CLASS

Class Annual Benchmark Report.

/ SMSF Resilience in a time of constant change

September 2021

Simplify. Automate. Connect.

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Class Annual Benchmark Report: Resilience of SMSFs

Self Managed Super Fund Association

The Class Benchmark Report is a highly anticipated publication, enabling the SMSF and superannuation industries to remain informed with the latest sector trends. Access to in-depth data contained within the Report, in a timely manner, ensures the sector is kept accountable and keeps the market better informed.

Comprehensive and detailed, it provides valuable insights into the resilience of SMSFs, especially following the past 18 months which has seen the world – and our SMSF sector – change quite considerably. These challenges bring to light the fact it has never been more critical that trustees gain access to well-founded and considered advice.

It is clear to see that despite this immense amount of change and evolution, our SMSF sector has remained robust, with self managed super funds accounting for an estimated $822 billion in retirement fund assets, according to the Australian Taxation Office's SMSF quarterly statistical report – June 2021.

As the independent, professional body representing Australia's self managed super fund sector, the SMSF Association supports wholeheartedly research and analysis that provides more high quality information to help both advisers and investors alike make better informed decisions.

Ultimately, SMSFs provide everyday Australians with greater control and flexibility over their own retirement savings. Although they may not be suitable for everyone – it must be considered on a case by case basis – it is important to have all the facts and information at hand so you can make the right decision for your specific circumstances. We believe and support all genuine efforts that encourage greater engagement with all Australians' retirement savings.

John Maroney

Chief Executive Officer,
SMSF Association

Welcome and CEO Update

Welcome to the Class inaugural Benchmark Report, our annual publication will explore our data, and compare that data set across financial years.

As we worked through the impacts of COVID-19 on our Industry, we knew that this was the time to examine deep inside the SMSF sector to look for the emergence of trends.

It has been interesting to see how resilient the sector has been, from avoiding early release mechanisms to making more contributions to SMSFs across the year as we believe investors looked to capture the significant upside following market falls.

In this special publication, we examine a number of thematic issues including the gender gap, how contributions have changed this year, and how SMSFs performed through COVID-19.

This is a critical exercise because understanding the data for the sector will lead to innovation and evolved strategies for the future. We present this data and set of insights to the financial services industry so they, too, can discover more about the critically important SMSF sector and how it is working.

The SMSF sector is incredibly important to millions of Australians. The system needs to be robust and secure, but it also needs support from government and decisions to be made on the issues around regulation that enhance the sector and not inhibit it.

It has long been predicted that the growth of the SMSF sector will slow, but as Australians look towards the greatest intergenerational transfer of wealth from Baby Boomers to their children and grandchildren - we believe SMSFs will continue to prove to be the right investment and retirement-saving vehicle for many Australians, even through this unprecedented health and economic crisis.

Andrew Russell
Chief Executive Officer
Class Ltd

Executive Summary

FY21 was disruptive for most parts of the business landscape, and the SMSF sector was no different. Despite the world facing economic uncertainty as the result of the COVID-19 pandemic, border closures, and government lockdowns, two clear themes have emerged from our data analysis: firstly, the SMSF sector is resilient and secondly, SMSFs have stayed the course in terms of performance which is aligned to their long-term strategy.

We will also see that despite the "doom and gloom" prediction of a massive exodus of SMSFs and members due to the 2017 Super Reform – where the government introduced a maximum of $1.6m transfer balance account for retirement phase – the sector continues to expand albeit subdued growth.

We can also see that the average age of an SMSF member is falling, indicating that SMSFs are being established by younger people using them in tandem with an APRA fund, to give them control over their investments.

The complexity around SMSF administration and its over-regulation predicted the cost of running an SMSF to be prohibitive, but it never actually slowed down the steady growth of the sector. Thanks to the increased adoption of technology and cloud solutions such as Class, Class clients continue to enjoy increased automation, data feeds and purpose-built solutions to achieve better efficiency, lower the cost and stay compliant.

Massive panic sales during the COVID recession in March 2020, and early access of super benefits, a mechanism introduced to allow people to take money from their super if suffering COVID-related hardships have depleted the balance of many APRA funds superannuation members. Yet SMSFs with almost one-third of total super assets recorded minimal withdrawals, accounted for just 1% of COVID payments.

This resilience and adherence to long-term strategy enabled SMSFs to rebound from an average net assets per SMSF of $1.36m in March 2020 to $1.55m by December 2020 and sees continued recovery into 2021, capturing the upside following the market downturn in March 2020. This is further reflected in the 50% pension minimum reductions, another concession in which SMSF members adhere, to further protect capital value of SMSFs.

In this report, we examine how SMSF members are taking advantage of the relaxation of contribution rules and limits introduced by the government – the removal of work tests, the catch-up concessional contributions, the downsizer contributions, extending age limits for bring forward rules – which all increased the flexibility and opportunities for members to make contributions towards their funds.

Insights also include the most popular Australian shares, ETFs, managed funds, and international shares held by SMSFs; the rise of the ETFs; and how commercial property is increasing within funds.

SMSFs have become one of the most important investment and retirement-saving vehicles in Australia, and indications are that not only can they weather financial uncertainty, but their resilience is leading to a resurgence in popularity.

With thanks to our customer contributors

Information and insights for this edition of Class' Benchmark Report was provided by leading Australian accounting firms, including:

Meg Heffron
Director, Heffron SMSF solutions

Heffron

Kerry Bosnich
Director, Perks

Perks.

Jonathan Scholes
Managing Partner, Findex

FINDEX

Julie Schofield
Director, Boyce

BOYCE
CHARTERED ACCOUNTANTS

Katie Timms
National Director, Superannuation & SMSF Services, RSM

RSM

We welcome these important insights, and each business has focused on one key part of our data. It is through collaboration and integration with our customers that we can best explore the emerging themes and trends within the SMSF sector.

Our methodology

The data for the Class SMSF Benchmark Report is taken from Class Super funds loaded by our clients. The data is anonymised and aggregated such that we cannot identify any single trustee or fund, or which accountant/advice provider the fund belongs to.

Class continues to lead the Industry In providing award-winning wealth accounting and corporate compliance technology. We're proud to continue to deliver solutions to a diverse cross-section of customers from large enterprise SMSF administrators to small accounting firms. We take a representative sample of SMSFs and assume this sample is representative of the broader Australian SMSF market.

From the sampled customer data, only data for active funds is analysed. Active funds include any funds active at the time of data sampling that had opening balances as of the effective date.

All individual asset investment balances are included for all active funds, except where investment holdings had a market value at the effective date greater than $50 million. These exceptionally large balances are excluded as outliers.

Here is how we looked at the remaining data set:

- A fund investment balance is defined as the total of all investment balances for that fund.
- Funds are included towards a count if they were an active fund at the effective date, and if the fund investment balance at the effective date was greater than $1.
- Members are counted where the related fund is counted, and where the member was active at the effective date.
- Individual member balances are included if the member is counted, even if the member balance is zero. Note that the sum of all member balances in the data set may not equal the sum of all investment balances, due to the timing of transaction processing and running period updates.
- A fund balance is calculated as the total of all counted member balances for that fund. As per the note above, this may be different to the fund's investment balance in the sample data set.
- Pensions are counted in the data if there is a counted member balance of type 'pension'.
- Pensioners are counted if the related member has a pension.
- 'Mixed' phase is only where there is at least one member that is entirely in the accumulation phase, and at least one member that has some of their balance in the pension phase.
- Securities are grouped by security issue code in each fund i.e. multiple investment balances of the same security is counted as one.

The State of the SMSF Industry

Findings 1: Automation trends and innovation to address evolving industry

The SMSF audit landscape has seen a continuous flow of amendments to legal requirements, compliance, registration as well as audit independence. These reforms have been focused on improving audit quality, and have impacted pricing and the scale of audits – and increased efficiency of handling the changes through Class.

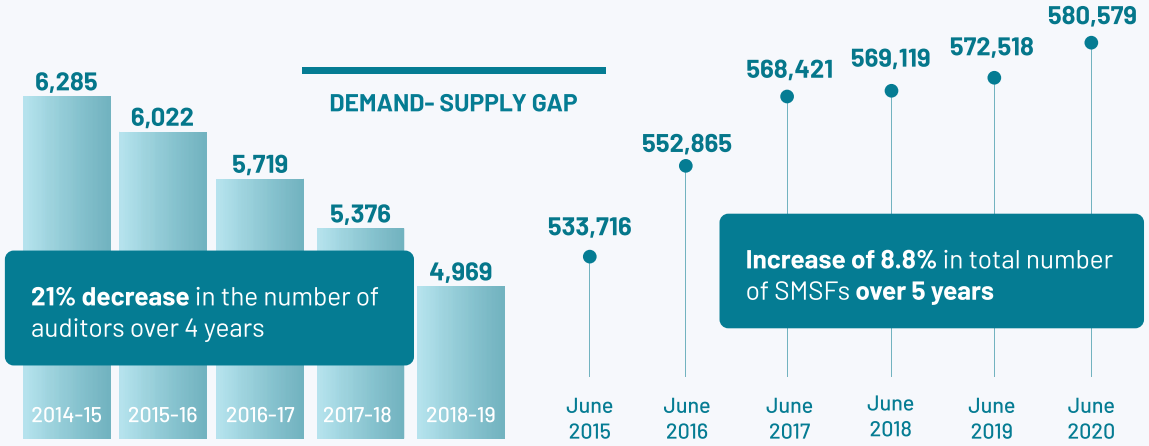
As a result of the restructured APES 110 Code of Ethics for Professional Accountants, all SMSF audits need to be conducted by an independent auditor. It will not be possible for an accounting practice to offer both accounting and audit services to the same SMSF client.

Class has recently launched an online tool, Class Auditor Marketplace, to help accountants find suitable SMSF auditors as they adhere to new auditor independence requirements.

According to our research, the change will see the administrators of about 30–40% of all SMSFs searching for a new, independent auditor. This is estimated at more than 200,000 SMSFs that will need to be audited by an independent business.

Growing demand for independent auditors

Only 6.4% of SMSF auditors are servicing **54.3% of SMSFs.**

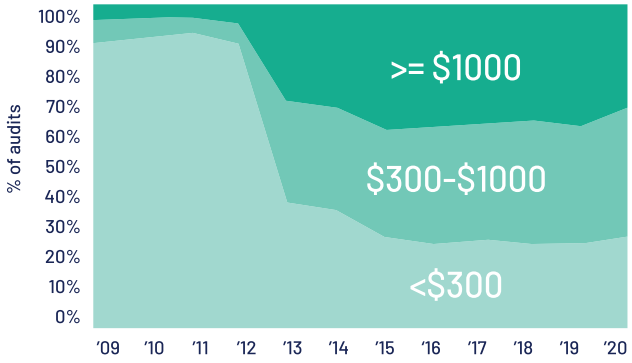


More automated services in SMSF technology

1. Tighter integration of platforms available (e.g. One-click audit on the Class platform)
2. ASAE 3402 assurance-controlled data feed and tax statement systems on Class
3. >80% funds lodged on Class software in 2018-19

Decline of low-cost audits

Drastic decline of ~47% after the introduction of mandatory SMSF Auditor Registration in 2012.



Impact on Pricing

SHORT-TERM PRICE RISE

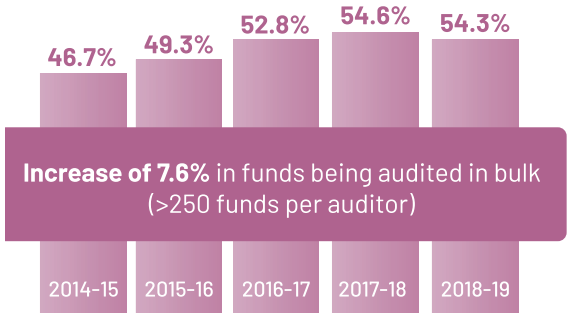
- More SMSFs and fewer auditors
- Fresh new audit engagements (switching from in-house to external)
- Last minute appointment of SMSF auditors

LONG-TERM PRICE DECLINE

- More automated and specialised services will make audits less labour intensive, efficient and timely, potentially making them more cost effective.
- Technology advancements

Large-scale auditing of funds shifting market trends

The new demand for independent auditors will further drive the percentage **beyond 55% as observed in FY 2018-19.**



New regulations are making audits more onerous

2 IN 5 auditors are doing **in-house auditing**

84% of these have **three or fewer** customers

1 July 2021 - Mandatory audit independence measure commencing

Recent amendments in **APES 110 Code of Ethics for Professional Accountants** are increasing risk of non-compliance for the auditors

Findings 2: SMSFs show resilience and sustained growth during COVID-19

In March 2020, the Australian market was impacted by fears related to the COVID-19 pandemic. At the time, the government announced a mechanism that would allow individuals to withdraw $20,000 from their superannuation on the grounds of hardship across two equally sized withdrawals, over two financial years.

As we will see in our research, SMSFs are generally well placed to meet unexpected liquidity requirements.

This period saw accountants tasked with guiding their firms through the sudden shift to remote operations during the pandemic, and they've simultaneously supported clients in managing cash flow, navigating government-led stimulus packages, and keeping businesses afloat. The critical role played by technology during this period cannot be overstated, with firms turning to automated cloud solutions, in particular, to maintain connectivity.

Being cloud-based enabled Class customers to operate with limited disruption in their ability to provide administration to both their portfolio and self-managed super funds.

Class continued to attract new customers to the Class platform throughout the crisis, highlighting the need for automation and cloud-based solutions that help our customers navigate the challenges and meet their clients' demands.

Going forward, Class will continue to focus on creating the tools that will help our customers manage their businesses. We have learned that adaptability and technology are key to business continuity and creating those capabilities for our customers remains our priority. Class is committed to solving back-office complexity through automation, and the COVID-19 pandemic has illustrated just how powerful that goal is.

SMSFs relatively unscathed by early releases

FY 2020

2.7m
APRA fund releases approved **totalling**

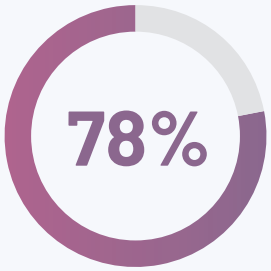
$19.9b

22k
SMSF fund releases approved **totalling**

$215m

SMSFs accounted for only **1% of early releases** in FY2020 despite representing **26% of superannuation assets** (as at 30 Jun 2020).

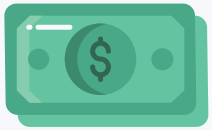
SMSFs well placed to meet unexpected liquidity requirements



of SMSFs have **more than $20K in cash**.

(the amount needed for two early releases)

$668k



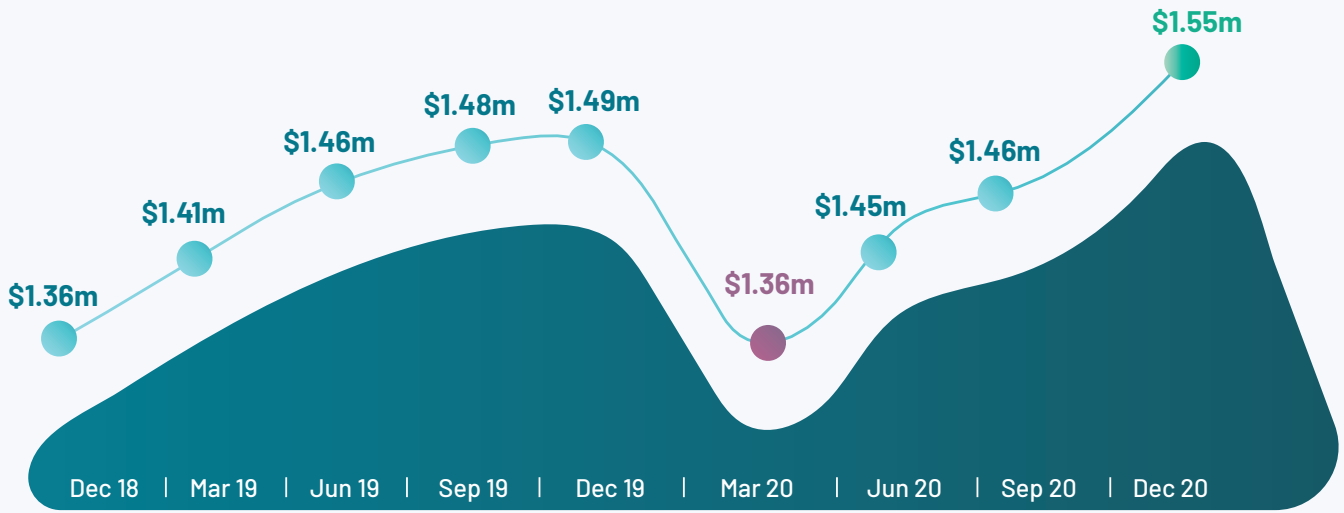
Even SMSFs with **lower cash** levels (<$20K) still had an average **$668K in total net assets** of which **47%** was in relatively **liquid assets**.

Asset allocations at the end of 2020 were broadly in line with pre-COVID due to discipline and adherence to long-term strategy

Top three changes in asset allocations (in percentage points) were:

1. **+ 0.9%** Direct Australian Listed Securities
2. **- 0.5%** Cash and Term Deposits
3. **- 0.3%** Debt Securities

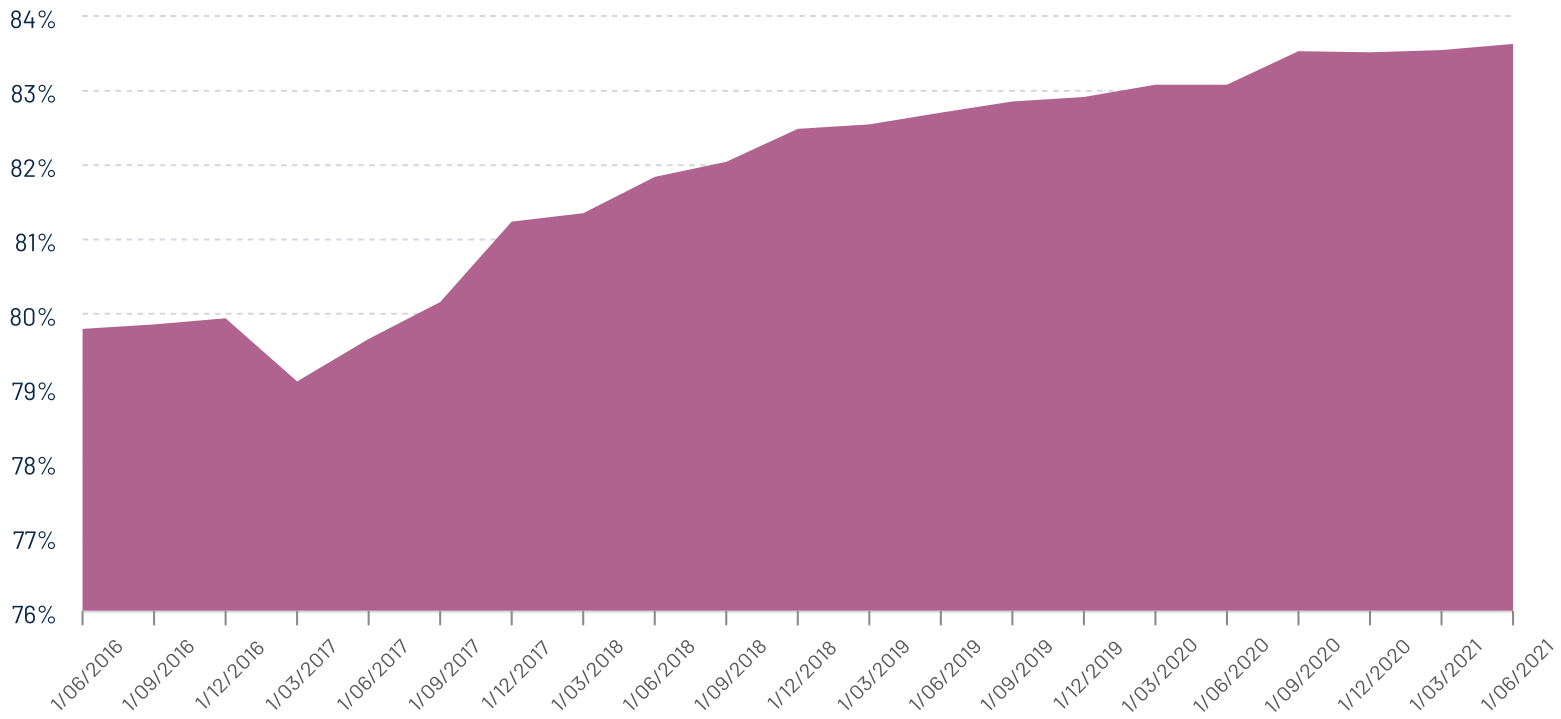
Average net assets per SMSF have recovered and grown to an all time high outpacing pre-COVID-19



Findings 3: Shifts in gender contributions and member balances

Female participation in SMSFs moving towards equality

Female balance as percentage of male balance

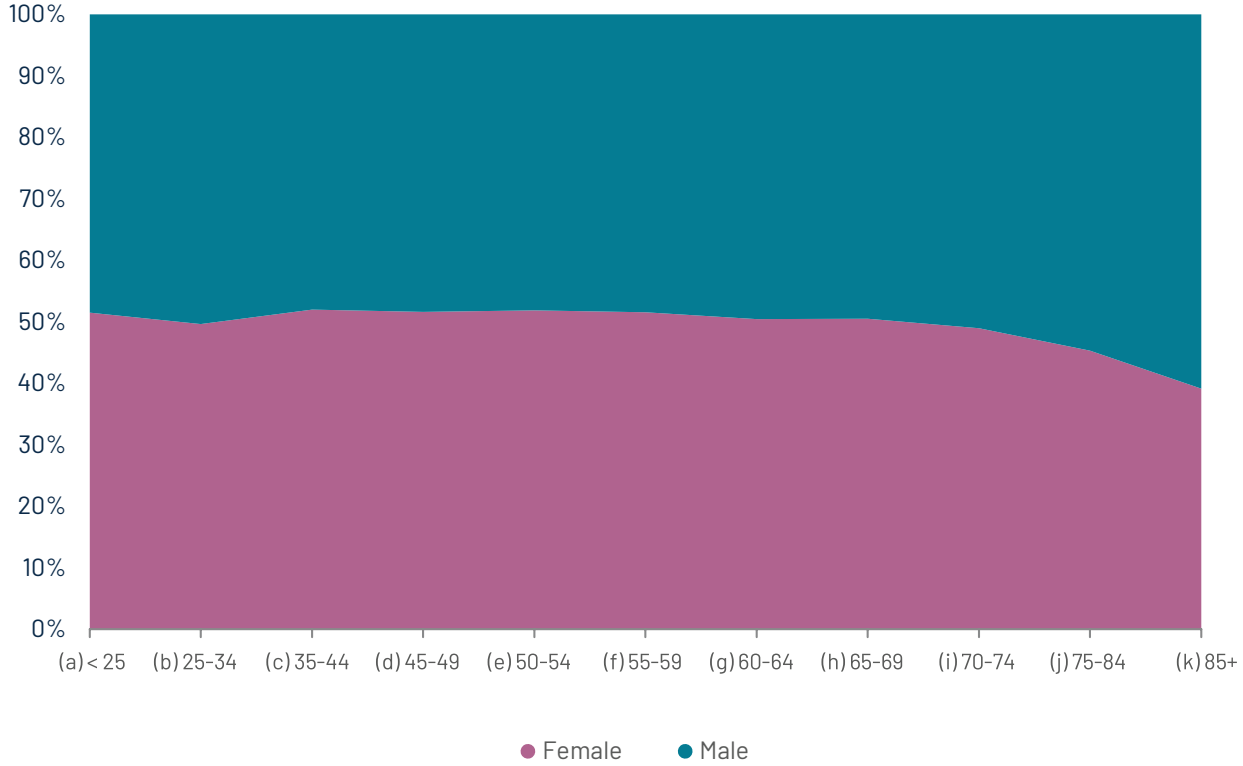


4% Rate of female balances outperforming male balances since FY16

19% More females making downsizer contributions than males

84% Female balance as a % of male balance

Percentages of Members by Gender in Different Age Bands
(30/06/2021)



50% Participation from females under 45

40% Participation from females over 85

With diversity among SMSF membership comes a variation between genders and age groups in how they view the outlook for many of the most common asset classes, and their confidence in setting up and managing an SMSF.

To understand gender investment preferences, we've taken a closer look at contributions of females across all age groups as well as female balances in comparison to male balances. While there is still a distinct gap between female and male SMSF balances, the industry is seeing 19% more female members making downsizer contributions than males, showing a strong confidence in SMSFs as a viable investment strategy. Female balances have grown faster than male balances since 2016, outperforming them by 4%.

Female balances have grown from 79% to 84% of male balances, further validating the trend towards an equal balance between the two genders.

The behaviours toward long-term investment strategies for females is changing. There is a continued trend of higher participation by women in younger demographics compared to older demographics (50% for under 45s; 40% for over 85s). Also, 19% more females than males are making downsizer contributions, accelerating their balance growth. This reinforces what we know about societal shifts, where women are taking more ownership in household finances and a more active view of financial independence.

