costs)? Please provide details. | Legal costs, especially where complex arrangements are entered into. A range linked to fund size would be appropriate. |
| C1Q5 | Do you think that any other disclosures about the costs of setting up, running and winding up an SMSF need to be made to clients before establishing an SMSF? If not, why not? | No |
| C1Q6 | Is our proposed guidance likely to result in additional compliance costs for advisers? Please give details, including figures and reasons. | Yes, but they should be minimal with the costs being outweighed by the benefits. |
| C1Q7 | Are there any practical problems with the implementation of this proposal? Please give details. | None known. |

Attachment 2 Data Issues

The following is taken from the ATO's website²⁰ where the ATO cautions that there are data limitations and differences in methodologies that impact the analysis of SMSFs and any comparison of SMSFs with non-SMSF sectors. In general the ATO cautions that SMSF costs may be under reported due to:

- **Valuation and accounting practices** might lead to incorrect calculations of ROA. In particular, APRA-regulated funds must report assets at market value, while SMSFs are only required to do so under certain circumstances. That said, anecdotal evidence suggests that market value reporting is becoming more common for SMSFs - particularly for those funds investing substantially in listed shares, managed funds and cash assets.
- **Treatment of tax** might differ between APRA regulated funds and many SMSFs. APRA-regulated funds generally make full provision for income taxes on an accruals basis, as do many SMSFs. However, again, SMSFs are not required to do so and many do not (in which case, tax is effectively treated on a cash basis).
- **Pension funds exemption from income tax on investment earnings** will mean pensions funds have higher after tax returns than an identically invested accumulation fund. Given that SMSFs have a proportionately higher number of member accounts in the pension phase, there is potential for the ROA of the whole SMSF population to be overstated.
- **Under or overstated costs** as cost amounts for SMSFs are determined based on amounts included in the SMSF annual return (that is deductible expenses) rather than the actual expenditure on fund costs. For example, such costs could include
 - **Life insurance and related cover**, if only a portion of the premium is deductible depending on the type of insurance cover.
 - **Opportunity costs** as the cost of a trustee's time and effort in operating the SMSF are not captured. These costs are more likely to be reflected in APRA-regulated funds.
 - **Costs incurred in pension phase SMSFs**, if only a part of an SMSF's total expenditure is tax deductible (because the fund is not entitled to a deduction for expenses incurred in deriving exempt income). Relying exclusively on tax deductible expenses to identify operating costs might underestimate the costs of pension phase SMSFs by up to 100% (for an SMSF entirely in pension phase).
 - **Invisible costs** potentially arise when assets are held through an external investment structure, such as a trust or managed investment scheme, rather than directly. Under these circumstances, fees charged by the investment structure will be expensed within the structure and only the net return remitted to the SMSF via distributions. This will not undermine the ROA calculation (because whether the expenses are incurred directly or in another vehicle, the net return to the SMSF is identical). However, the fees charged by the investment structure will not be taken into account in operating expense calculations because the calculations only capture expenses actually occurring within the SMSF. This can occur in both SMSFs and APRA-regulated funds.
 - **Advice costs**, how (and whether) advice is received and paid for also affects comparisons.
- **Establishment costs**, which are incurred by SMSF members, but due to their capital nature are not deductible or able to be amortised over a defined life.
- **Management expense ratios (MER) of public offer funds**, there are a number of other membership features in a public offer super fund that make its published MER figures not directly comparable with the operating expense ratio of an SMSF (such as contribution fees, buy/sell spreads, insurance premiums and exit fees) but this is outside the scope of this publication.

²⁰ <http://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Super-statistics/SMSF/Self-managed-super-funds--A-statistical-overview-2010-11/?default=&page=55>