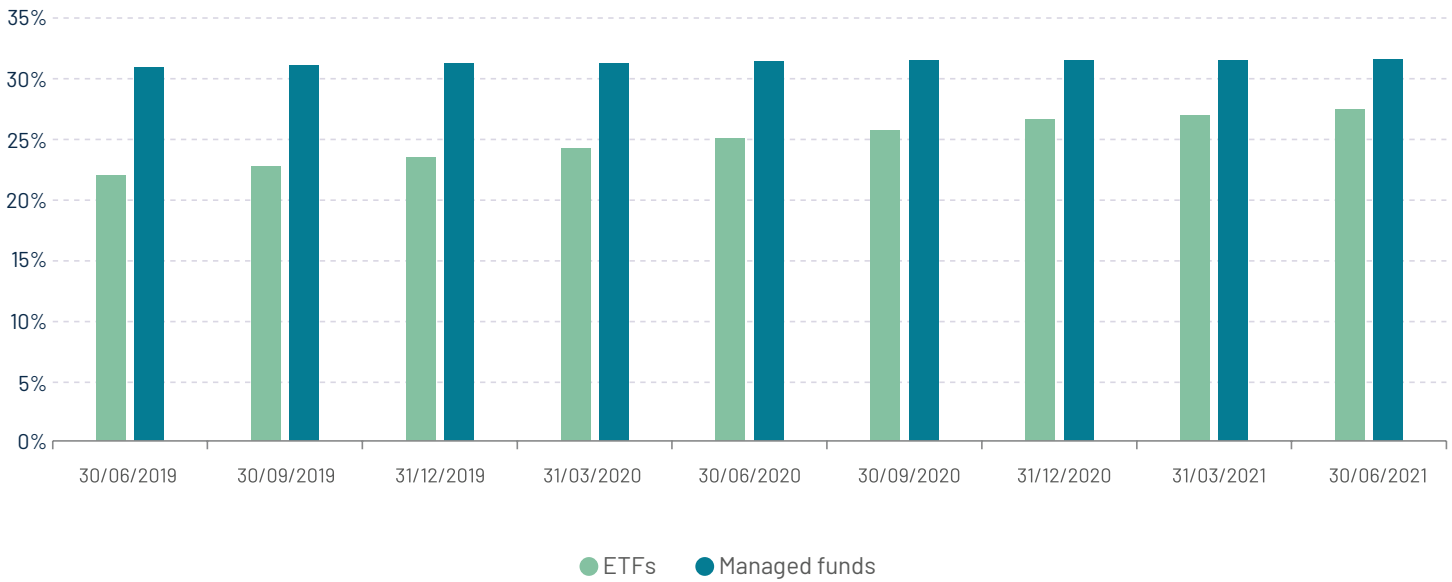
With the changes to super reform and contribution caps, we expect to see this gap continue to change, as members use contribution splitting, recontribution strategies to rebalance their funds to remain within the $1.6m transfer balance cap, which has been indexed at $1.7m from 1 July 2021.

Overall, the Class findings highlight the need for financial advisers, accountants and SMSF members to consider the often significant differences that exist between trustees of different ages and genders when building their SMSF portfolio. Class recommends a strong focus for the industry to consider the diversity of experiences and attitudes of SMSF specialists and SMSF members – especially evident when examining gender differences – in their investment strategies and confidence in managing their super funds and financial assets.

Findings 4: Deep dive on the growth of ETFs

More diversification into ETFs

No. of SMSFs investing in ETFs and MFs



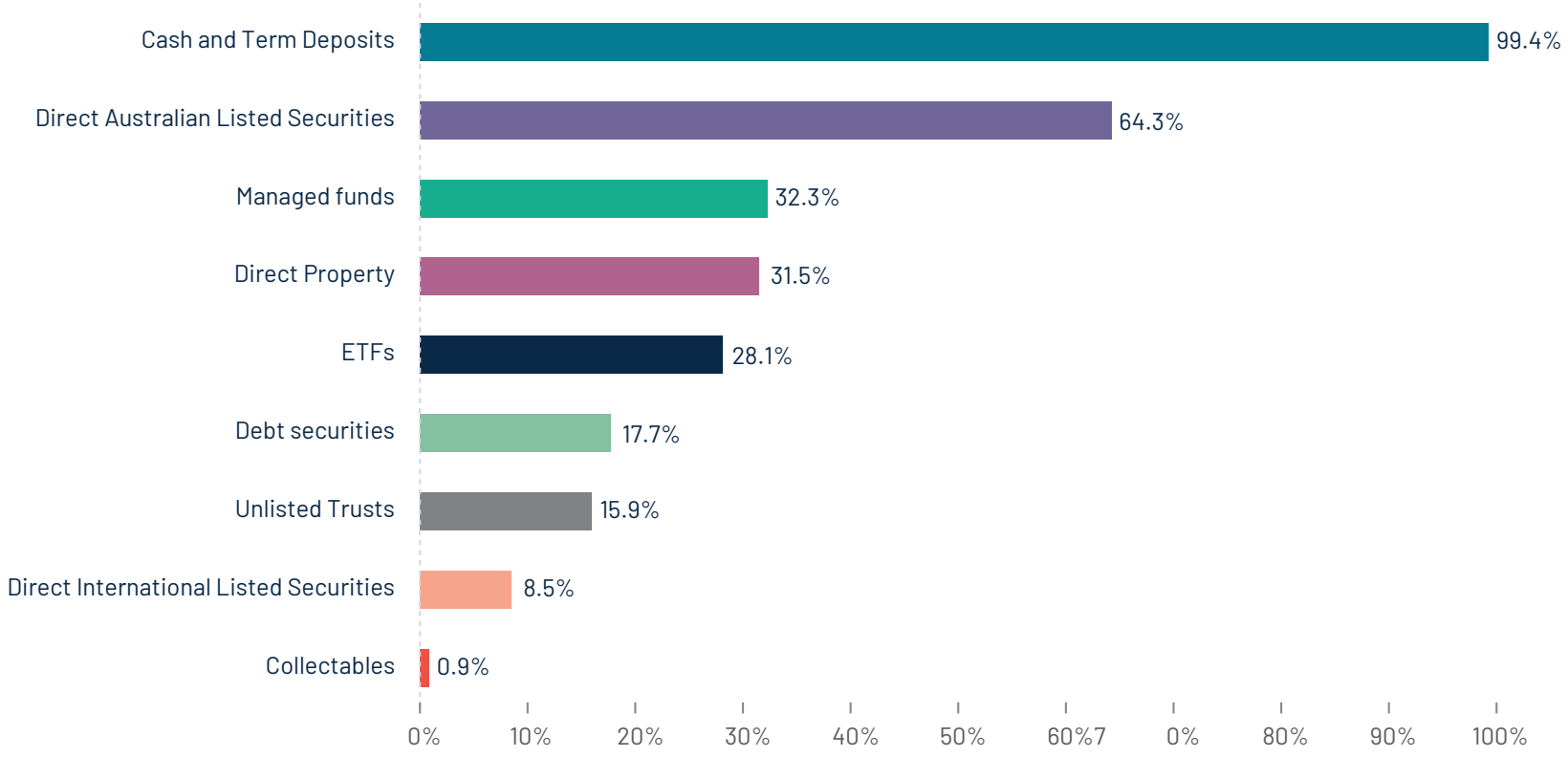
5.5% More SMSFs invested in ETFs compared to two years ago

< 25 age and under ETFs more popular in this age bracket

> 5% Overall Growth in SMSFs invested in ETFs within the age bracket 55-74 over the past 9 quarters

Popularity of Different Asset Types

Asset Popularity (% of SMSF Investing in a Type of Asset)

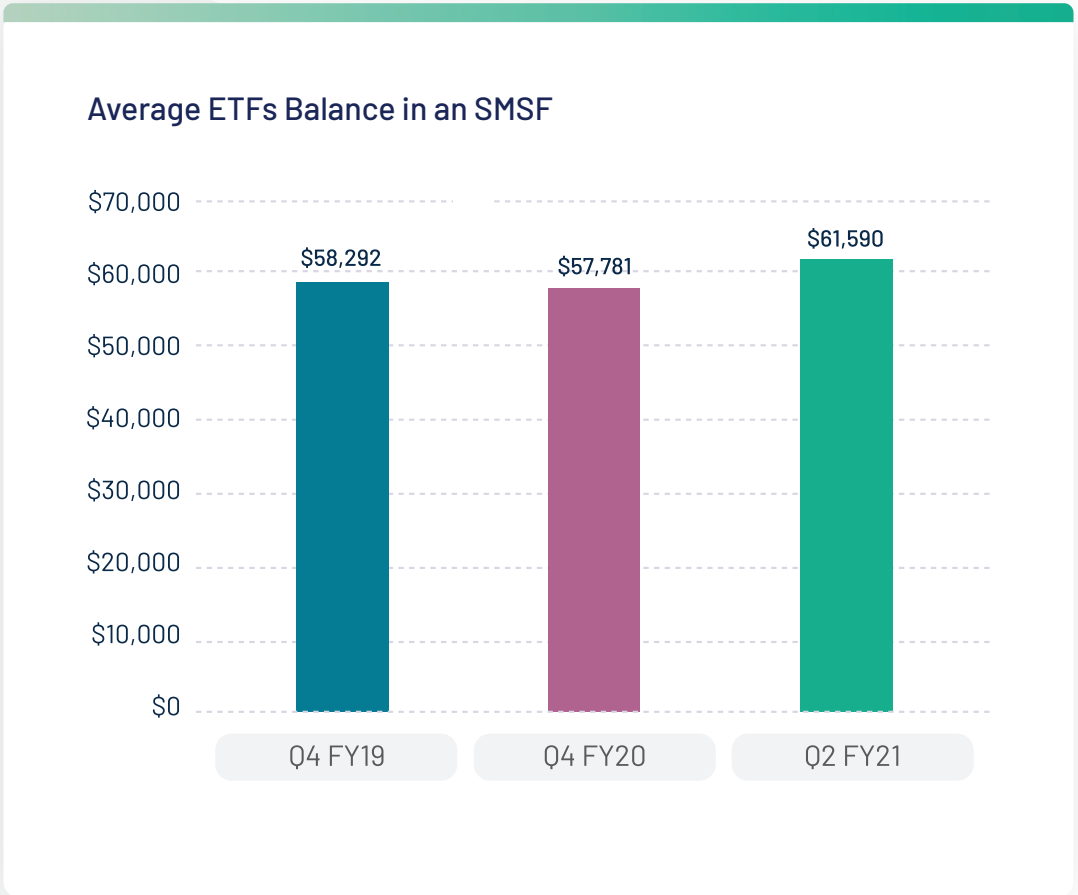


Core to our vision as being the technology leader in the SMSF industry is developing innovative technology that enables our customers to provide exceptional services. This is underpinned by our long-standing view, from previous Benchmark Reports, that strategic asset allocation can drive long-term outcomes. Our research indicates that diversity in asset classes helps to reduce volatility and smooth out returns over time.

In our analysis, the asset allocation comparison shows a proportion of SMSFs shifting their investment strategy preferences from managed funds over to exchange traded funds (ETFs). Class analysis shows that as of 30 June 2021, there is 5.5% more SMSFs invested in ETFs compared to two years ago. Overall, there has been a greater than 5% growth in SMSFs investing in ETFs within the age bracket for members aged 55-74 years and over, across the past nine quarters.

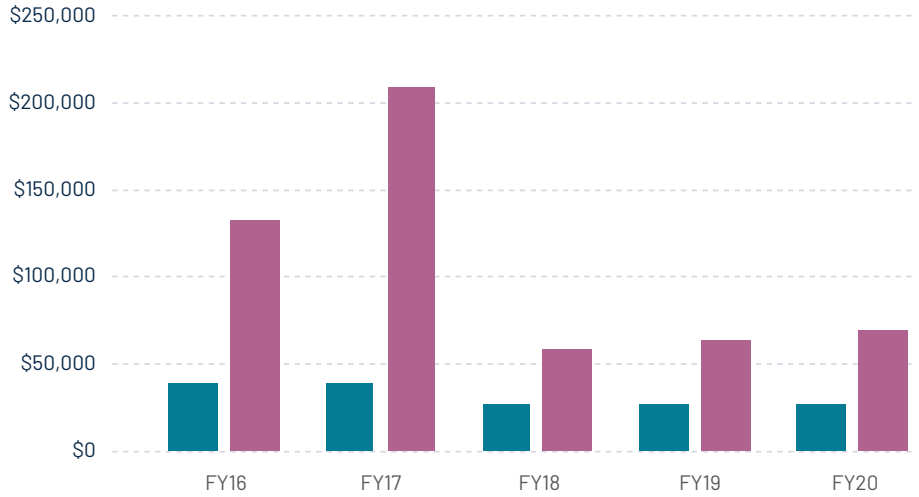
There is a continuing trend for members of new SMSFs to be from younger age groups. Interestingly, ETFs are a more popular investment strategy for members aged 25 years and younger. This significant shift showcases that ETFs are the only asset type with noticeable growth over the last two years at 30.48%.

SMSFs have become one of the most important investment and retirement-saving vehicles in Australia, and indications are that not only can they weather financial uncertainty, but their resilience is leading to a resurgence in popularity.
This analysis drives home the reality that SMSF members (of all ages), their accountants and administrators will need to adopt highly efficient reporting and administration solutions to ensure investment and account balances in an SMSF are up to date and to be able to report the required information accurately and promptly to the ATO.

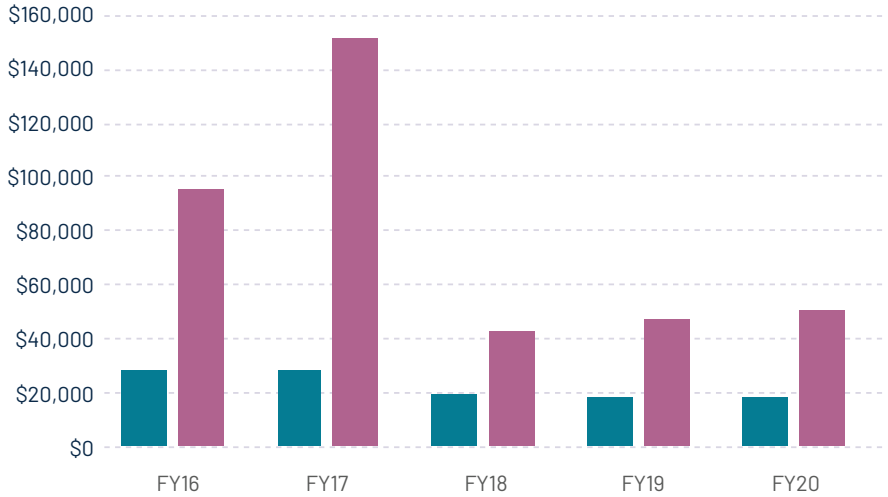


Findings 5: Focus on long-term investment strategies

Average contribution per fund



Average contribution per member



Personal Concession Contributions

Personal Non-Concession Contributions

The last financial year was an anomaly, with a great many uncertainties in the market, both in terms of public health, and financial performance. This has led to the greatest contributions change on record.

Traditionally, most contributions take place at the end of the financial year as SMSF members make use of contribution caps. However, last financial year we can see that contributions were far more dispersed across the year.

A reverse radical recovery in super contributions has been observed in the 2020-21 data. One of the unintended casualties from 2017 Super Reforms was the severe reduction in contribution caps both for concessional and non-concessional including concessional cap from $30,000 to $25,000 (17% reduction) and non-concessional contribution $180,000 to $100,000 (44% reduction). This may reflect individuals working to get available capital into their SMSFs to capture the upside following market downturns in March 2020, or to allow them to get their capital into a secure vehicle to avoid market volatility from other potential investments.

Accounting firms continue to rely on purpose-built technology on superannuation, like Class Super, to help them take on more services to assist their clients with their long-term investment strategies.

Given the size of an average SMSF fund and the ongoing changes around contributions, this presents a prime opportunity for accountants to leverage in streamlining their processes. As well as the opportunity cost of time spent on back-office tasks instead of client relationships, the potential return on investment in technology solutions is substantial. The services provided by Class Super including data feeds, access to real-time secure information and frequent updates to remain relevant in the ever-changing superannuation environment have become a crucial component to the preparation of SMSF compliance work.

CLASS

SECTION 1

Key SMSF Industry Insights

Key Client Insights

Size matters, but it doesn't

By Meg Heffron

Director,
Heffron SMSF solutions

The Class Benchmark Report tells the story of an SMSF sector that, to some extent, is simply mirroring the overall superannuation industry. It is growing steadily over time, occasionally buffeted by lean investment years but continuing to thrive.

The best measure for what is happening to SMSFs overall when it comes to size is the "median" fund balance – if all 600,000 SMSFs were ranked in order of size, what would the one in the middle look like? Unlike the statistics for average fund size, the median is not impacted by the funds at the margins – those that are either very large or very small. It is often regarded as the best indication of what "typical" SMSFs look like.

And the median SMSF tells an interesting story.

Combining Class's data with figures from the ATO suggests a steady increase in median fund size for well over 10 years with only a brief dip in 2020. If Class's clients are a good proxy for the industry as a whole, the median fund size may well be up to $800,000 by 30 June 2021, compared to around $500,000 10 years ago.

That equates to a growth of around 5% pa. It doesn't mean the "typical SMSF" 10 years ago has only grown by 5% pa up until today. In fact, the funds that looked "typical" 10 years ago are probably much larger than the median today. What it means is that despite a steady stream of new funds being created, some funds diminishing as balances are drawn down during pension phase, the "middle of the road" fund has become quite a bit larger than it used to be. It's like saying humans, on average, are becoming taller over time.

So, does this mean we will – over time – see more and more mega SMSFs with over $50m in assets?
Probably not.

These days it is much more difficult to create very large funds. We have seen years of tightening restrictions on contributions, particularly since limits were placed on members' voluntary, after tax contributions in 2007.

It is also very difficult for extremely large funds to stay quite so large once at least one of the members dies. Rules introduced in 2017 indirectly force wealthy couples to withdraw some of their superannuation assets when the first one of them dies rather than being able to leave their combined superannuation intact until they both die.

If things continue as they are, I expect that there will be fewer mega SMSFs in 20 years' time.

But we may well see an SMSF population where the median fund size continues to grow.

Is that a good thing? And what does it tell us?

In some ways a growing median fund size over the past 10 years is entirely logical. SMSFs were once the structure of choice for people who actively chose to put extra money into their super – they were the only ones who had balances large enough to make an SMSF worthwhile. But today's 50-year-olds have had compulsory super their entire working lives. Even without voluntary contributions, their balances are typically far higher than their parents' superannuation at the same age. The superannuation pot generally is much larger than it used to be, and it makes complete sense that SMSFs should follow a similar trajectory.

But a falling median fund size doesn't necessarily tell a bad story either. One of the natural outcomes of healthy competition amongst service providers and great technology is that SMSFs can be run far more cost effectively than they could in the past. Lower fees encourage people to start their SMSF journey earlier, with less money.

Perhaps in fact, for the next 10 years, we should see a falling median fund size as a true measure of industry success. Coupled with accelerating growth in fund numbers, it would tell us that SMSFs have become genuinely attractive across a broad spectrum of the community.

So size does matter. But it doesn't.

Heffron

By Meg Heffron

Director,
Heffron SMSF solutions

Key SMSF Industry Insights

Fund establishments for the past financial year have skewed towards larger starting balances, and the number of funds with smaller balances continues to decrease, as they move up the scale through organic growth and investment returns. The impact of COVID-19 can be seen in FY20 through a slight reduction in balances. Overall, SMSFs were largely unaffected by COVID-19 volatility and there was no flight to cash or large-scale liquidation of assets.

48 Median number of SMSFs per business	**1,659** Number of Class customer businesses	**107** Average number of SMSFs per business
1.9 Average number of members per fund	**$291bn** Total value of net assets administered on Class Super across 176,888 Class SMSFs	**$1.6m** Average SMSF balance with average assets per member of $869,206

Distribution of Funds by Net Asset Value

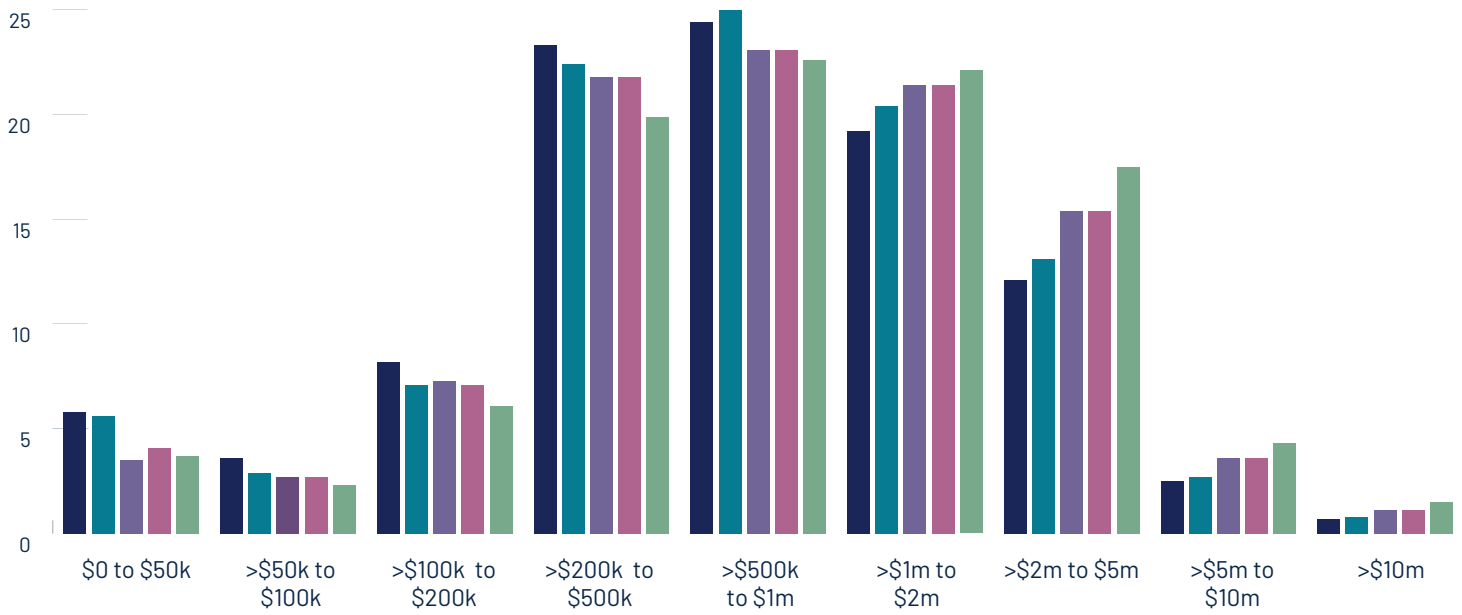
(at 30 June), 2014 – 2021

In recent years, there has been a general and ongoing increase in the number of funds with a 'high' balance, which reflects the growth and maturing of the sector.

There was a slight pull-back in FY2020, which may be attributable in part to market returns during the pandemic.

Distribution of Funds by Net Asset Value (at 30 June), 2014 – 2021

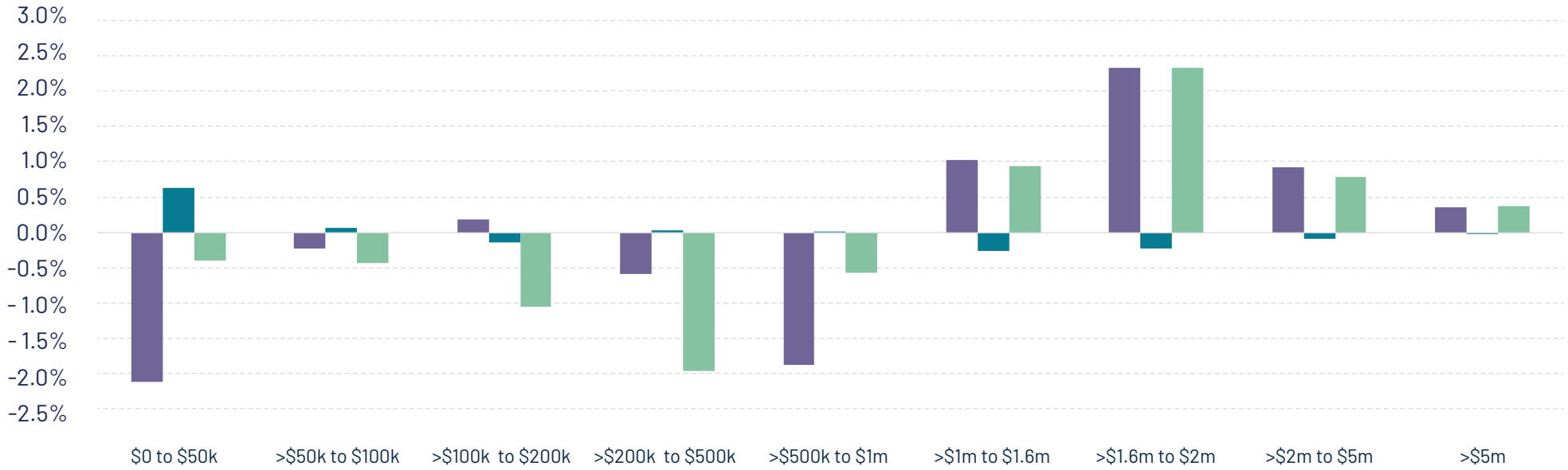
Fig. 1.1



	$0 to $50k	>$50k to $100k	>$100k to $200k	>$200k to $500k	>$500k to $1m	>$1m to $2m	>$2m to $5m	>$5m to $10m	>$10m
2016–17 (ATO)	5.8%	3.6%	8.2%	23.3%	24.4%	19.2%	12.1%	2.5%	0.7%
2017–18 (ATO)	5.6%	2.9%	7.1%	22.4%	25.0%	20.4%	13.1%	2.7%	0.8%
2018–19 (ATO)	3.5%	2.7%	7.3%	21.8%	23.1%	21.4%	15.4%	3.6%	1.1%
2019–20	4.1%	2.7%	7.1%	21.8%	23.1%	21.2%	15.2%	3.5%	1.1%
2020–21	3.7%	2.3%	6.1%	19.9%	22.6%	22.1%	17.5%	4.3%	1.5%

Change in % of SMSFs from the previous FY in each asset value category

Fig. 1.2



	$0 to $50k	>$50k to $100k	>$100k to $200k	>$200k to $500k	>$500k to $1m	>$1m to $1.6m	>$1.6m to $2m	>$2m to $5m	>$5m
2018-19	-2.1%	-0.2%	0.2%	-0.6%	-1.9%	1.0%	2.3%	0.9%	0.3%
2019-20	0.6%	0.1%	-0.1%	0.0%	0.0%	-0.3%	-0.2%	-0.1%	0.0%
2020-21	-0.4%	-0.4%	-1.1%	-2.0%	-0.6%	0.9%	2.3%	0.8%	0.4%

The proportion of SMSFs in high-balance categories has generally increased over the last few years, with only a slight pull-back in FY2020. This may be attributable in part to the market returns during the pandemic, as evident from the ASX 200 share price which fell by 20% on 30th June 2020 as compared to the same day a year before.

Distribution of Funds by Asset Value

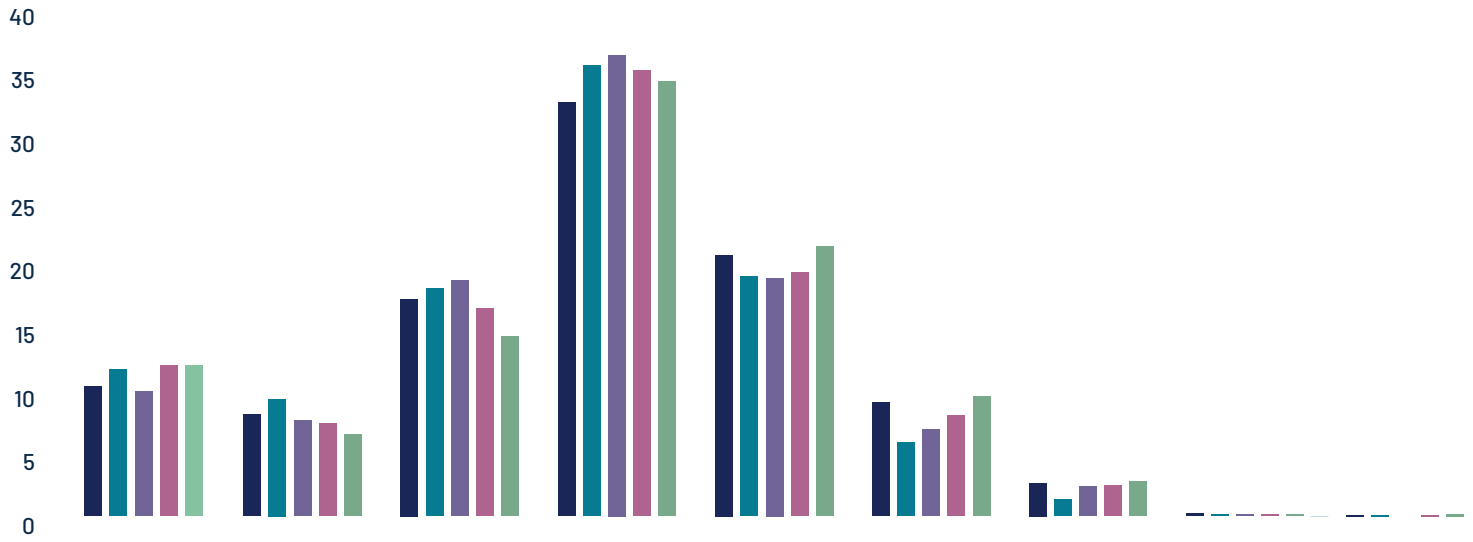
at the end of FY established

SMSFs are usually setup/ established with a net asset value of approximately $400,000 and the fund management costs can go up or down depending on whether the members themselves are involved in running of the SMSF or delegating the work to financial advisers and other professionals.

Most of the funds in the bracket of $0-$50K are setup in the month of June and may not have time to roll over their balances into the SMSFs.

Distribution of Funds by Asset Value at the end of FY established*

Fig. 1.3



	$0 to $50k	>$50k to $100k	>$100k to $200k	>$200k to $500k	>$500k to $1m	>$1m to $2m	>$2m to $5m	>$5 to$ 10m	>$10m
Est. in FY17 (ATO)	10.2%	8.0%	17.1%	32.5%	20.5%	8.9%	2.6%	0.2%	0.1%
Est. in FY18 (ATO)	11.5%	9.2%	17.9%	35.4%	18.8%	5.8%	1.3%	0.1%	0.1%
Est. in FY19	9.8%	7.5%	18.5%	36.2%	18.7%	6.8%	2.3%	0.1%	0.0%
Est. in FY20	11.8%	7.3%	16.3%	35.0%	19.1%	7.9%	2.4%	0.1%	0.1%
Est. in FY21	11.8%	6.4%	14.1%	34.1%	21.2%	9.4%	2.7%	0.1%	0.2%

The chart shows balances of funds established in a FY as at 30th June of that FY

CLASS

SECTION 2

SMSF lodgment and contribution activities

Key Client Insights

Changing nature of super contributions and pensions

By Kerry Bosnich

Director, Perks

Several factors have changed the member contributions into superannuation over the past two years. With the change to the work test moving from 65 to 67 in 2020 and the introduction of catch-up/carried contributions together with the market downturns due to COVID-19, many members had new opportunities available to them.

With the introduction of the Super Reforms in 2017, member balances as at the previous 30 June became a defining factor on members contribution options.

To be eligible to make a catch-up concessional contribution the members total superannuation balances must be under $500,000 at the previous 30 June. The first members could make a catch-up concessional contribution into their super fund was the 2020 financial year. With the downturn in the market in 2020, the majority of member balances were lower leading to the opportunity to use catch-up contributions becoming even more attractive in the FY21.

Historically, many members make their contributions in the 4th quarter of the financial year as the finalise they business affairs and undertake their tax planning. With the implications of COVID-19 affecting business and member sentiment, the shift in the timing of the contributions from 4th quarter 2020 into 1st quarter 2021 may be attributed to the easing of restrictions and members feeling more confident about the economy.

On 1 July 2020 the work test age increased from 65 to 67. With retirees unable to travel due to restrictions in place many took advantage of the work test changes and made contributions into their super funds possibly allowing them to take advantages in the market. This may have led to the increase in concessional contributions in the 2021 financial year in the 61-65 and 66-70 age brackets.

The 2021 financial year saw a decline in concessional contributions in under 40s and between 46 and 60 with the 41 to 45 range remaining steady. This may be due to the declining personal and business income across demographics. Whilst, over 70s remained consistent.

The downsizer contributions for members over 65 selling their main residence saw a 3% decline in 2020, however, this was short lived as the 2021 downsizer contributions bounced back to the 2019 amounts. We would expect this dip due to the restrictions in place during the final two quarters of the 2020 financial year.

SMSF annual return lodgements commence from the 1st of July each year. With the large percentage of SMSF trustees investing in listed shares and managed funds, as the registry issues the

annual tax statements, we see the steady increase in the lodgements from late September. With accumulation funds generally payable, trustee's prefer lodgements closer to the due date of 15th May. Pension funds, generally prefer earlier lodgments as they are keen to have their refunds back into the fund. The December/January period sees a general decline in lodgements as many enjoy the summer holiday break.

Whilst the effect of COVID-19 continues we may continue to see changes in contributions timing, dollar amounts and types across all demographics. With indexation on total super balance from $1.6m to $1.7m for contribution eligibility from 1 July 2021, members who were previously excluded from making non-concessional contributions may also now have the opportunity to contribute. Along with the indexation, the concessional cap rises from $25,000 in FY21 to $27,500 in FY22 with non-concessional caps rising from $100,000 to $110,000.

Perks.

By Kerry Bosnich

Director,
Perks

Contributions

Contributions often follow a trend, with the final quarter traditionally the most active time for contributions. The past two financial years have seen this change as members use their SMSFs as a source of both protection from volatility, and as a mechanism to seek returns by looking to capture market uplift after falls related to the pandemic. Contributions also soared compared to a typical year potentially due to catch-up contributions, and women continue to contribute more than men – particularly with downsizer contributions.

Comparison of SMSF contributions

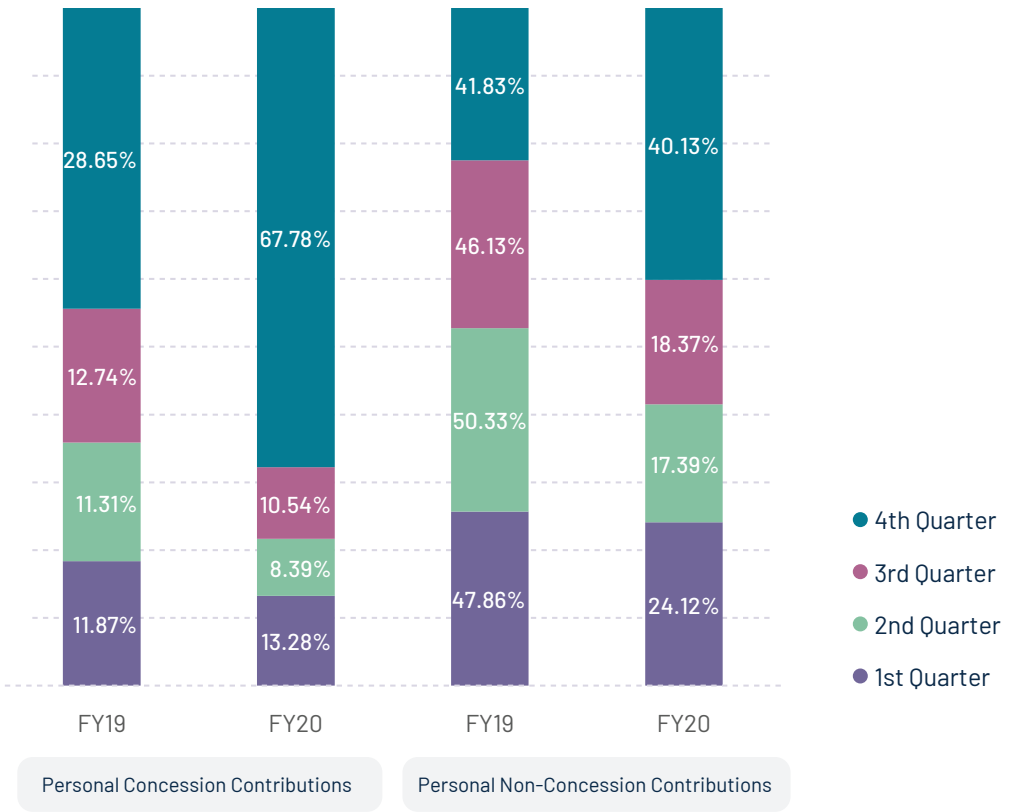
(concessional vs non-concessional)

Last financial year was an anomaly, with a great many uncertainties in the market, both in terms of public health, and financial performance. This has led to the greatest contributions change on record.

Traditionally, most contributions take place at the end of the financial year as SMSF members make use of contribution caps. However, last financial year we can see that contributions took place far more dispersed across the year. In fact, the first quarter was more active for contributions than the last. This may reflect individuals working to get available capital into their SMSFs to capture the upside following market downturns in March 2020, or to allow them to get their capital into a secure vehicle to avoid market volatility from other potential investments.

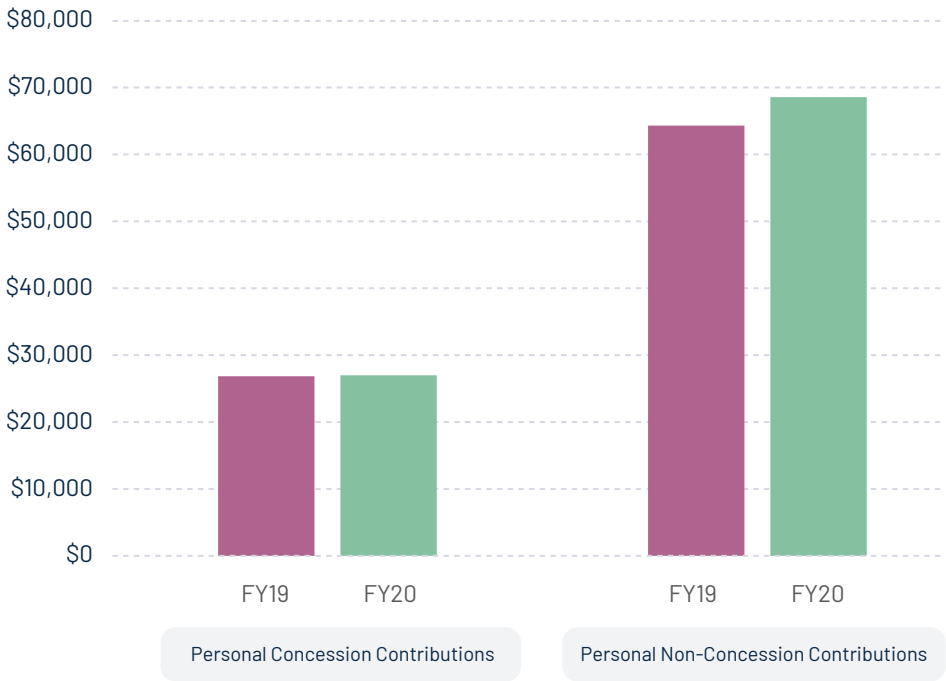
% of total contribution types per quarter

Fig. 2.1



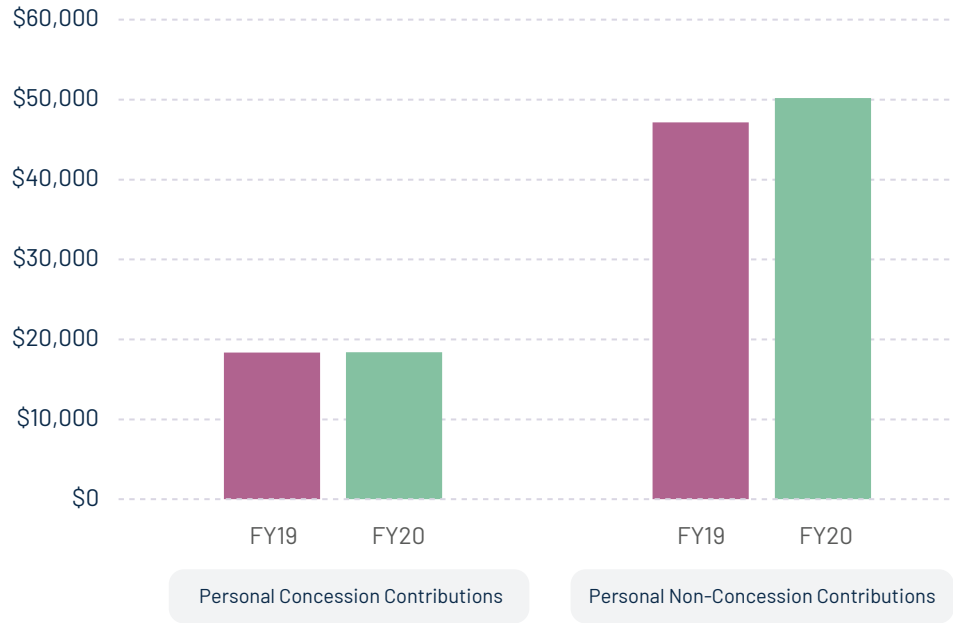
Average contribution per SMSF fund
(where non-zero)

Fig. 2.2



Average contribution per member
(where non-zero)

Fig. 2.3

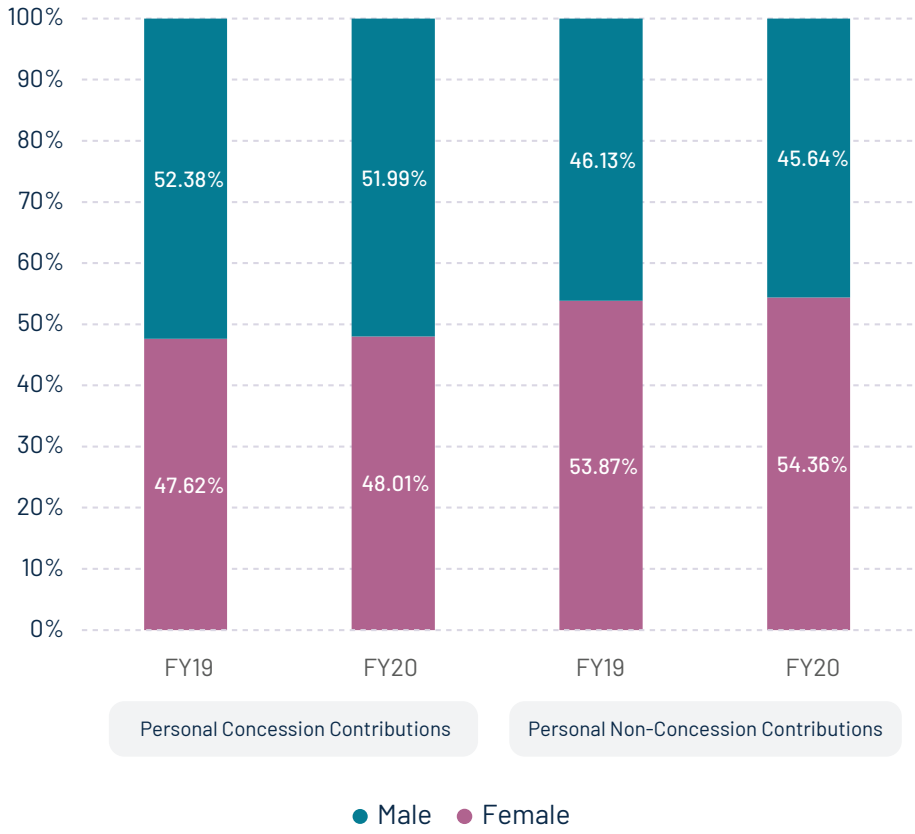


Proportion of Member Contribution by Gender

When it comes to non-concessional contributions, those made by females has continued to grow, which is an encouraging sign that the gender gap may reduce with SMSFs. In FY19 and FY20, contributions by female members overtook that of males.

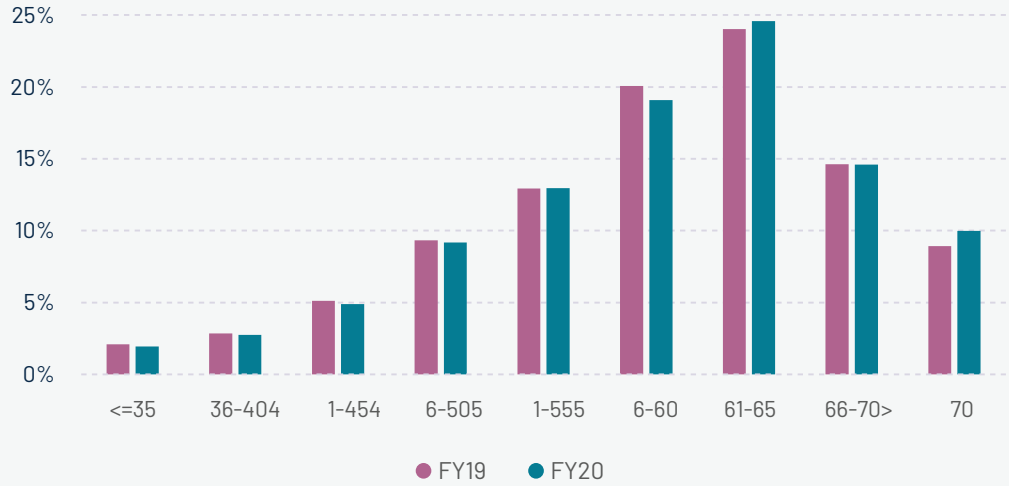
Proportion of Member Contribution by Gender

Fig. 2.4



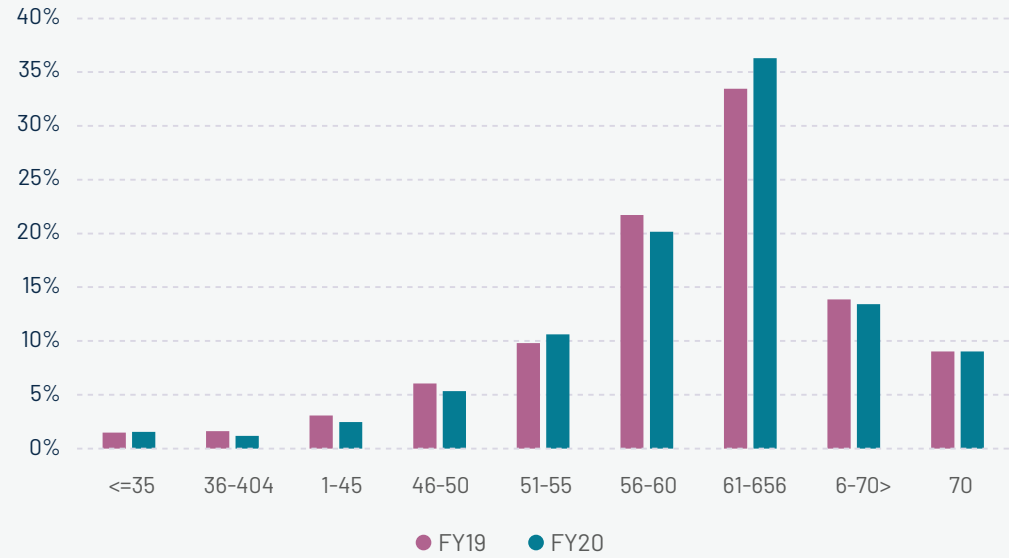
Personal Concessional Contributions by Age

Fig. 2.5



Personal Non- Concessional Contributions by Age

Fig. 2.6



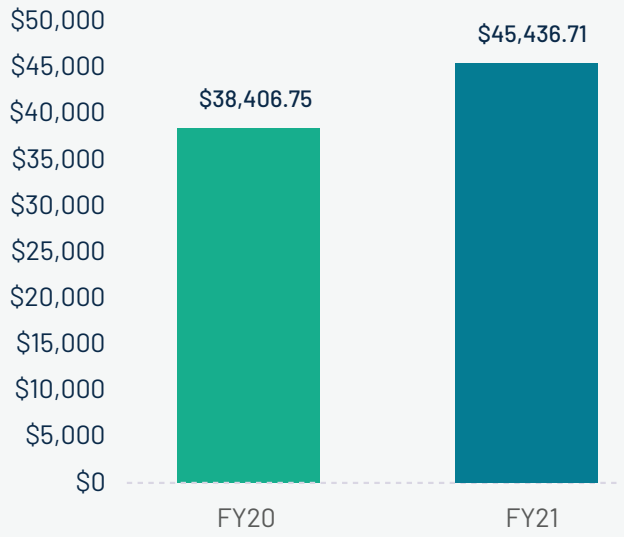
Catch-up Concessional Contributions

According to the Australian Taxation Office, any one earning an income can make or receive concessional contributions of less than the annual concessional contributions cap of $25,000 per annum; this means you may be able to accrue these unused amounts for use in subsequent financial years.

FY19 was the first financial year Australian trustees and SMSF holders could accrue unused cap amounts and these amounts could be used from 1 July 2019. Unused cap amounts can be carried forward for up to five years before they expire. To be eligible to make catch-up contributions, the total super balance at the prior 30 June must be below $500,000.

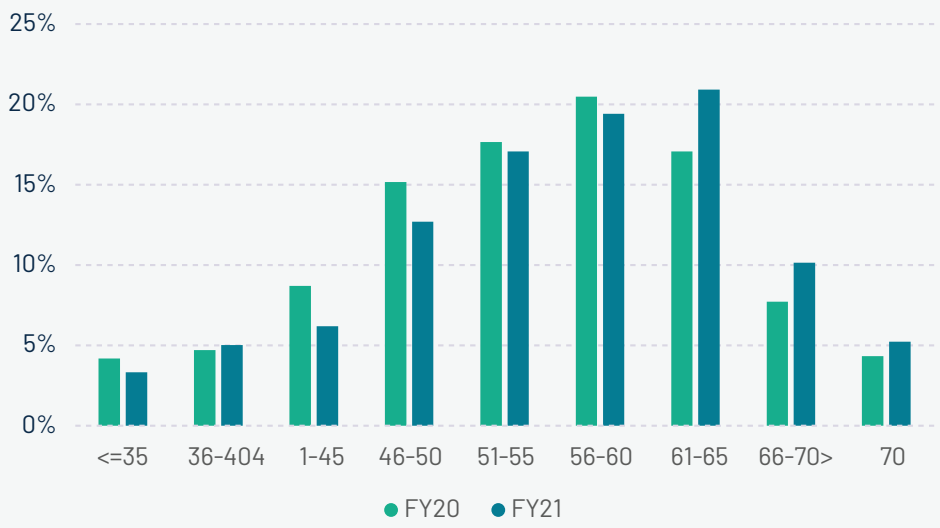
Average contribution per member

Fig. 3.1



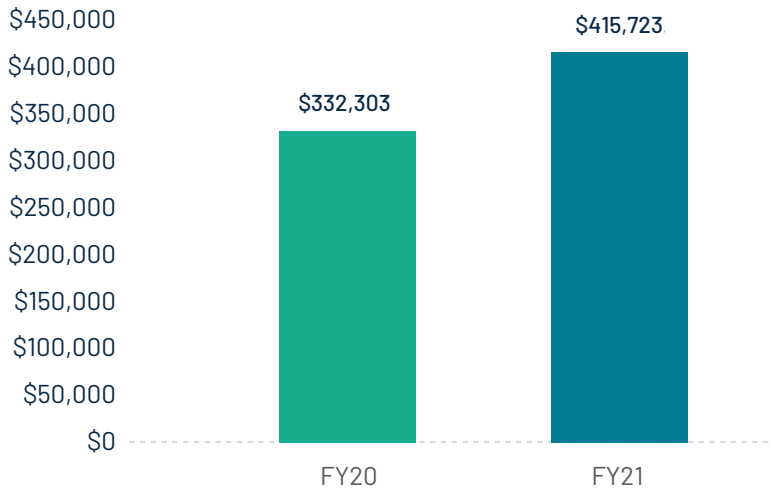
Member Age (at the time of contribution)

Fig. 3.2



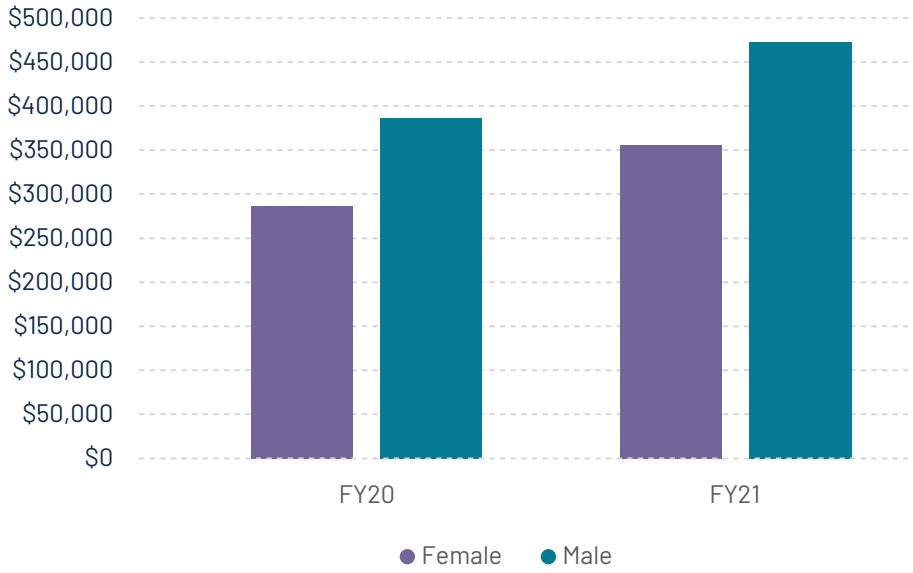
Average Member Balance
(latest balance)

Fig. 3.3



Average Member Balance by Gender

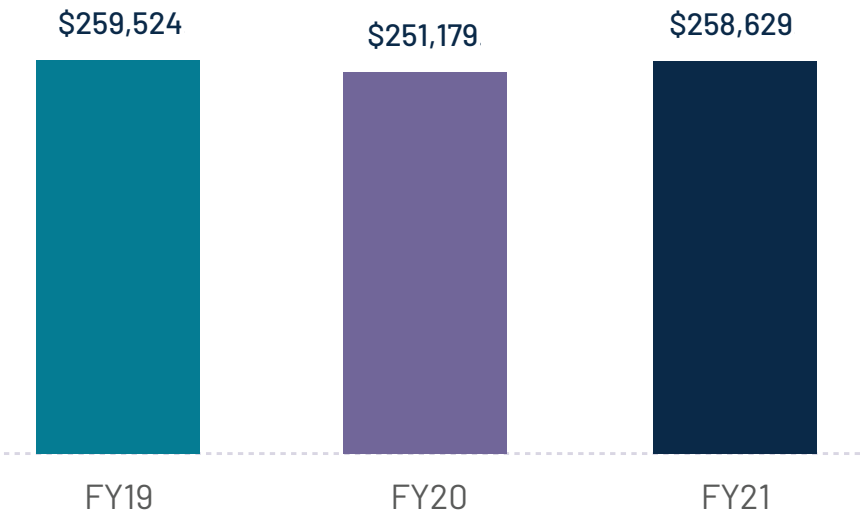
Fig. 3.4



Downsizer Contributions

Average Downsizer contribution per member

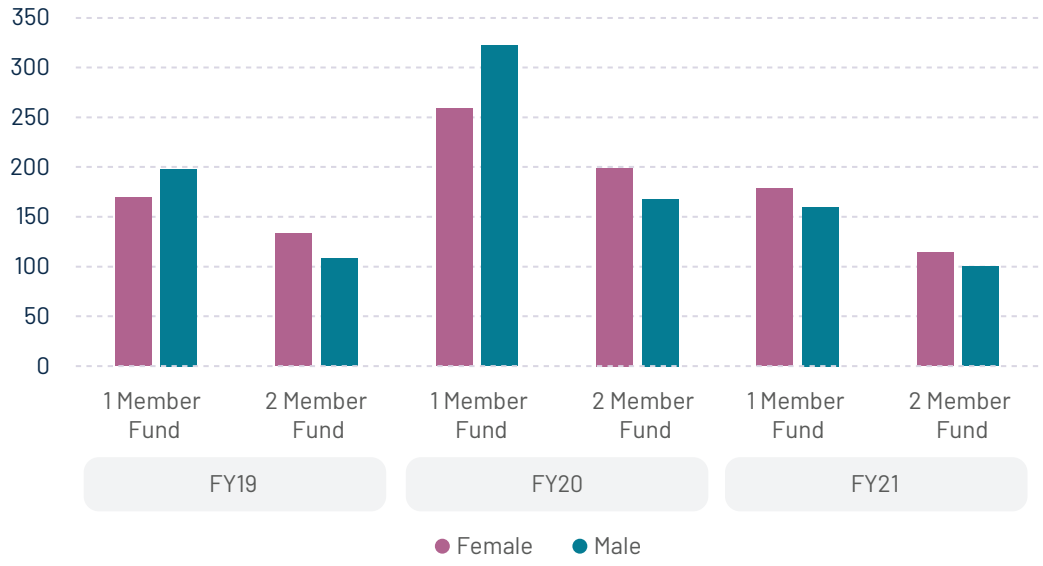
Fig. 4.1



Single vs Dual Contribution

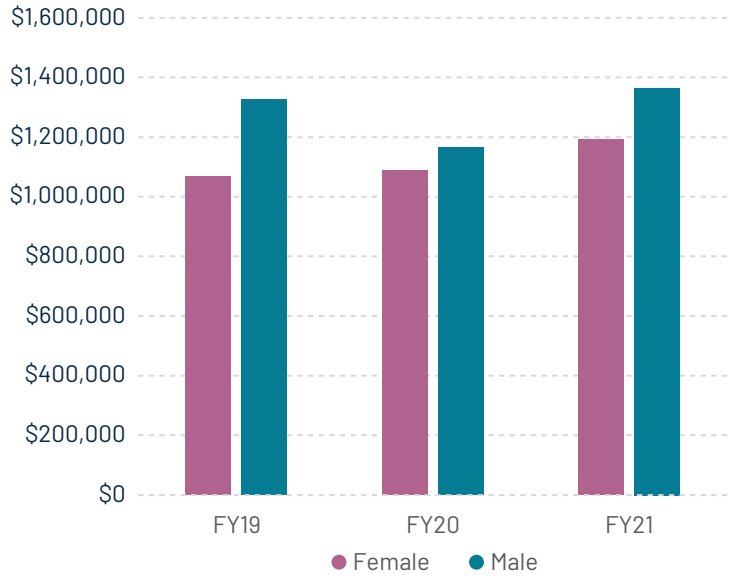
Member counts for contributions made by 1 member funds and two-member funds

Fig. 4.2



Average Member Balance

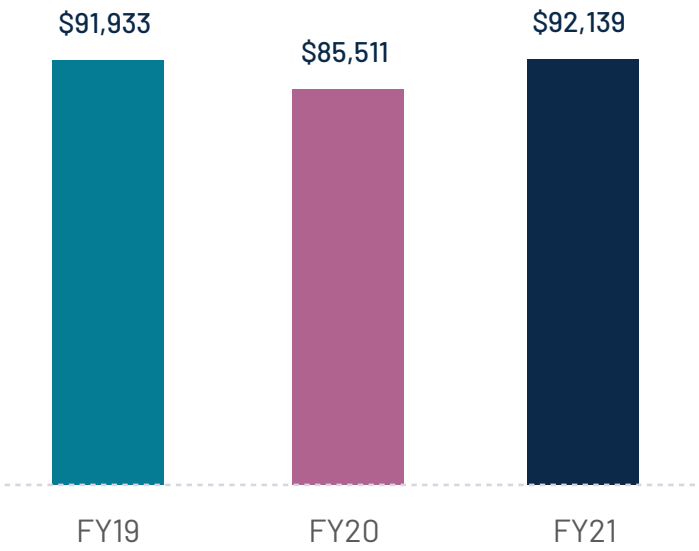
Fig. 4.2



More female members are making a downsizer contribution in two-member funds as compared to single member funds; however, they have lower balances on average as compared to their male counterparts.

Average Non-Concessional contribution made in conjunction with a downsizer contribution

Fig. 4.3

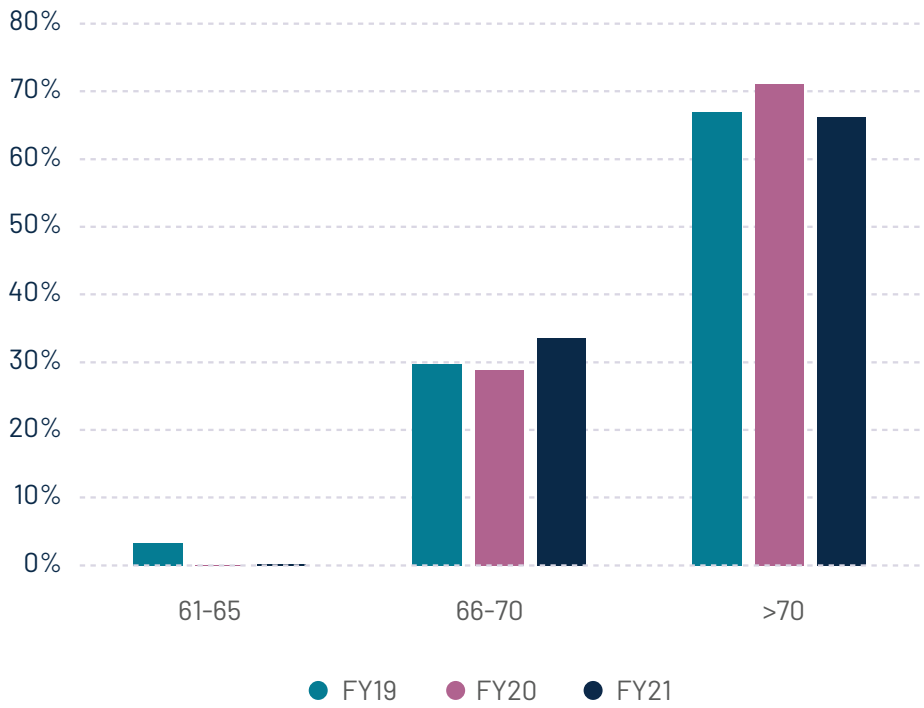


No. of Contributions of this kind

FY19 - **76** | FY20 - **103** | FY21 - **57**

Member Age Distribution

Fig. 4.4

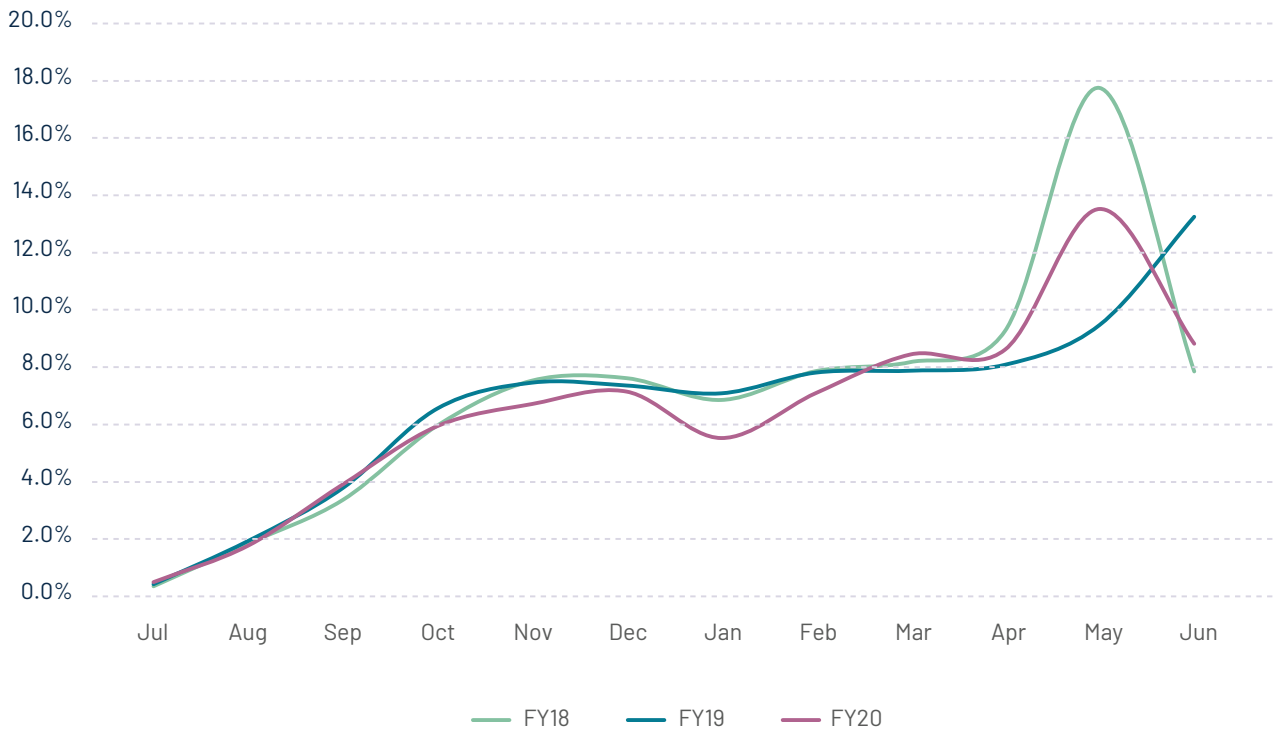


Fewer of SMSF members are making a sizeable non concessional contribution along with downsizer contributions which may be attributable to the contribution being made from after tax income and is not taxed in the super funds.

Lodgments

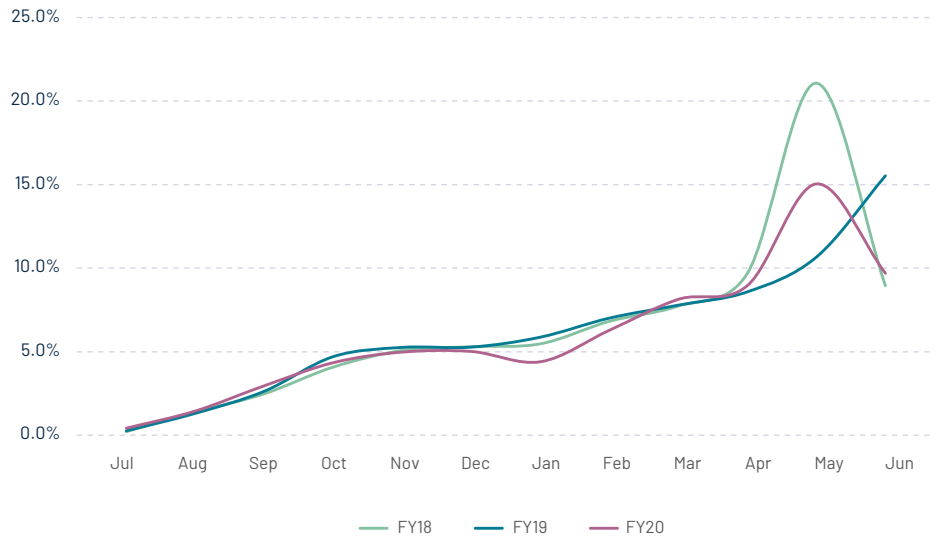
Overall tax return lodgments to 30 June 2021

Fig. 5.1



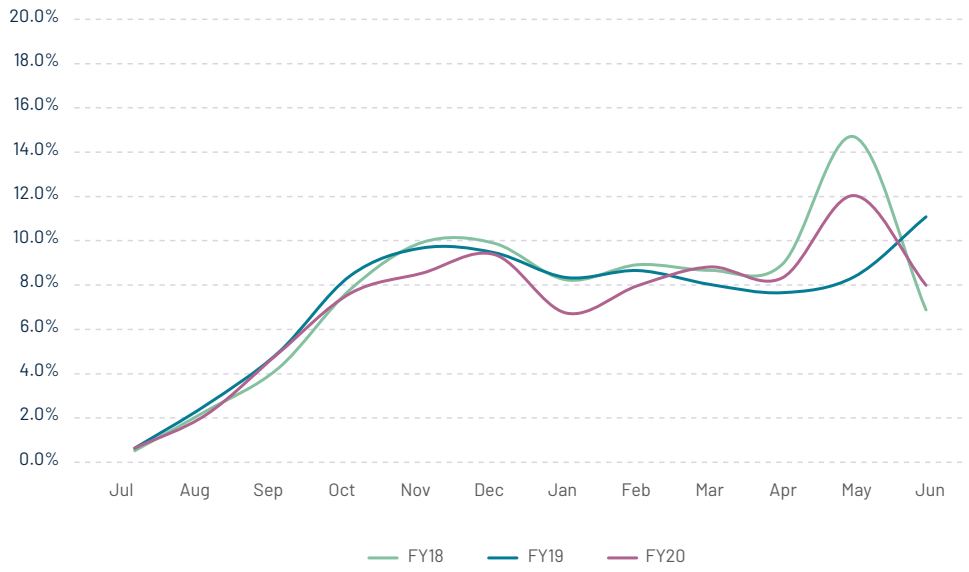
Tax return lodgments – accumulation phase for SMSFs to 30 June 2021

Fig. 4.2

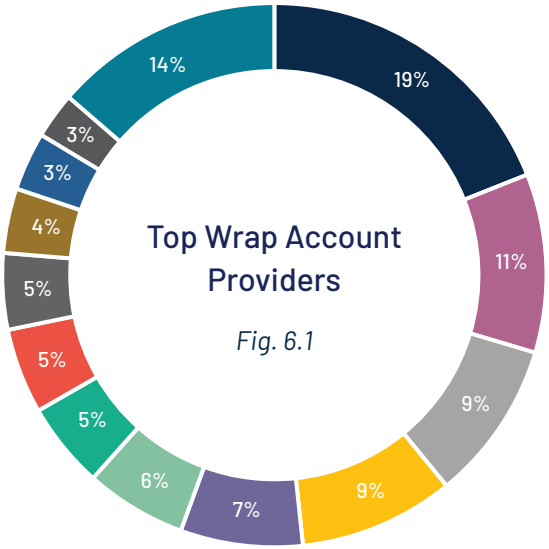


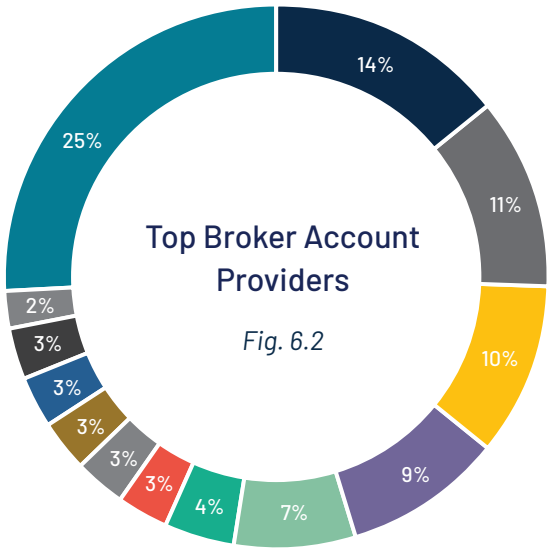
Tax return lodgments – pension phase for SMSFs to 30 June 2021

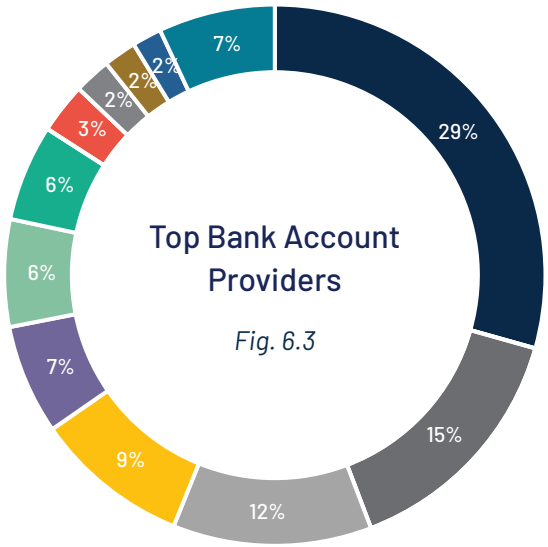
Fig. 4.2



Top providers used







- Bankers Trust
- BT Portfolio Services Ltd
- Macquarie Wrap
- Asgard
- Australian Money Market
- MLC
- Praemium
- Managed Accounts
- Colonial First State
- HUB24
- Netwealth
- AMP North
- Other

- Commsec
- Bell Direct
- Open Markets
- ANZ Share Investing
- Core Equity Services
- RBS Morgans
- Bell Potter
- FinEx
- Macquarie Online Trading
- NAB Trade
- Morgan Stanley
- Ord Minnett
- Other

- Macquarie Cash
- Commonwealth Bank
- National Australia Bank
- ANZ
- Westpac Online
- Westpac (Obsolete)
- St George Bank
- RaboDirect
- ING Direct
- Bank of Queensland
- Bendigo Bank
- Other

CLASS

SECTION 3

Demographics of the SMSF industry

Key Client Insights

Dynamics change, but disparity persists

By Katie Timms

National Director,
Superannuation & SMSF Services,
RSM

Despite the impacts of the global pandemic and increasing complexities in superannuation rules threatening the popularity of SMSFs, it is not surprising to see that demographics continue to follow a similar trend from the previous two years.

However, the maturity of the SMSF membership base is a concern for the industry as a whole – is it sustainable, or is the complexity discouraging younger members to enter?

SMSFs continue to be a vehicle dominated by an older generation, who were able to invest and contribute during times of higher caps and less regulation. That older generation has seen multiple legislative changes to superannuation, meaning there is less hesitancy towards investing in a vehicle that is subject to constant change, because they have been through it already. They are most often running pensions, and generally have been investing for a long period of time. This is the generation who love their franking credits and have often benefited from portfolios of blue-chip Australian shares over many years.

However, the fact that almost 70% of the assets in SMSFs are in mixed or pension phase (and increasing) clearly shows the aging of the membership – and the risk to industry. The sharp drop in SMSF assets as members reach 75 or older suggests that assets are leaving the SMSF system either by death, or by voluntary windup. We have seen members suffer 'regulation fatigue' and a desire to just make life easier as they get older. These are members who have been SMSF members for a long period of time but have found the most recent changes to be too much to continue with.

For the younger generation, the approach is different. There is a certain mindset for those under 40, and a difference in investment outlook. Often, we see a specific purpose for having an SMSF now – be it the desire to hold a commercial property for their business, or a willingness to take risks with their superannuation into alternative investments like crypto. There are fewer younger members establishing SMSFs only to invest in listed shares, or managed funds. There appears to be less trust in the stability of the system and the ability to make long term plans.

It will be interesting to see if the trend to casual employment and the 'gig' economy for younger people will have a continued impact on superannuation balances, and a continued decrease in SMSF asset balances at a younger age.

Budget announcements over the past few years have attempted to take steps to reduce the imbalance between superannuation accounts for men and women – but it is not surprising to see little evidence of the impact of this to date. The measures represented marginal opportunities at best, and ones that will take several years to see any benefit from.

What is surprising is that there has been less balance equalisation occurring between SMSF members, where a traditional membership is a husband and wife.

Women continue to have just over 80% of the balances of men, despite the current transfer balance cap and total superannuation balance appearing to be more beneficial to equal balances. There is little change in this over the last few years, which was something we expected to see change.

RSM

Demographics of the SMSF industry

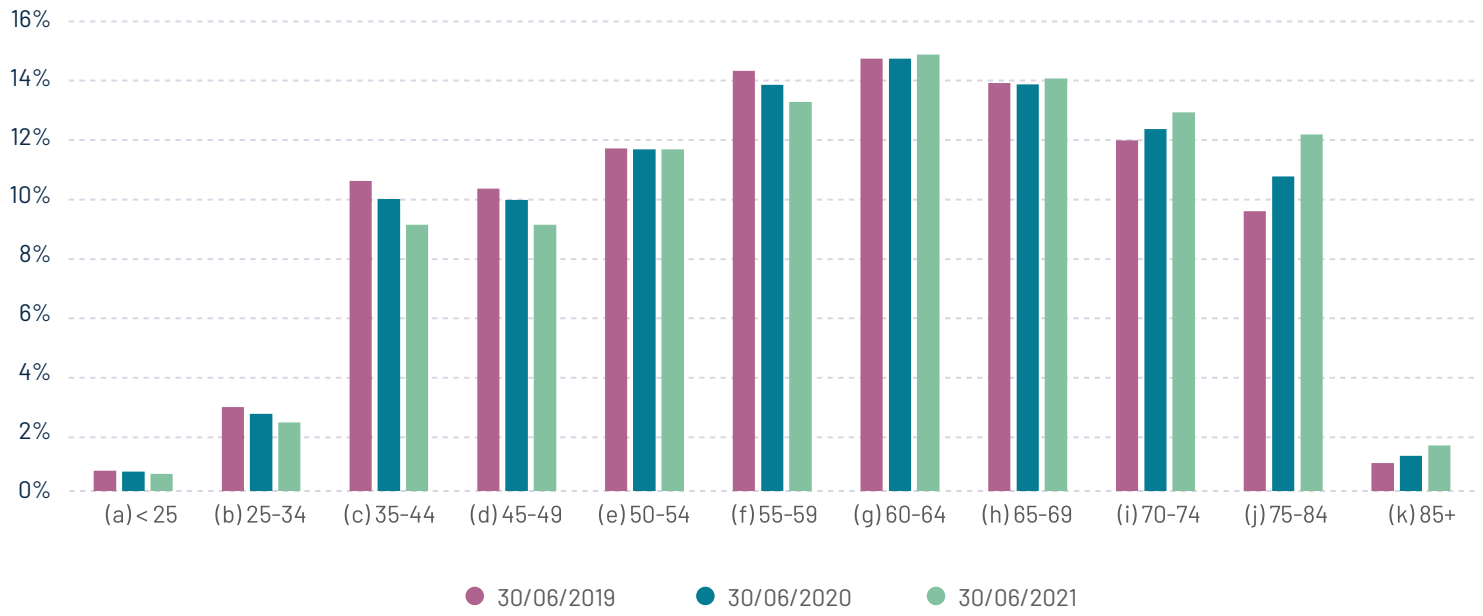
While funds are typically comprised of older Australians, there are an increasing number of young people using them as vehicles to grow their retirement assets. While females have made more contributions than men, there remains a gender gap. We can also see that more women under 25 are using SMSFs than their male counterparts of a similar age, indicating a renewed interest in SMSFs for both their performance and resilience.

Composition and fund size

The ages of SMSFs are concentrated around retirement age – SMSFs are not "just for the wealthy", but are commonly used by Australians that are focused on saving and investing to fund their retirement.

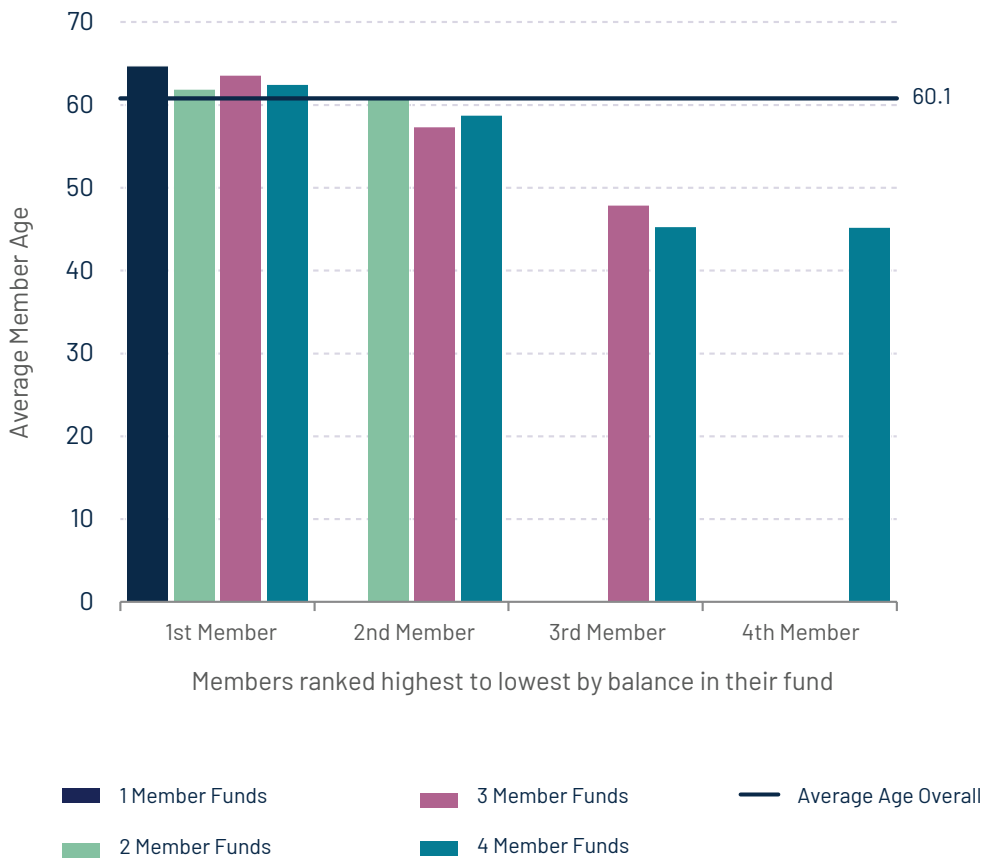
Age Distribution

Fig. 7.1



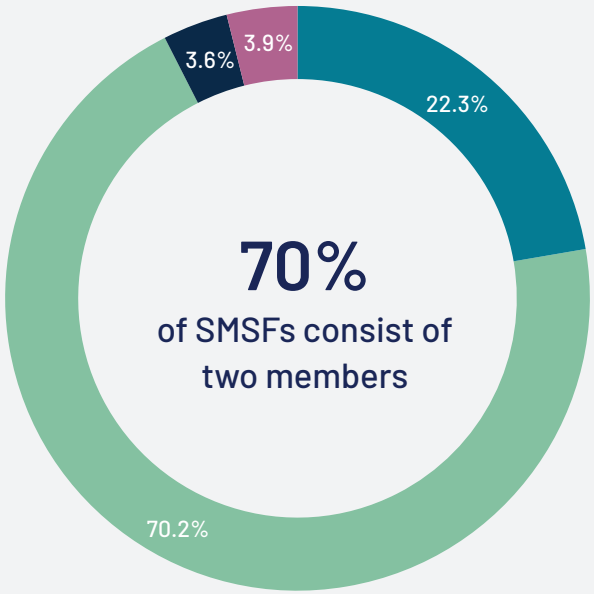
Members ranked by balance – ages

Fig. 7.2



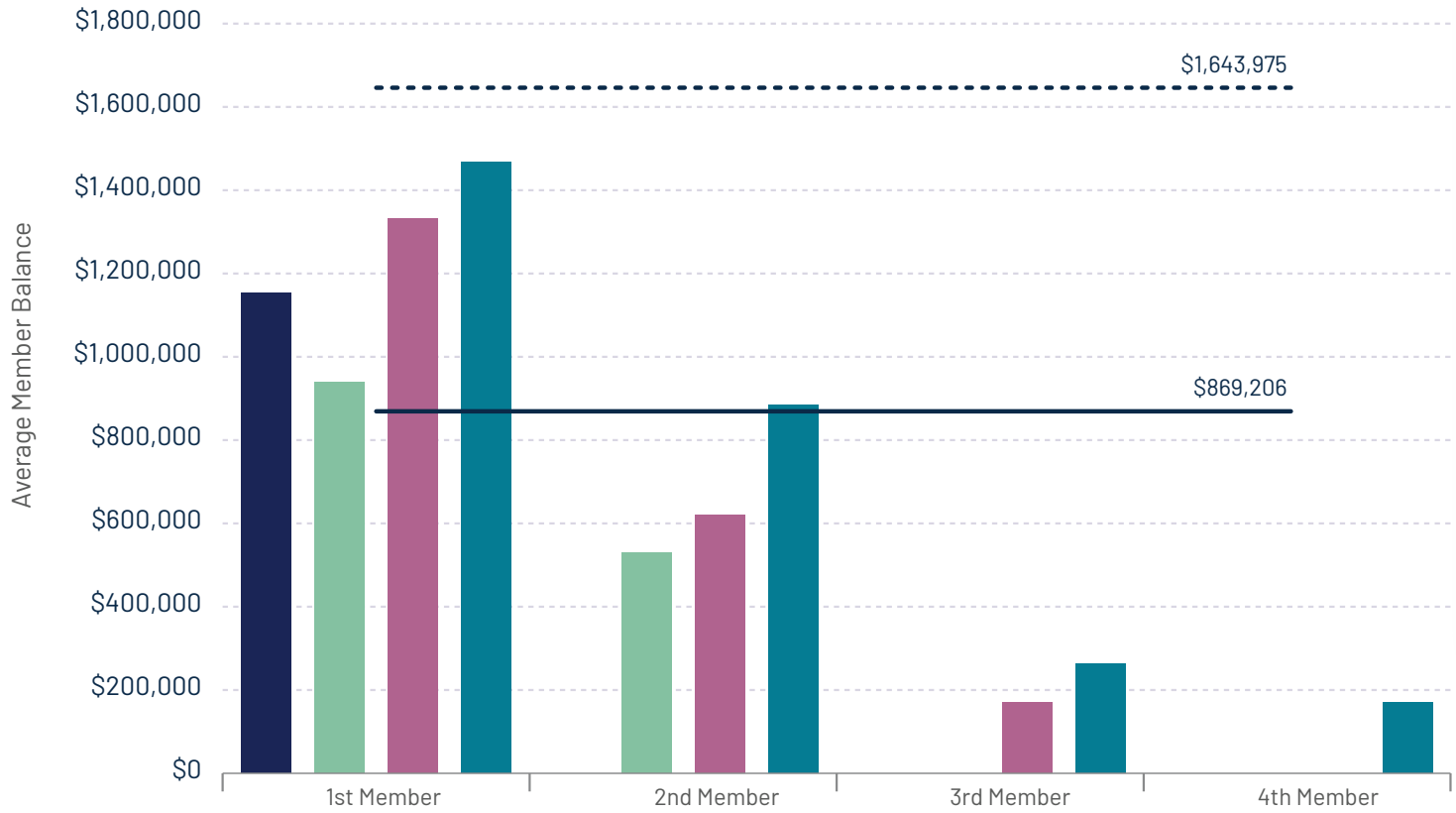
Proportions of funds with different member size

Fig. 7.3



Average Balance by Member Rank in Funds with Different Member Size

Fig. 7.4



	1st Member	2nd Member	3rd Member	4th Member
1 Member Funds	$1,154,132			
2 Member Funds	$938,067	$528,587		
3 Member Funds	$1,332,831	$621,098	$170,009	
4 Member Funds	$1,467,502	$883,715	$263,890	$170,426
Average Assets per SMSF	$1,643,975	$1,643,975	$1,643,975	$1,643,975
Average Assets per Member	$869,206	$869,206	$869,206	$869,206

Members ranked highest to lowest by balance in their fund

The member in a single-member fund has on average a higher balance than the highest-balance member of a two-member fund.

Two-member funds have more opportunity than single-member funds to employ strategies that spread the balance (which can minimise impact of balance caps).

Single-member funds are in some cases the surviving member of a two-member fund.

Three and four member funds have higher balances at each member rank.

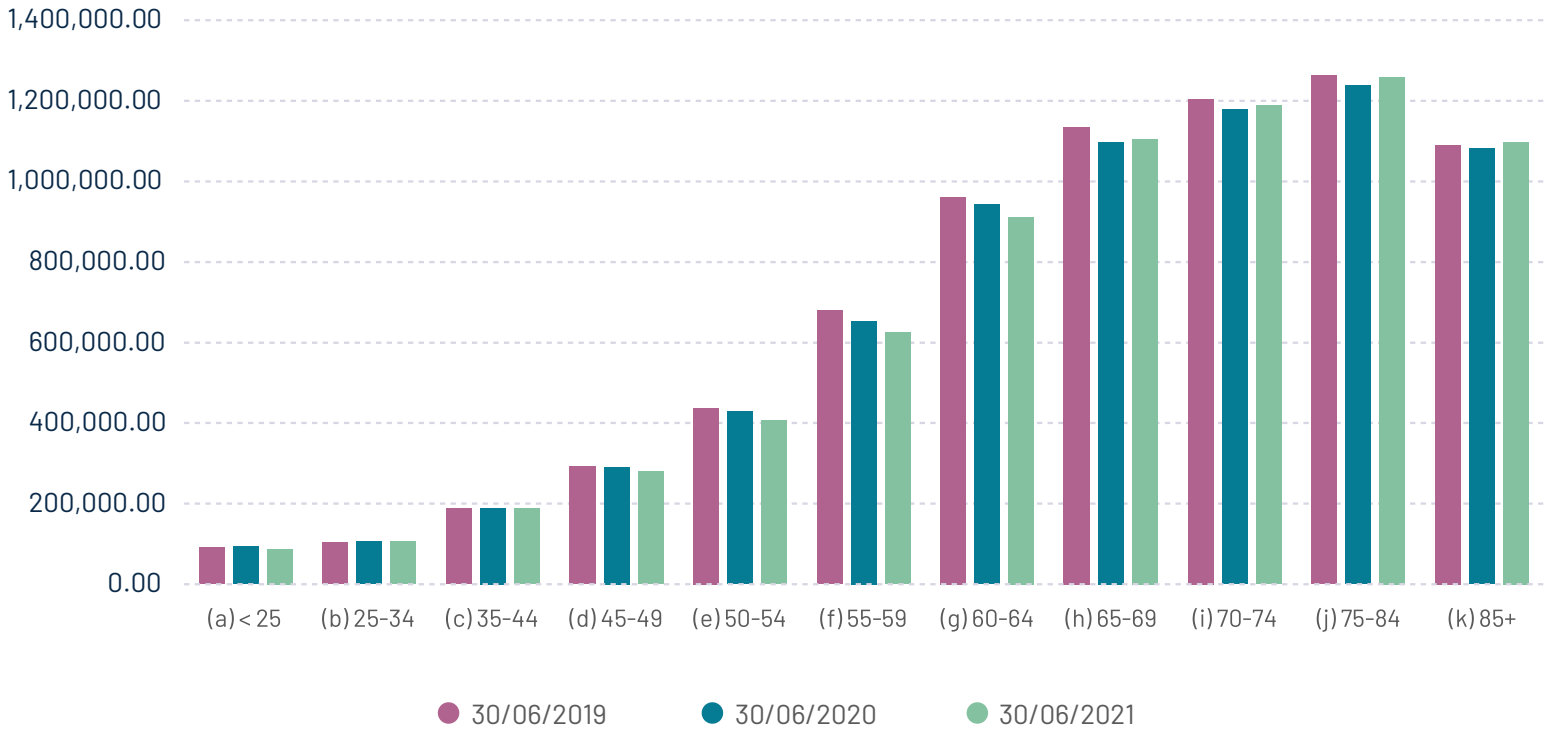
Age of SMSF members

Distribution of SMSF Members by Account Balance

Fig. 8.1

(at 30 June), 2014 – 2021

It perhaps comes as no surprise that there are higher numbers of average member balances in the 60-84 age bracket. This makes sense bearing in mind that the Age Pension age has now been increased to 66 years and six months, as of 1 July 2021. Interestingly, this change is also reflective of general uptake from balances lodged since 30 June 2019 by SMSF members.



Note: *66.5 years applies to people born from 1 July 1955 to 31 December 1956 inclusive. If your birthdate is on or after 1 January 1957, you'll have to wait until you turn 67. This will be the Age Pension age from 1 July 2023.*

SMSF assets by age

Fig. 8.2

SMSFs by Age and Gender

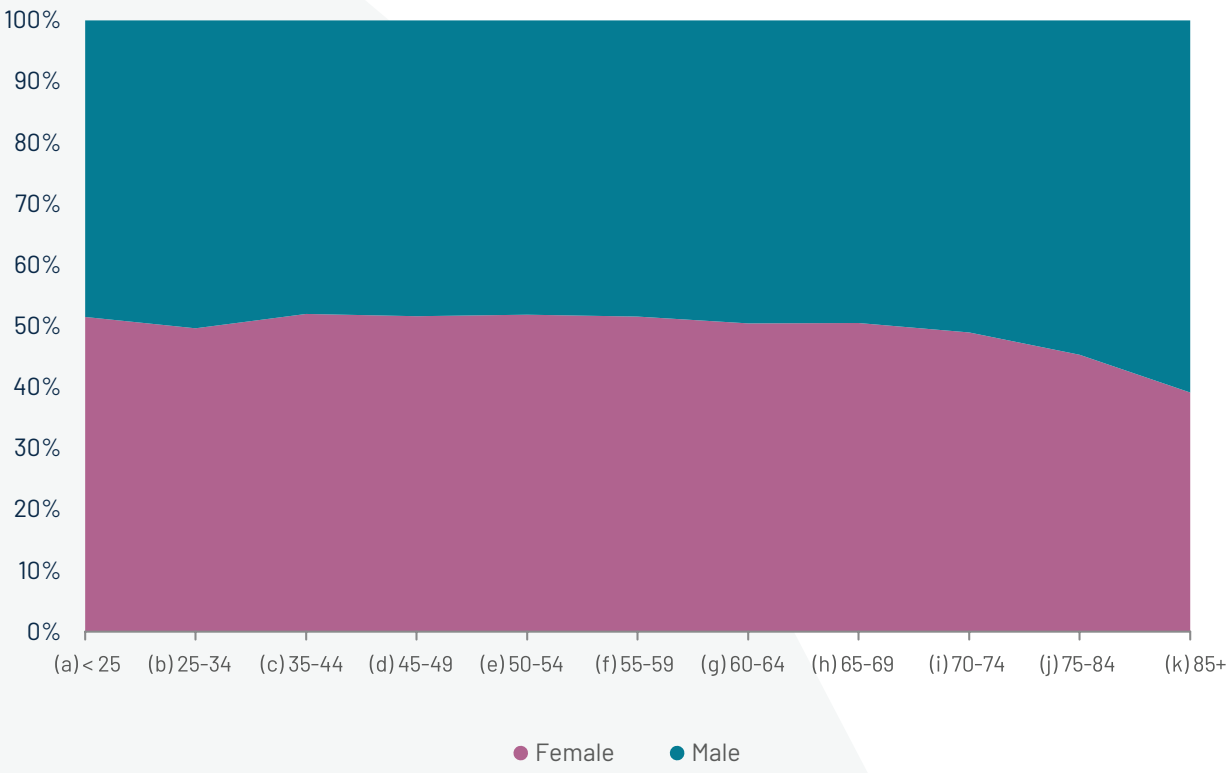
There is a continuing trend of even split of female and male SMSF members. While there is no dramatic variation, our data showcases a skew of males to overtake female SMSF members towards the older age brackets (70-85+). Interestingly, the data showcases that women aged 25 years old and younger are investing in SMSFs sooner than males aged 25 years and younger.

It is good to see that gender gap is closing. This graph also reflects a change in societal attitudes toward:

- Women taking more ownership in household finances
- Women wanting – and in many cases needing – to work to save in today's economy
- Women more active in financial decisions, researching and independently managing their financial positions

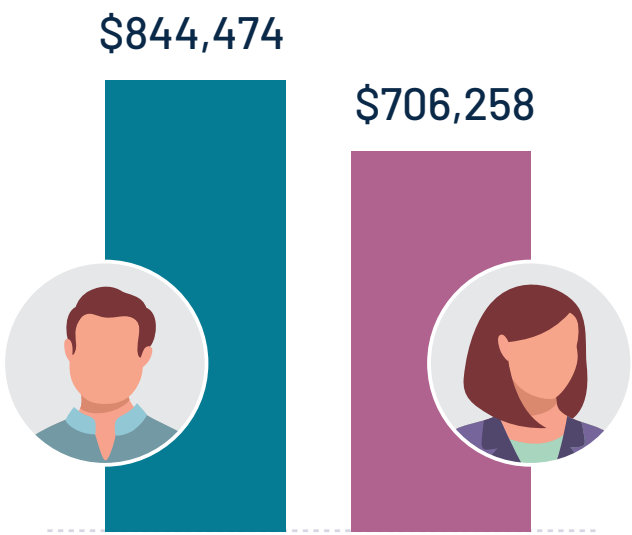
Percentages of Members by Gender in Different Age Bands
(30/06/2021)

Fig. 8.2



Average balance by gender

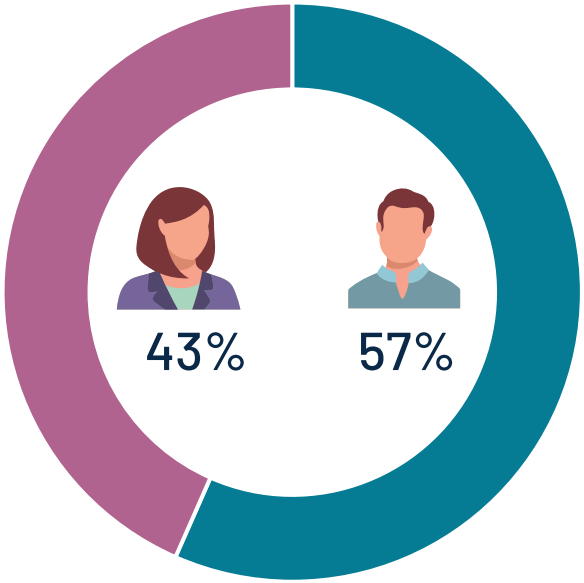
Fig. 9.2



There is a distinct gender gap across SMSFs, with males holding higher average balances than females. As of 30 June 2021, there is $138,316 difference between male and female average member balances.

SMSF assets by gender

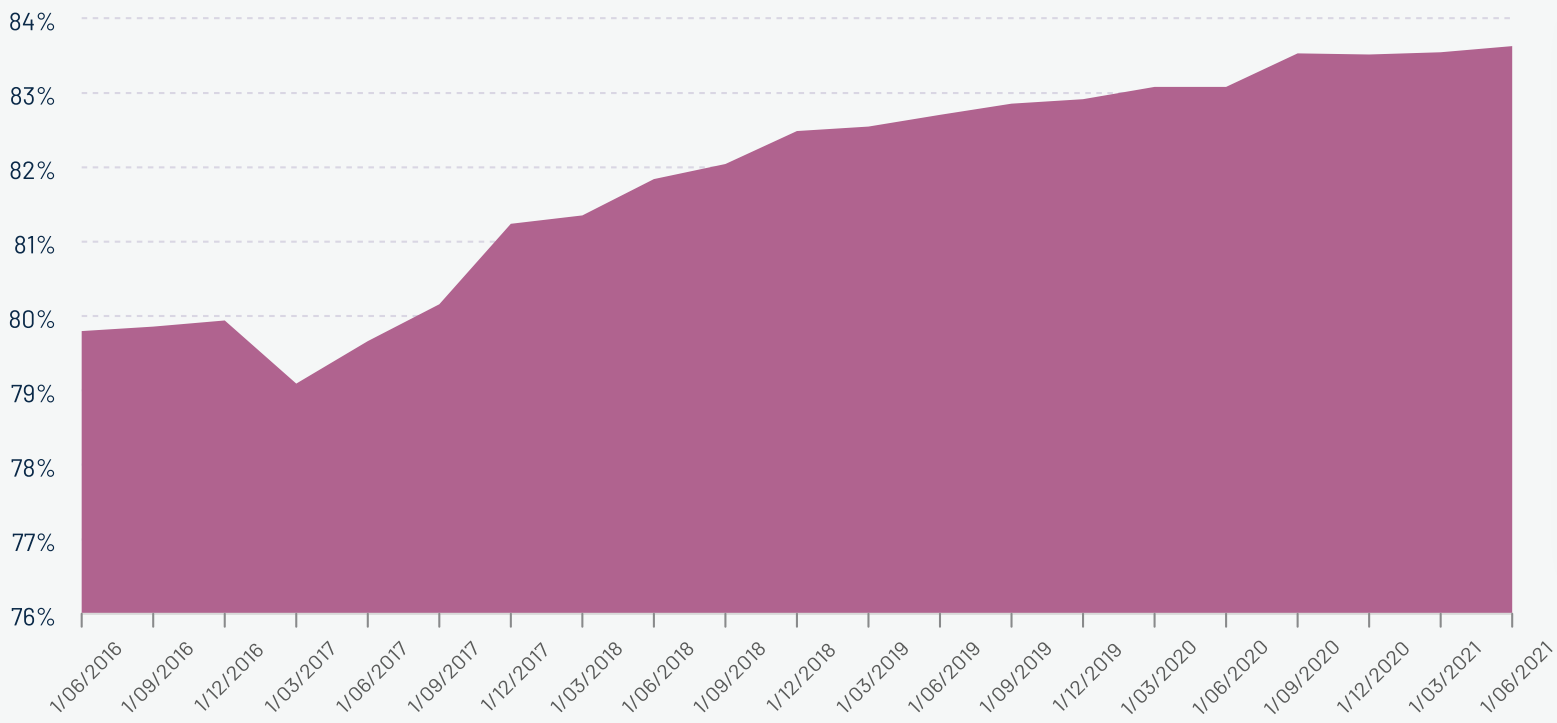
Fig. 9.3



As a group, men currently have 30% more assets than women and their average balance is 20% higher.

Female balance as a percentage of males

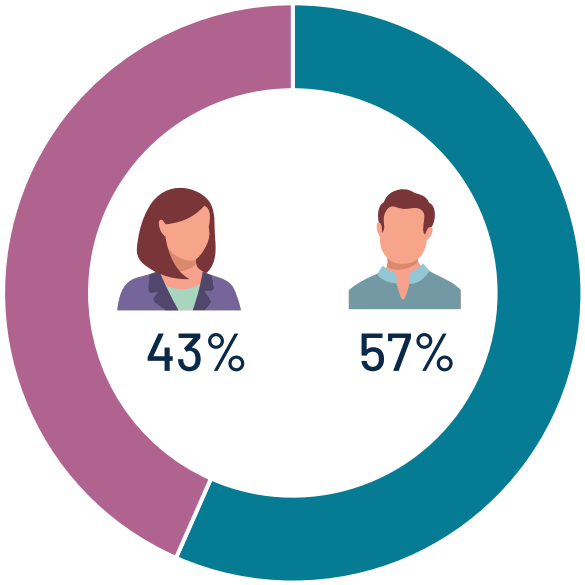
Fig. 9.4



There is still a distinct gap between female balances as a percentage of male balances. With the arrival of industry changes and super reforms, we expect to see this gap changing, as members use contribution splitting strategies to rebalance their funds to remain within the $1.6m transfer balance cap, which will then be indexed to $1.7m from 1 July 2021. The dip in 2017 is due to data being collected and calculated differently.

Female balance as a percentage of males

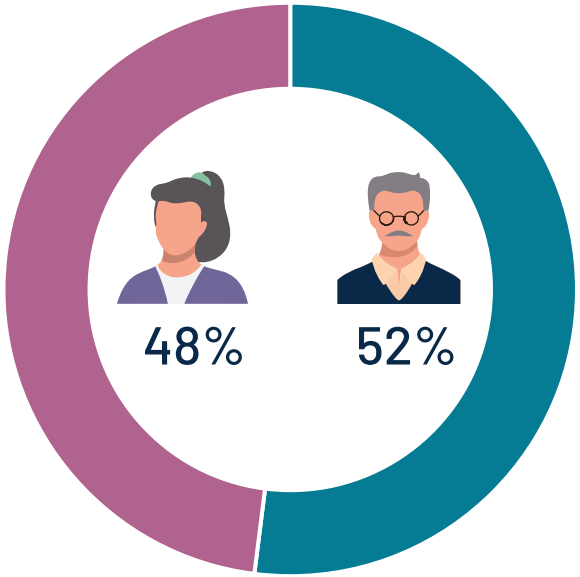
Fig. 9.5



SMSF assets by gender

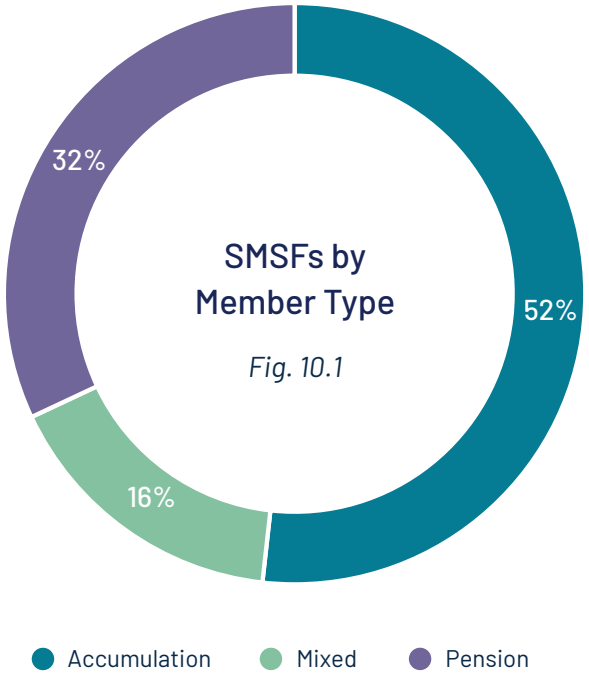
Female balance as a percentage of males

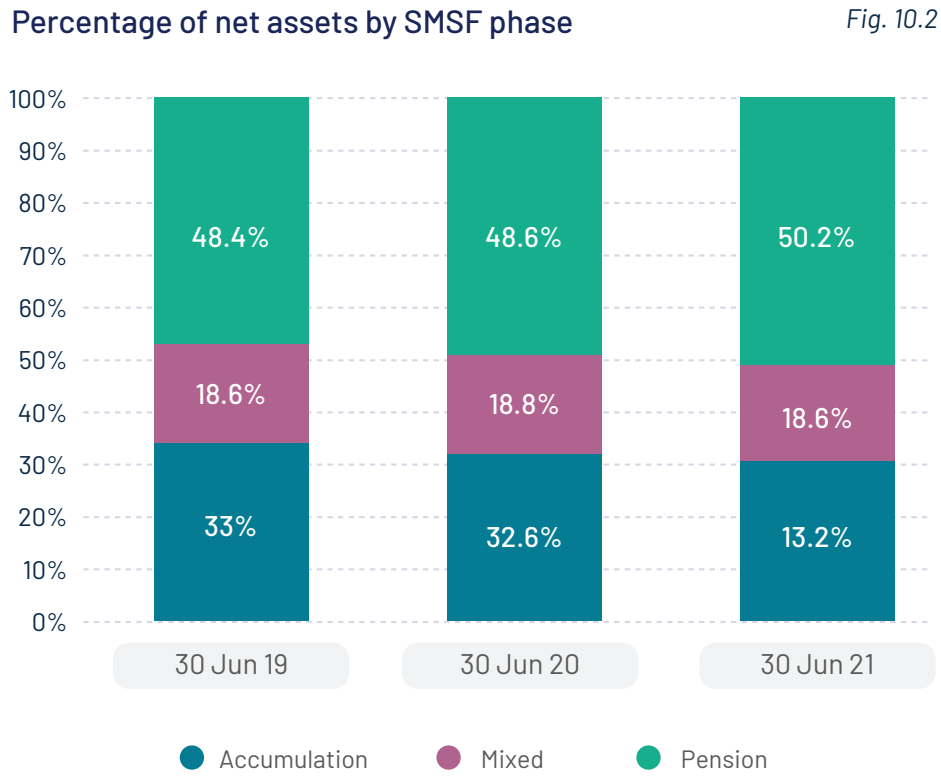
Fig. 9.5



Percentage of member by gender

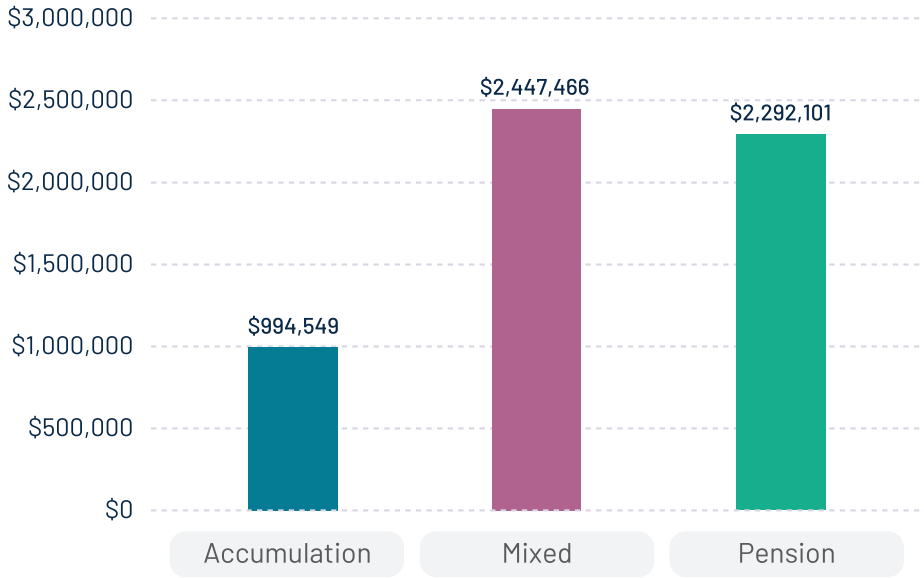
SMSFs by Accumulation vs Pension phase





Average net assets per SMSF

Fig. 10.3

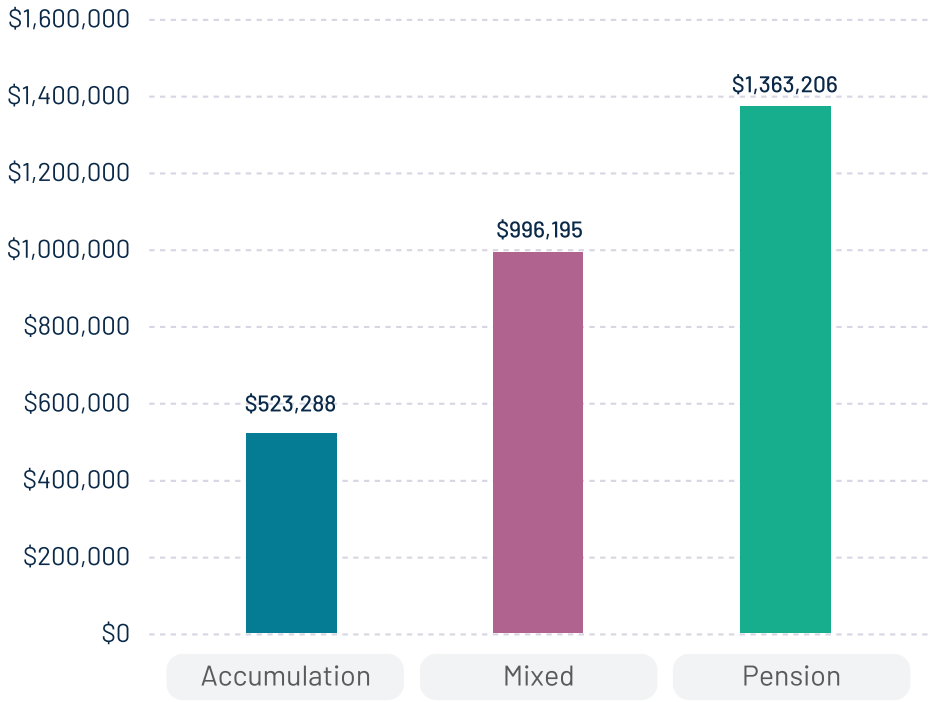


Average net assets per SMSF
(quarterly movement)

Fig. 10.4

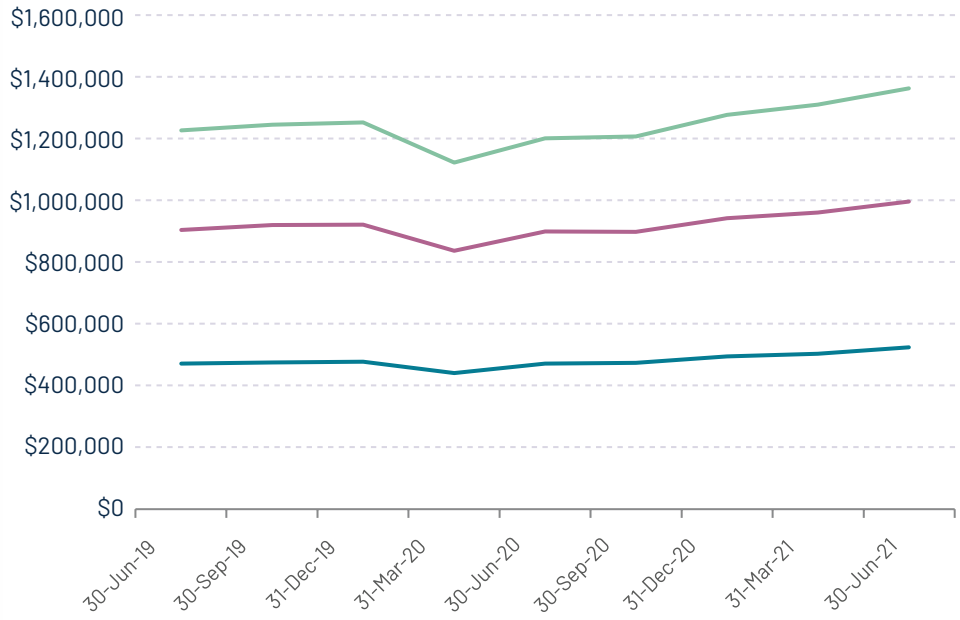
Average net assets per member by SMSF phase
(at 30 Jun'21)

Fig. 10.5



Average net assets per member by SMSF phase
(quarterly movement)

Fig. 10.6



CLASS

SECTION 4

Geo-mapping SMSFs across Australia

Key Client Insights

Growing distribution of SMSFs across regional Australia

By Julie Schofield
Director, Boyce

Being the largest regional accountant and predominantly exposed to a client base in regional NSW our commentary is notably skewed to our experience and focus in these areas. Both the average and median SMSF values by postcode comparatively indicate larger SMSF balances in regional areas as opposed to Sydney/metropolitan areas.

Possible drivers of this, from our experience, could be driven by:

Super reform in the late 2000s created incentives to maximise non-concessional contributions prior to non-concessional contribution caps being introduced. Favourable tax consequences for superannuation assets upon retirement (as well as during the accumulation phase) provided an opportunity to take advantage of large 'in-specie' transfers prior to this being made impossible through non-concessional contributions being capped. This opportunity was enhanced through the ability to borrow through LRBA arrangements.

For many clients at the time, this could be taken advantage of through the transfer of farmland into an SMSF environment. Combining small business CGT concessions, the costs of a transfer could be minimised with clear long-term tax minimisation and wealth creation benefits.

A transfer of commercial real property into super also helped with other matters such as business acumen and succession. With compliance around super requiring market value rent being paid, the changing structures generally shifted mindsets from family-run farms to primary production businesses run by families. Clients were more focused on the performance of land as an asset class as well – or on top of – the focus they placed on the performance of their business. There were also advantages with succession, ensuring mum and dad got paid market value rent once stepping aside and allowing their children to take on the operations.

Over the past 15 years we have also seen good growth in the asset class. Rural Bank's 'Australian Farmland Values 2021 report' highlights, "the median price per hectare of Australian farmland increased by 12.9 per cent in 2020. This marks the seventh consecutive year of growth, bringing the 20-year compound annual growth rate (CAGR) to 7.6 per cent." While Australian farmland prices were relatively stable for 2006 – 2013, the past eight years has seen significant growth. This growth is on top of the market lease yield year-on-year, typically between one and five per cent.

If you relate the above scenario of people shifting wealth into super in the same 2006 period through other assets classes, they were almost immediately negatively impacted by the global financial crises.

It would be interesting to further break down the asset classes in regional postcodes compared to the major cities/regional centres.

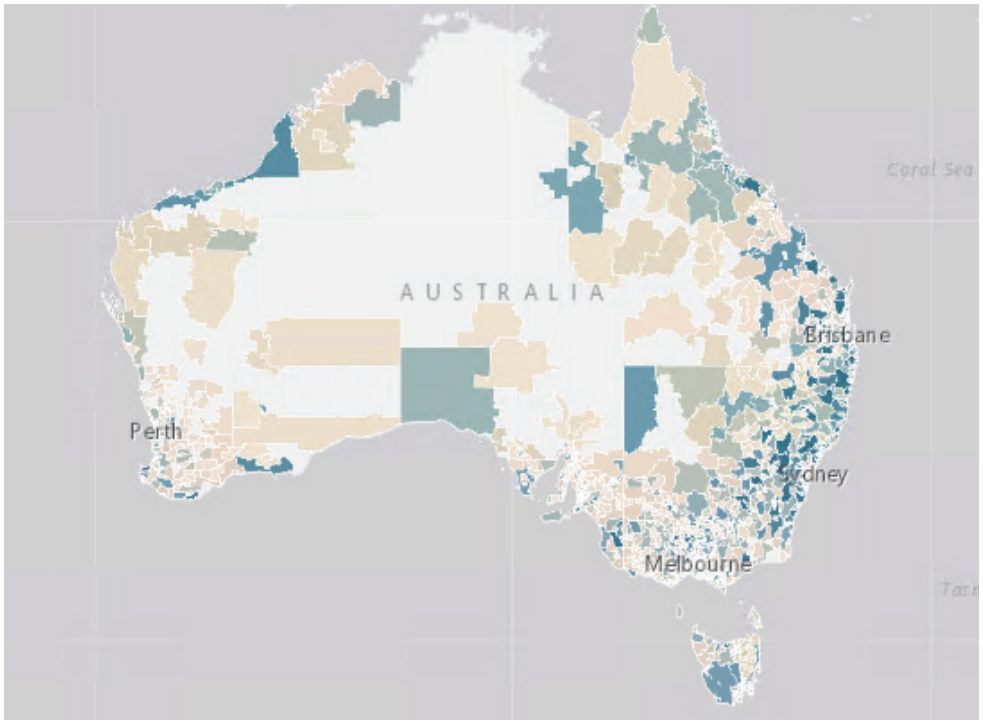
BOYCE
CHARTERED ACCOUNTANTS

Geo-mapping SMSFs

This year, Class introduced geomapping data to gain insight into some key themes, such as concentration of property ownership within SMSFs, and a view of SMSF value across regional and metro areas.

Numbers of Properties Held by SMSFs, Projected to Overall Market

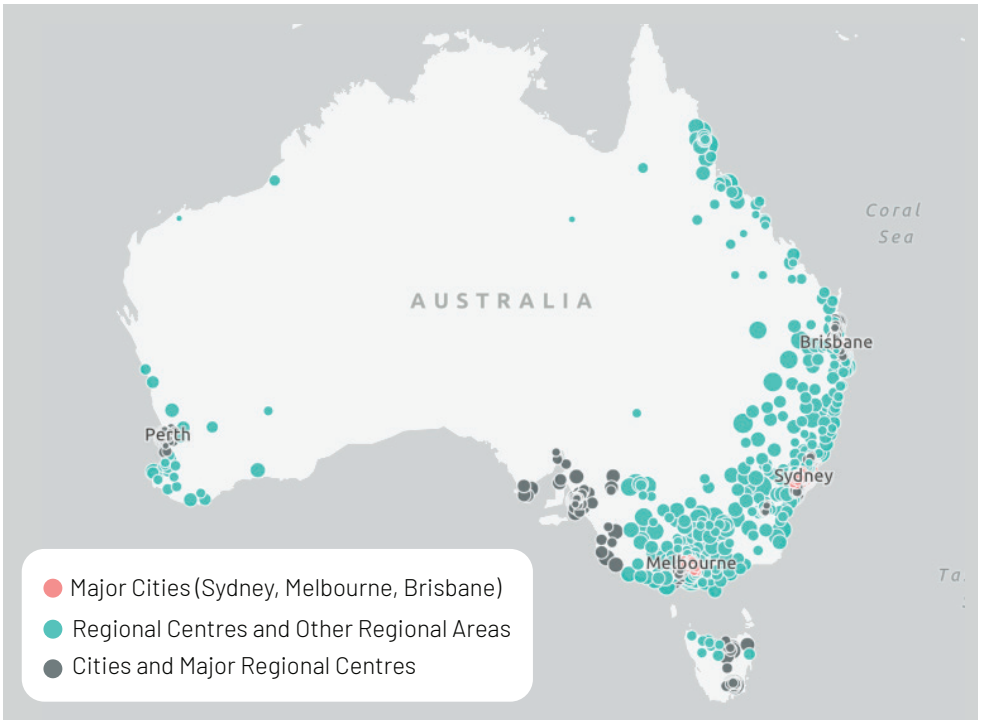
Fig. 11.1



<3 50 100 200 >500

Average SMSFs Asset Value by Postcodes with 30+ SMSFs

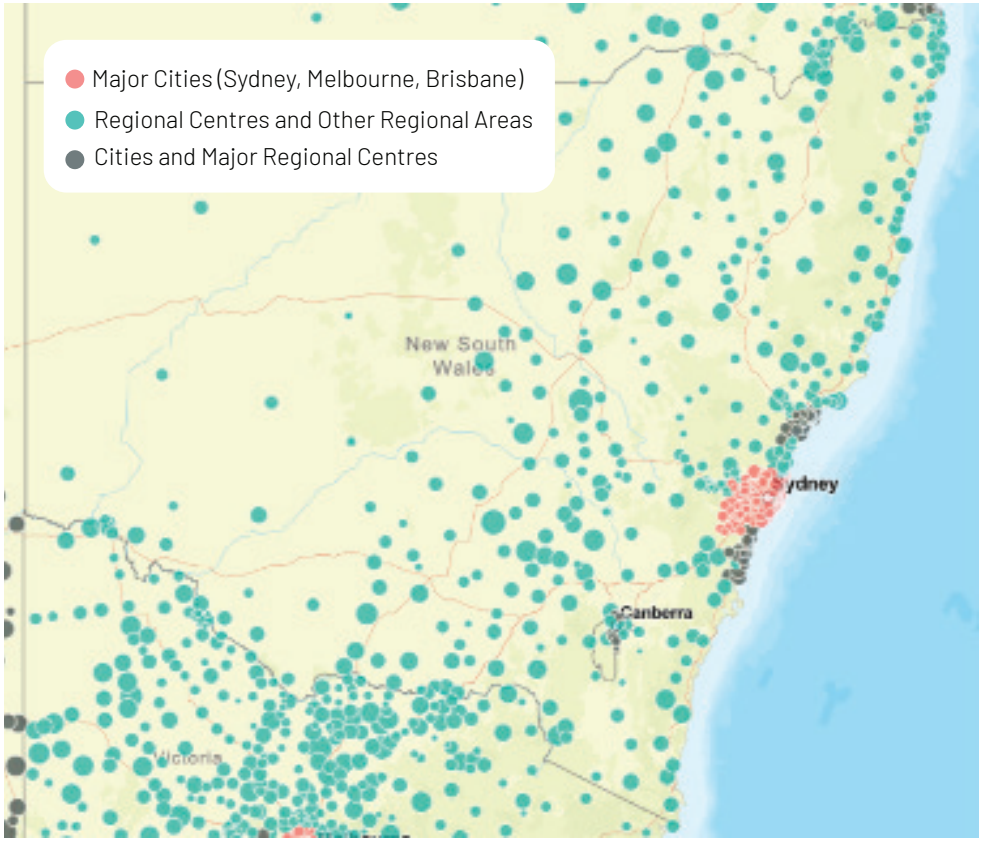
Fig. 11.2



> $24,950,424 $20,000,000 $14,000,000 $8,000,000 $2,151,736

Average SMSF Value by Postcodes (NSW & ACT)

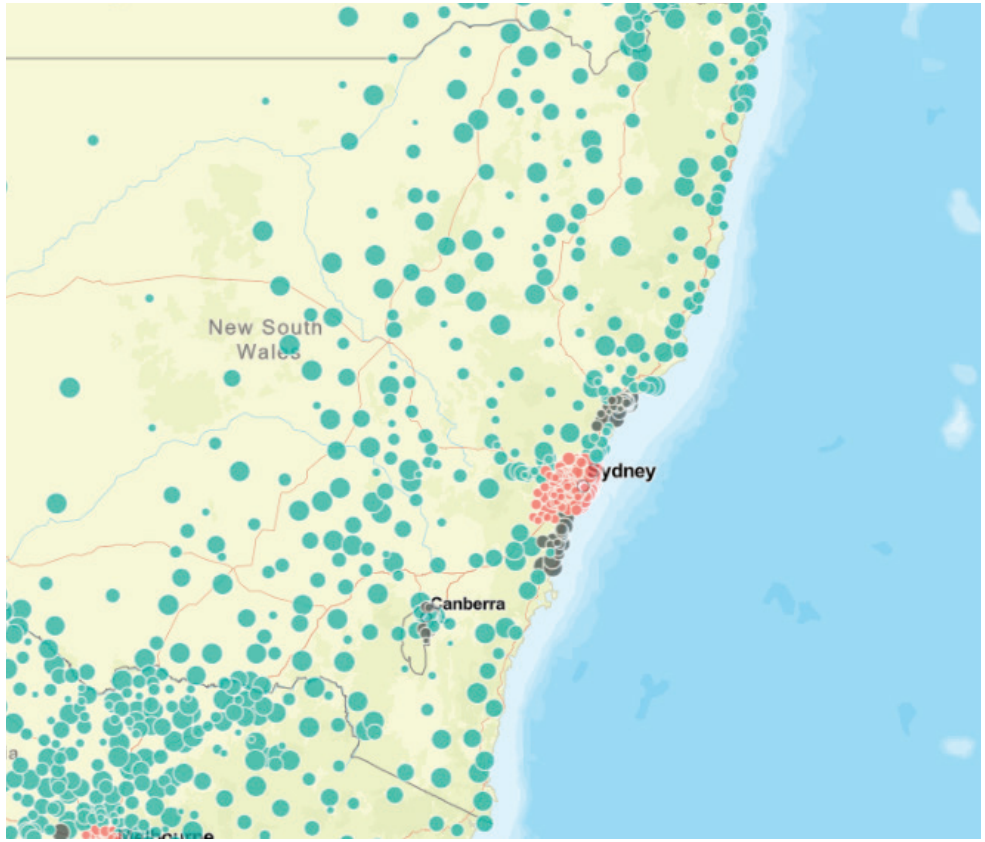
Fig. 11.3



> $32,127,359 | $25,000,000 | $15,000,000 | $8,000,000 | < $26,776

Median SMSF Value by Postcodes (NSW & ACT)

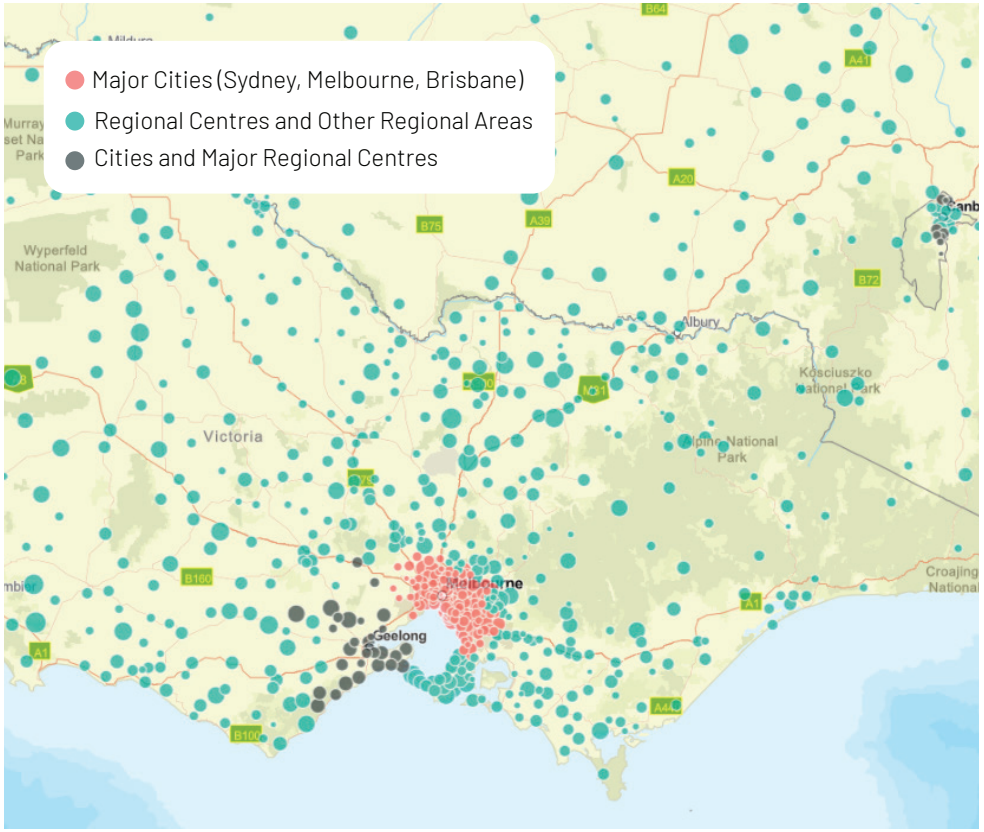
Fig. 11.4



> $7,787,676 | $6,000,000 | $4,000,000 | $2,000,000 | < $26,776

Average SMSF Value by Postcodes (VIC)

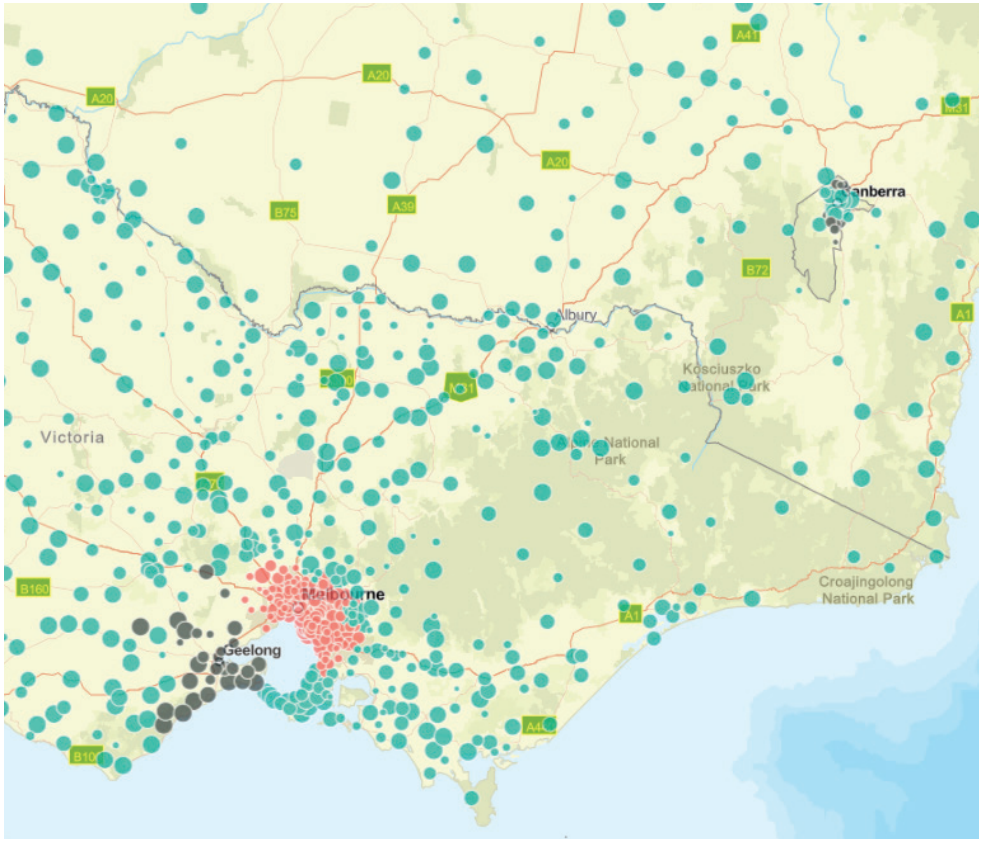
Fig. 11.5



> $32,127,359 | $25,000,000 | $15,000,000 | $8,000,000 | < $26,776

Median SMSF Value by Postcodes (VIC)

Fig. 11.5



> $7,787,676 | $6,000,000 | $4,000,000 | $2,000,000 | < $26,776

CLASS

SECTION 5

Investments trends and SMSF asset allocation

Key Client Insights

Growth in ETFs and healthy diversification of assets over time

By Jonathan Scholes

Managing Partner,
Findex

One of the trends emerging within SMSF investors is a continual move to increase exposure to different asset classes, as more and more investors become aware of the need for adequate diversification within their portfolio.

However, risk is not at the forefront of investors' minds at present, with the alure of higher potential returns from growth assets continuing to draw more funds from cash and term deposit investments.

As you will see through this report, most SMSF investors continue to hold very large exposures to Australian equities – often directly – with the second-largest asset class continuing to be cash and term deposits. Where an investor is not investing directly in Australian shares, the strong preference is to utilise managed funds or listed investment companies (LIC) to gain the exposure.

We are seeing more and more investors take up international share investing through LICs, which offer the ability to buy and sell the listed share easily – as they would an Australian listed company – however, they also provide diversification across many different countries and markets.

We continue to see more take up of exchange traded funds, particularly passively managed exchange traded funds which offer a low-cost diversified option for members that may not be actively involved in the management of their fund. The 'set and forget' strategy can, however, lead to overweights to asset classes over time. We see many clients with large unrealised capital gains which can prevent smart investment decisions from being made.

We continue to see clients that do not seek professional advice lacking diversification across their portfolio, particularly around the asset classes that are not as commonly invested in such as infrastructure, domestic and international fixed interest, and also alternative investments such as hedge funds.

The other major trend that continues to gain momentum is the use of "wrap" style accounts that allow investors to have everything in one place. While it could be said that cost was an inhibitor in previous years, new generation wraps are typically lower cost and hence more attractive.

Driven by strong share market returns both here in Australia and also globally, the performance over the past 12 months has been extremely strong for most investors. In addition, Australian and global listed property investments have rebounded very strongly post the COVID-19 pullback in early 2020.

The Morningstar indices as at 30 June for a 'balanced indexed' show a return of 14.98% for the year, while the 'growth index'

investor has returned around 20% for the year. These are far more than the 10-year returns of between 6.5% and 8% over that time.

We continue to see strong momentum around equity investing given the returns on offer within cash and term deposit investments. The opportunity cost question continues to force many SMSF investors to re-evaluate their exposure to cash and term deposits, albeit by taking on greater levels of volatility and hence overall risk.

There is certainly an inherent amount of risk being taken by SMSF investors when moving from cash to equities, given the strong market run, the uncertainty which still surrounds the global economic recovery, and the ongoing threat of further COVID-19 outbreaks and restrictions.

One of the risks we are seeing emerge in the self-directed space is the use of so-called high-interest cash investments. Typically, these schemes are marketed directly to investors, particularly SMSF investors, and often marketed as an alternative to term deposits. We would suggest any investor considering these investments take caution and consider the underlying risk of the investment.

The best and most successful SMSF investors continue to review and challenge their investment strategy, reviewing and adjusting it where appropriate without altering it for the emerging fad or trend.

FINDEX

By Jonathan Scholes

Managing Partner,
Findex

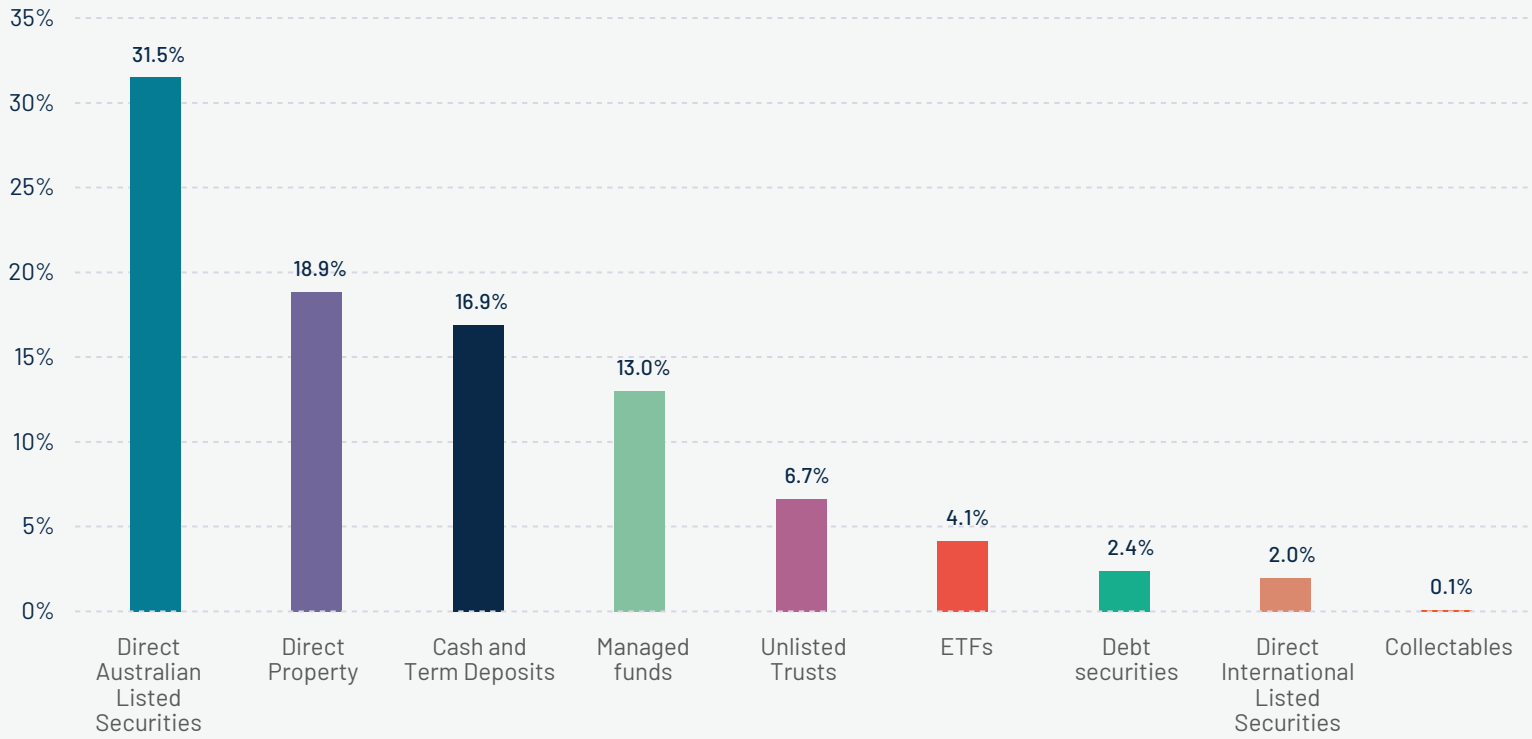
Investments trends and SMSF asset allocation

Investment allocations have remained stable across the past two years indicating that members have faith in their long-term strategies. We can also see how popular US tech stocks are, and the Big Four Australian banks are all present in the top six most popular domestic equities. ETFs have grown for nine consecutive quarters and are now present in more than one quarter of all SMSFs – but the top 20 ETFs are owned by 53% of all funds, indicating concentration around similar themes. ETFs remain far more popular in SMSFs where members are under 25 years of age.

Asset Allocation (at 30 June 2021)

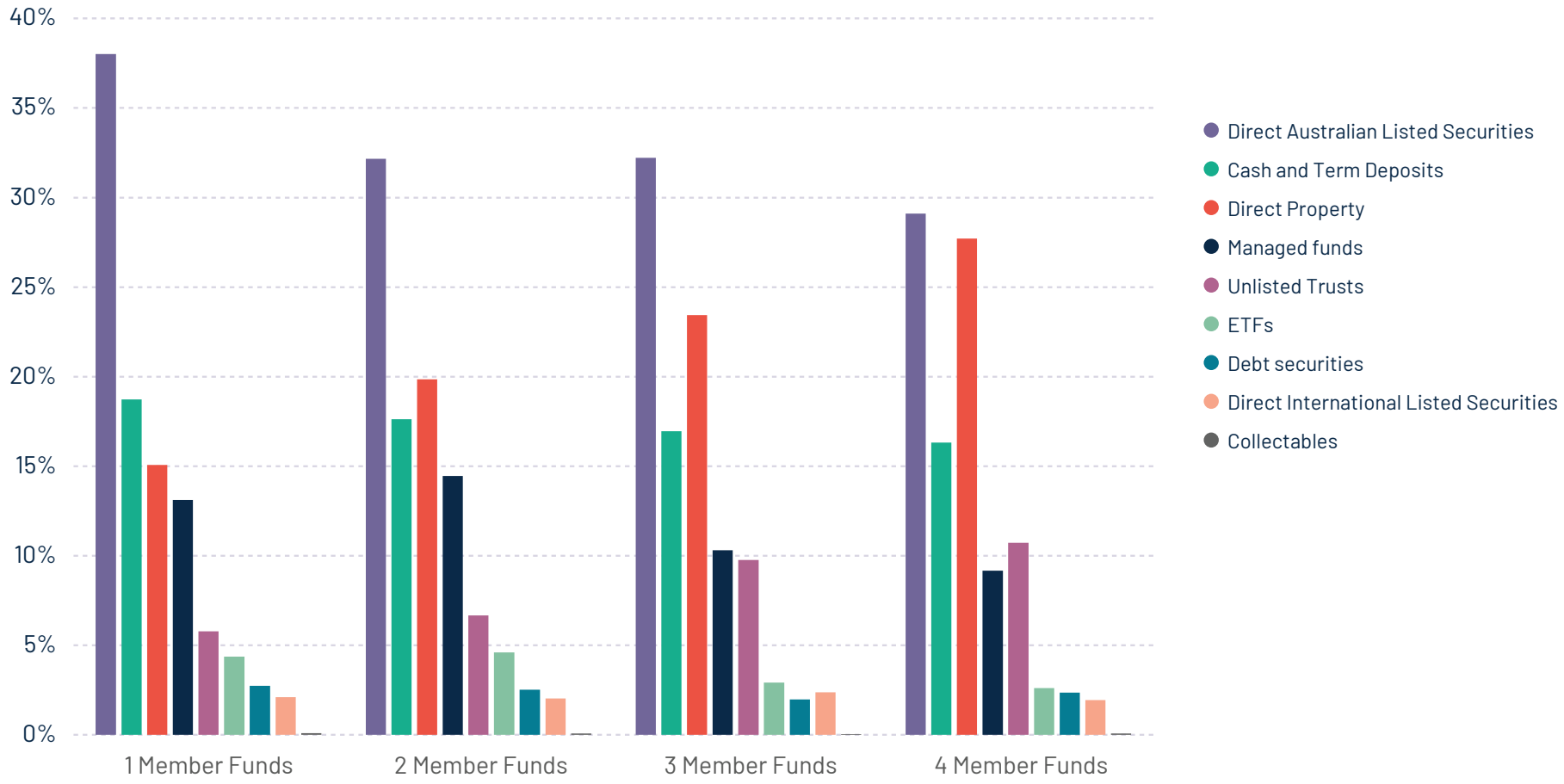
Assets Invested by SMSFs

Fig. 12.1



Assets Invested by SMSFs, by the No. of Members in Fund

Fig. 12.2

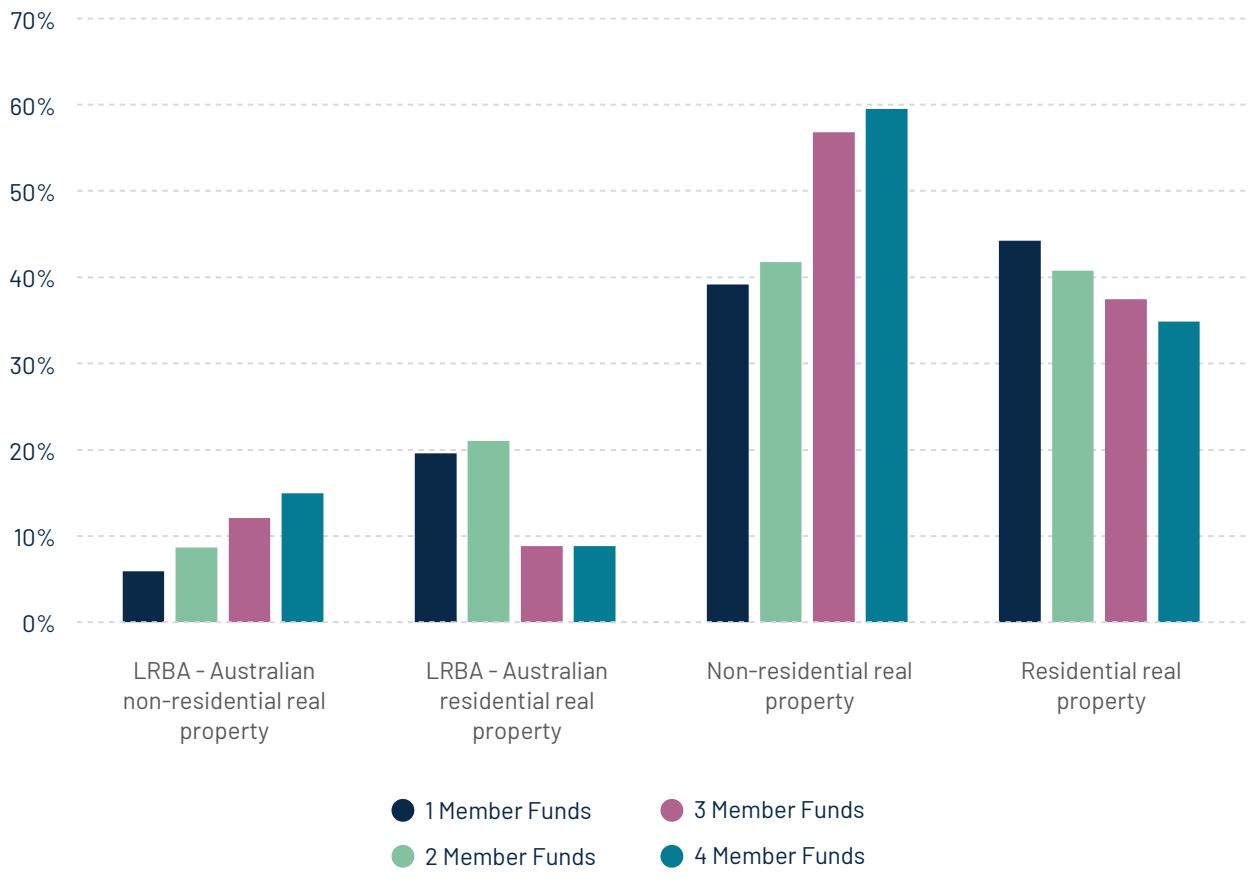


Assets Invested by SMSFs, by the No. of Members in Fund

When we look at higher member funds there is a trend towards investing in non-residential (commercial) property. This indicates that people are using their contributions from a group to finance larger investment properties.

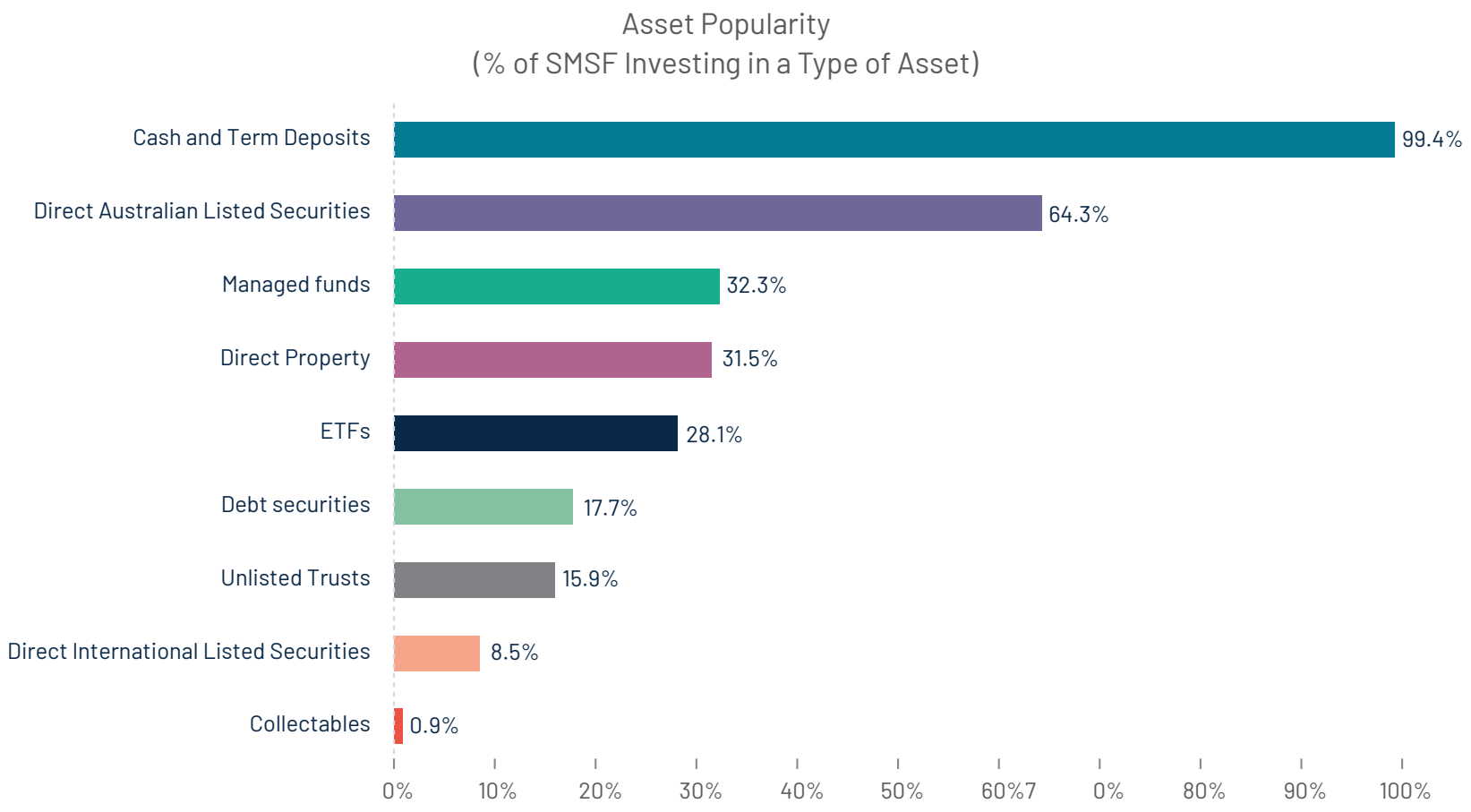
Property Type distinguished by No. of Members in Funds
(at 30th June '21)

Fig. 12.3



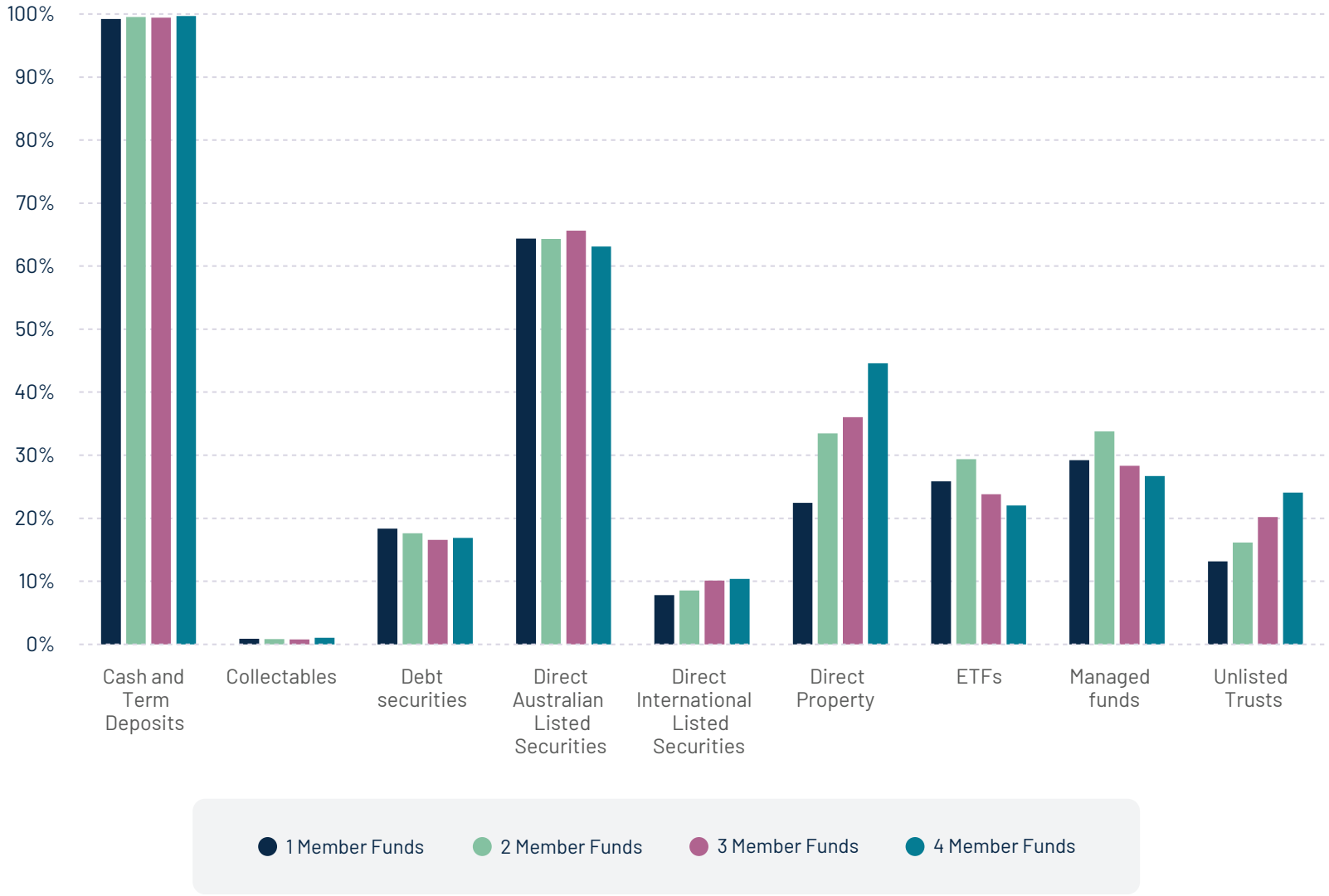
Popularity of Different Asset Types

Fig. 13.1



Popularity of Different Asset Types, by the No. of Members in Fund

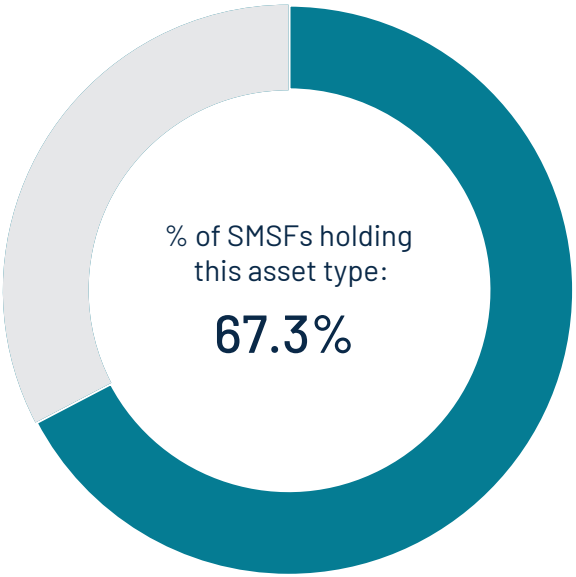
Fig. 13.2

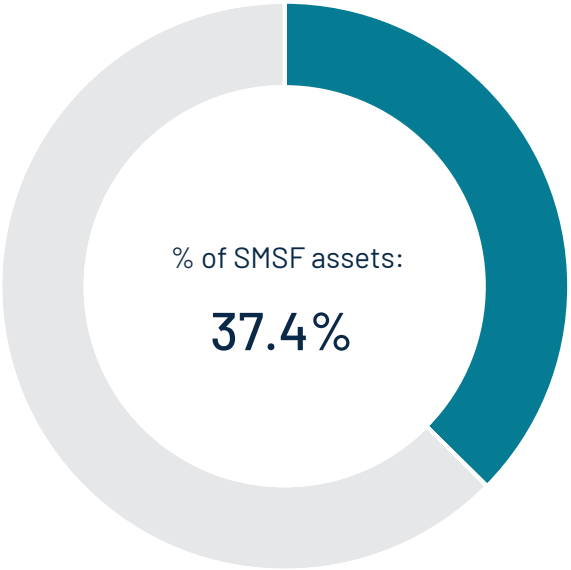


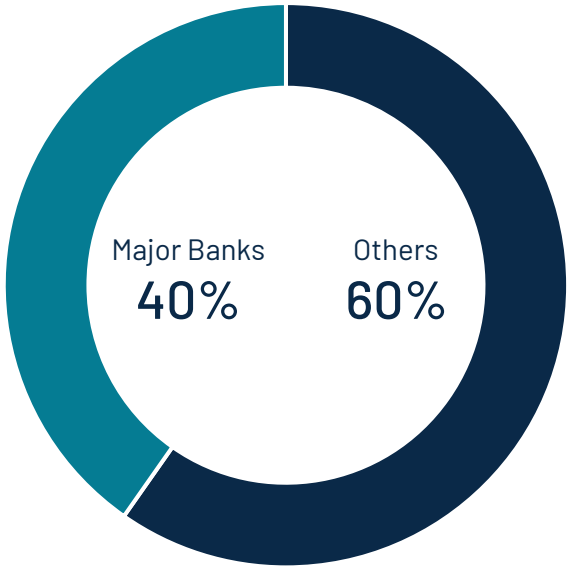
Top 20 Investment Holdings of Class SMSFs

Top 20 domestic shares (at 30th June 2021)

Fig. 14.1







Major Banks' proportion of the Top 20 Domestic Shares

Top 20 domestic shares Based on # of SMSFs

Rank	Security Code	Description	% of Funds with Domestic Shares that hold this Security	% of total SMSF Domestic Share investments
1	BHP	BHP Group Limited	46.0%	4.7%
2	WBC	Westpac Banking Corporation	44.6%	4.1%
3	CBA	Commonwealth Bank Of Australia.	42.0%	6.6%
4	NAB	National Australia Bank Limited	41.3%	3.8%
5	TLS	Telstra Corporation Limited.	41.1%	2.2%
6	ANZ	Australia And New Zealand Banking Group Limited	39.4%	3.5%
7	WES	Wesfarmers Limited	31.3%	2.8%
8	WPL	Woodside Petroleum Limited	30.9%	1.2%
9	CSL	CSL Limited	28.2%	4.3%
10	MQG	Macquarie Group Limited	24.3%	2.5%
11	WOW	Woolworths Group Limited	23.3%	1.4%
12	COL	Coles Group Ltd	22.9%	0.7%
13	RIO	Rio Tinto Limited	18.6%	1.6%
14	TCL	Transurban Group - Ordinary Shares/Units Fully Paid Triple Stapled	18.4%	1.2%
15	SYD	Sydney Airport - Fully Paid Stapled Securities	14.9%	0.5%
16	AMC	AMCOR PLC/IDR UNRESTR	13.0%	0.5%
17	RHC	Ramsay Health Care Limited	13.0%	0.5%
18	SHL	Sonic Healthcare Limited	12.4%	0.8%
19	RMD	Resmed Inc - Cdi 10:1 Foreign Exempt Nyse	9.1%	0.7%
20	FMG	Fortescue Metals Group Ltd	7.3%	0.9%
Total (Percentage that the top 20 make up of total SMSF investments in Direct Domestic Shares)				**44.4%**

Based on $ value SMSFs

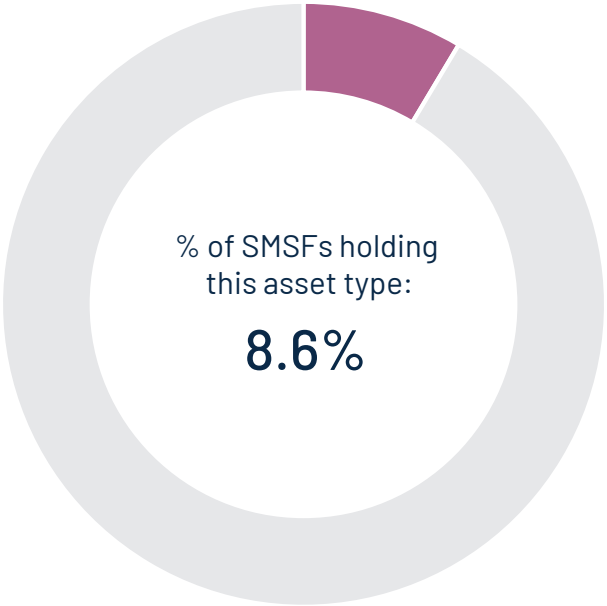
Rank	Security Code	Description	% of total SMSF Domestic Share investments	% of Funds with Domestic Shares that hold this Security
1	CBA	Commonwealth Bank Of Australia.	42.0%	6.6%
2	BHP	BHP Group Limited	46.0%	4.7%
3	CSL	CSL Limited	28.2%	4.3%
4	WBC	Westpac Banking Corporation	44.6%	4.1%
5	NAB	National Australia Bank Limited	41.3%	3.8%
6	ANZ	Australia And New Zealand Banking Group Limited	39.4%	3.5%
7	WES	Wesfarmers Limited	31.3%	2.8%
8	MQG	Macquarie Group Limited	24.3%	2.5%
9	TLS	Telstra Corporation Limited.	41.1%	2.2%
10	RIO	Rio Tinto Limited	18.6%	1.6%
11	WOW	Woolworths Group Limited	23.3%	1.4%
12	TCL	Transurban Group - Ordinary Shares/Units Fully Paid Triple Stapled	18.4%	1.2%
13	WPL	Woodside Petroleum Limited	30.9%	1.2%
14	FMG	Fortescue Metals Group Ltd	7.3%	0.9%
15	SHL	Sonic Healthcare Limited	12.4%	0.8%
16	VAS	Vanguard Australian Shares Index ETF - Vanguard Australian Shares Index ETF	5.0%	0.7%
17	AFI	Australian Foundation Investment Company Limited	5.8%	0.7%
18	RMD	Resmed Inc - Cdi 10:1 Foreign Exempt Nyse	9.1%	0.7%
19	COL	Coles Group Ltd	22.9%	0.7%
20	IVV	Ishares S&P 500 ETF - Ishares S&P 500 ETF	5.4%	0.6%
Total (Percentage that the top 20 make up of total SMSF investments in Direct Domestic Shares)				**44.9%**

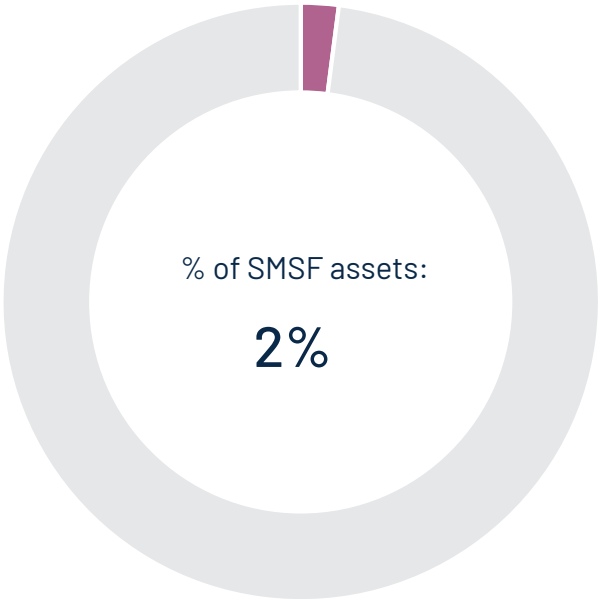
Direct shares can act as an extension to managed funds that caters to a larger pool and provides more options in the market. When we look at the most popular domestic equities holdings (among funds that have equities holdings) we can see that BHP takes the spot as the most popular, followed by three of the big four banks – Westpac, Commonwealth Bank, and NAB. Telstra sits behind NAB, and then ANZ rounds out the four banks in the top six most popular equities.

The list features a number of resources companies through the top 20, and a number of healthcare businesses. Coles and Woolworths sit adjacent each other – separated by 0.4%.

Top 20 international shares (at 30th June 2021)

Fig. 14.2





Top 20 international shares Based on # of SMSFs

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	21.3%	5.1%
2	MSFT	NASDAQ	Microsoft Corp	21.3%	4.2%
3	AMZN	NASDAQ	Amazon.com Inc	17.0%	3.5%
4	AAPL	NASDAQ	Apple Inc	15.9%	3.7%
5	BABA	NYSE	Alibaba Grp Shs Sponsored American Deposit Share Repr 1 Sh	14.0%	1.4%
6	V	NYSE	Visa Inc	12.7%	1.6%
7	PYPL	NASDAQ	PayPal Holdings Inc	8.3%	1.7%
8	MA	NYSE	MasterCard Inc	8.1%	0.9%
9	700	SEHK	Tencent Holdings Ltd	7.9%	0.8%
10	BRK.A/ B/0HN0	NYSE/LSE	Berkshire Hathaway Inc. Classes A, B and 0HN0 combined	7.9%	3.4%
11	FB	NASDAQ	Facebook Inc	7.9%	1.3%
12	DIS	NYSE	Walt Disney Company	7.7%	1.1%
13	JNJ	NYSE	Johnson & Johnson	5.3%	0.5%
14	NVDA	NASDAQ	NVIDIA Corporation	4.8%	0.9%
15	JPM	NYSE	JPMorgan Chase & Co	4.6%	0.7%
16	SHOP	NYSE	Shopify Inc	4.0%	0.5%
17	CRM	NYSE	Salesforce.Com Inc.	3.6%	0.3%
18	TSLA	NASDAQ	Tesla Inc	3.0%	1.1%
19	TEAM	NASDAQ	Atlassian Corporation PLC	1.8%	0.4%
20	Z	NASDAQ	Zillow Group Inc Class C	0.7%	0.5%
Total (Percentage that the top 20 make up of total SMSF investments in Direct International Shares)					**34.7%**

International equities are heavily dominated by technology and social media businesses, with both Google parent company Alphabet and Microsoft being held by 21.3% of SMSFs. International payment companies also feature prominently, with Visa, Mastercard, and PayPal all sitting in the top 10 most popular international equities.

While shares from the US dominate, there are entries from London and Hong Kong in the top 20.

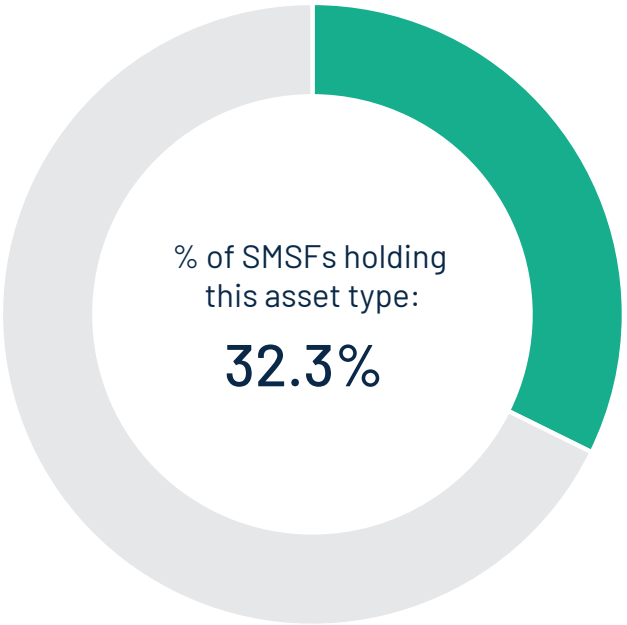
Based on $ value

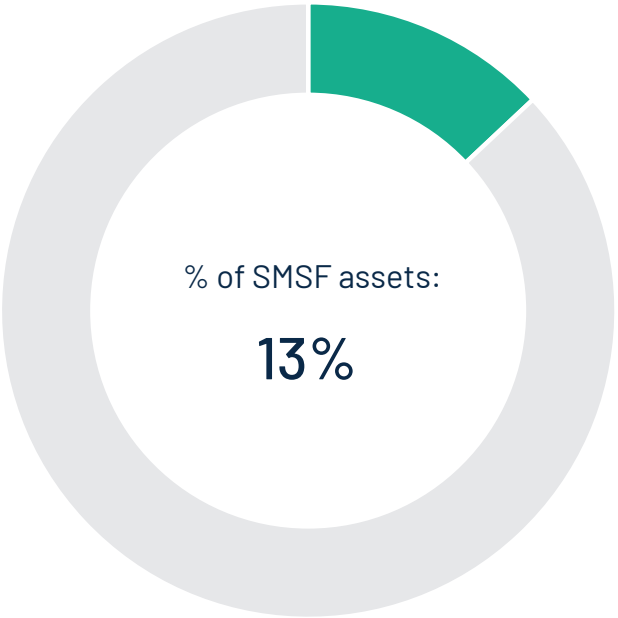
Rank	Security Code	Exchange	Description	% of Funds with Int'l Shares that hold this Security	% of total SMSF Int'l Share investments
1	GOOG(L)	NASDAQ	Alphabet Inc - Class C (A) Shares combined	21.3%	5.1%
2	MSFT	NASDAQ	Microsoft Corp	21.3%	4.2%
3	AAPL	NASDAQ	Apple Inc	15.9%	3.7%
4	AMZN	NASDAQ	Amazon.com Inc	17.0%	3.5%
5	BRK.A/ B/0HN0	NYSE/LSE	Berkshire Hathaway Inc. Classes A, B and 0HN0 combined	7.9%	3.4%
6	PYPL	NASDAQ	PayPal Holdings Inc	8.3%	1.7%
7	V	NYSE	Visa Inc	12.7%	1.6%
8	BABA	NYSE	Alibaba Grp Shs Sponsored American Deposit Share Repr 1 Sh	14.0%	1.4%
9	FB	NASDAQ	Facebook Inc	7.9%	1.3%
10	TSLA	NASDAQ	Tesla Inc	3.0%	1.1%
11	DIS	NYSE	Walt Disney Company	7.7%	1.1%
12	MA	NYSE	MasterCard Inc	8.1%	0.9%
13	NVDA	NASDAQ	NVIDIA Corporation	4.8%	0.9%
14	700	SEHK	Tencent Holdings Ltd	7.9%	0.8%
15	JPM	NYSE	JPMorgan Chase & Co	4.6%	0.7%
16	SPY	NYSEARCA	SPDR S&P 500 ETF Trust	0.6%	0.7%
17	SHOP	NYSE	Shopify Inc	4.0%	0.5%
18	JNJ	NYSE	Johnson & Johnson	5.3%	0.5%
19	IQQY.GER	FRA	iShares Core MSCI Europe UCITS ETF EUR (Dist)	0.2%	0.5%
20	Z	NASDAQ	Zillow Group Inc Class C	0.7%	0.5%
Total (Percentage that the top 20 make up of total SMSF investments in Direct International Shares)					**34.0%**

Tech companies are popular while investing in international shares with the exception being Tesla which was mostly considered as a tech company during the steep rise of its share price, but now it is being considered as an automobile company as it is closely following the price movement like other automobile companies in the world.

Top 20 managed funds

Fig. 14.3





Based on # of SMSFs

Rank	Security Code	Description	% of Funds with MFs that hold this Security	% of total SMSF MF investments
1	MGE0001AU	Magellan Global Fund	19.0%	3.1%
2	PLA0002AU	Platinum International Fund	15.4%	2.3%
3	ETL0018AU	PIMCO Global Bond Fund - Wholesale Class	8.8%	0.9%
4	IOF0145AU	Janus Henderson Tactical Income Fund	7.7%	0.9%
5	HOW0098AU	Ardea Real Outcome Fund	7.5%	0.9%
6	PLA0004AU	Platinum Asia Fund	7.2%	1.2%
7	MGE0002AU	Magellan Infrastructure Fund	6.9%	0.6%
8	FID0008AU	Fidelity Australian Equities Fund	5.9%	1.0%
9	IOF0045AU	Antipodes Global Fund - Class P	5.8%	0.7%
10	MAQ0277AU	Macquarie Income Opportunities Fund	5.6%	0.7%
11	ETL0276AU	Partners Group Global Value Wholesale	5.5%	0.9%
12	MAQ0410AU	Walter Scott Global Equity Fund	5.5%	1.1%
13	MIA0001AU	MFS Global Equity Trust	5.4%	0.8%
14	ETL0016AU	PIMCO Diversified Fixed Interest Fund - Wholesale Class	5.3%	0.7%
15	BFL0004AU	Bennelong ex-20 Australian Equities Fund	5.1%	0.7%
16	VAN0004AU	Vanguard Australian Property Securities Index Fund	5.1%	0.5%
17	CSA0038AU	Bentham Global Income Fund	5.0%	0.5%
18	VAN0003AU	Vanguard W'sale International Shares Index Fund	4.7%	1.2%
19	LAZ0014AU	Lazard Global Listed Infrastructure Fund	4.2%	0.4%
20	ETL0071AU	T. Rowe Price Global Equity Fund	4.0%	0.7%
Total (Percentage that the top 20 make up of total SMSF investments in Managed Funds)				**20.0%**

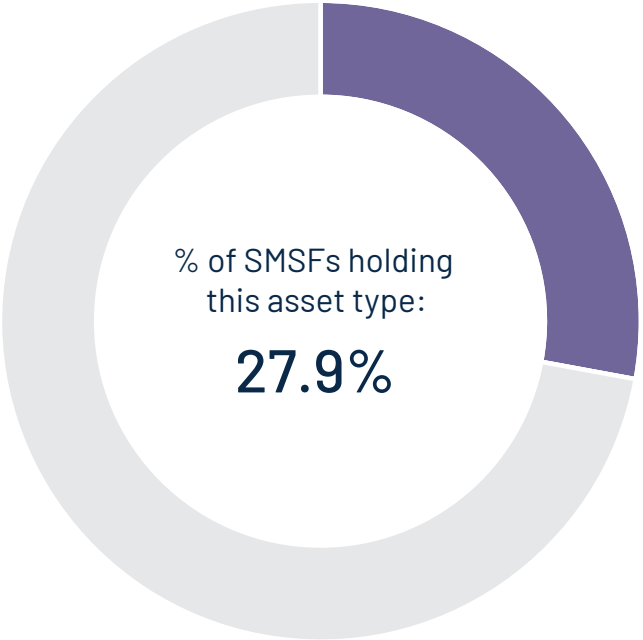
In the managed funds space, we can see that Magellan's Global Fund is owned by almost one-in-five SMSFs with managed fund exposure, while Magellan, Platinum Asset Management, PIMCO, Vanguard each have two funds in the top 20. This group of 20 comprise 20% of all managed fund exposure through SMSFs. Managed funds also provide international exposure – the top five most popular managed funds are all international or global in their investments.

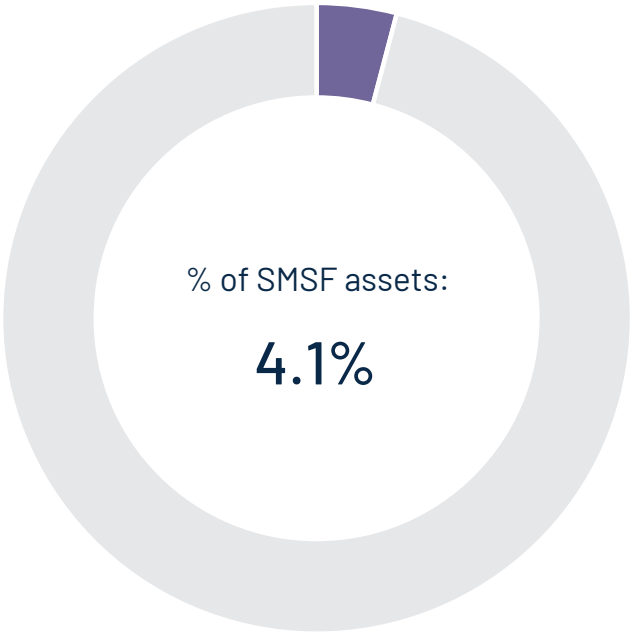
Based on $ value

Rank	Security Code	Description	% of Funds with MFs that hold this Security	% of total SMSF MF investments
1	MGE0001AU	Magellan Global Fund	19.0%	3.1%
2	PLA0002AU	Platinum International Fund	15.4%	2.3%
3	PLA0004AU	Platinum Asia Fund	7.2%	1.2%
4	VAN0002AU	Vanguard Australian Shares Index Fund	3.9%	1.2%
5	VAN0003AU	Vanguard W'sale International Shares Index Fund	4.7%	1.2%
6	MAQ0410AU	Walter Scott Global Equity Fund	5.5%	1.1%
7	FID0008AU	Fidelity Australian Equities Fund	5.9%	1.0%
8	HOW0098AU	Ardea Real Outcome Fund	7.5%	0.9%
9	IOF0145AU	Janus Henderson Tactical Income Fund	7.7%	0.9%
10	ETL0276AU	Partners Group Global Value Wholesale	5.5%	0.9%
11	ETL0018AU	PIMCO Global Bond Fund - Wholesale Class	8.8%	0.9%
12	MIA0001AU	MFS Global Equity Trust	5.4%	0.8%
13	ETL0071AU	T. Rowe Price Global Equity Fund	4.0%	0.7%
14	ETL0016AU	PIMCO Diversified Fixed Interest Fund - Wholesale Class	5.3%	0.7%
15	IOF0045AU	Antipodes Global Fund - Class P	5.8%	0.7%
16	BFL0004AU	Bennelong ex-20 Australian Equities Fund	5.1%	0.7%
17	MAQ0277AU	Macquarie Income Opportunities Fund	5.6%	0.7%
18	DFA0003AU	Dimensional Australian Core Equity Trust	1.3%	0.7%
19	DFA0008AU	Strategic Australian Equity Fund	0.9%	0.6%
20	DFA0007AU	Strategic International Equity Fund	1.0%	0.6%
Total (Percentage that the top 20 make up of total SMSF investments in Managed Funds)				**21.1%**

Top 20 exchange traded funds

Fig. 14.4





Based on # of SMSFs

Rank	Security Code	Description	Intl / Domestic	% of Funds with ETFs that hold this Security	% of total SMSF ETF investments
1	VAP	Vanguard Australian Property Securities Index ETF - Exchange Traded Fund Units Fully Paid	D	13.9%	2.7%
2	IVV	Ishares S&P 500 ETF - Exchange Traded Fund Units Fully Paid	I	13.1%	5.6%
3	VAS	Vanguard Australian Shares Index ETF - Exchange Traded Fund Units Fully Paid	D	12.1%	6.8%
4	VEU	Vanguard All-World Ex-Us Shares Index ETF - Chess Depositary Interests 1:1	I	12.0%	2.9%
5	IOO	Ishares Global 100 ETF - Exchange Traded Fund Units Fully Paid	I	10.1%	3.4%
6	VTS	Vanguard Us Total Market Shares Index ETF - Chess Depositary Interests 1:1	I	9.9%	3.2%
7	MICH	Magellan Infrastructure Fund	I	8.7%	1.6%
8	MGOC	Magellan Global Fund (Open Class)	I	8.6%	2.9%
9	VGS	Vanguard MSCI Index International Shares ETF - Exchange Traded Fund Units Fully Paid	I	8.5%	3.3%
10	STW	SPDR S&P/ASX 200 Fund - Exchange Traded Fund Units Fully Paid	D	7.9%	3.8%
11	VAF	Vanguard Australian Fixed Interest Index ETF - Exchange Traded Fund Units Fully Paid	D	7.2%	2.0%
12	MVW	Vaneck Vectors Australian Equal Weight ETF - Exchange Traded Fund Units Fully Paid	D	6.9%	2.0%
13	QUAL	VanEck Vectors MSCI World ex Australia Quality ETF - Exchange Traded Fund Units Fully Paid	I	6.9%	2.0%
14	AAA	Betashares Australian High Interest Cash ETF - Exchange Traded Fund Units Fully Paid	D	6.4%	1.3%
15	NDQ	Betashares Nasdaq 100 ETF - Exchange Traded Fund Units Fully Paid	I	6.2%	1.6%
16	VGAD	Vanguard MSCI Index International Shares (Hedged)	I	6.1%	2.1%
17	MGE	Magellan Global Equities Fund (Managed Fund) - Trading Managed Fund Units Fully Paid	I	6.1%	1.7%
18	VHY	Vanguard Australian Shares High Yield ETF - Exchange Traded Fund Units Fully Paid	D	5.7%	2.0%
19	IAF	iShares Core Composite Bond ETF	D	5.6%	1.6%
20	IXJ	Ishares Global Healthcare ETF - Exchange Traded Fund Units Fully Paid	I	5.4%	1.2%
Total (Percentage that the top 20 make up of total SMSF investments in Exchange-Traded Funds)					**53.6%**

ETFs have been a booming sector in recent years as SMSFs choose to focus on capturing the passive growth of a sector or targeted allocation rather than to invest in a managed product with fees. When it comes to ETF selection, the pool narrows considerably – the ETFs listed here comprise a massive 53.4% of all ETF exposure. And Vanguard is the clearly preferred ETF providers, with eight of the top 20 being Vanguard funds, followed by iShares at four and Magellan at three.

Based on $ value

Rank	Security Code	Description	Intl / Domestic	% of Funds with ETFs that hold this Security	% of total SMSF ETF investments
1	VAS	Vanguard Australian Shares Index ETF - Exchange Traded Fund Units Fully Paid	D	12.1%	6.8%
2	IVV	Ishares S&P 500 ETF - Exchange Traded Fund Units Fully Paid	I	13.1%	5.6%
3	STW	SPDR S&P/ASX 200 Fund - Exchange Traded Fund Units Fully Paid	D	7.9%	3.8%
4	IOO	Ishares Global 100 ETF - Exchange Traded Fund Units Fully Paid	I	10.1%	3.4%
5	VGS	Vanguard MSCI Index International Shares ETF - Exchange Traded Fund Units Fully Paid	I	8.5%	3.3%
6	VTS	Vanguard Us Total Market Shares Index ETF - Chess Depositary Interests 1:1	I	9.9%	3.2%
7	VEU	Vanguard All-World Ex-Us Shares Index ETF - Chess Depositary Interests 1:1	I	12.0%	2.9%
8	MGOC	Magellan Global Fund (Open Class)	I	8.6%	2.9%
9	VAP	Vanguard Australian Property Securities Index ETF - Exchange Traded Fund Units Fully Paid	D	13.9%	2.7%
10	VGAD	Vanguard MSCI Index International Shares (Hedged)	I	6.1%	2.1%
11	MVW	Vaneck Vectors Australian Equal Weight ETF - Exchange Traded Fund Units Fully Paid	D	6.9%	2.0%
12	VHY	Vanguard Australian Shares High Yield ETF - Exchange Traded Fund Units Fully Paid	D	5.7%	2.0%
13	VAF	Vanguard Australian Fixed Interest Index ETF - Exchange Traded Fund Units Fully Paid	D	7.2%	2.0%
14	QUAL	VanEck Vectors MSCI World ex Australia Quality ETF - Exchange Traded Fund Units Fully Paid	I	6.9%	2.0%
15	HBRD	Betashares Active Australian Hybrids Fund (Managed Fund)	D	5.3%	1.8%
16	IOZ	Ishares Core S&P/ASX 200 ETF - Ishares Core S&P/ASX 200 ETF	D	4.1%	1.8%
17	MGE	Magellan Global Equities Fund (Managed Fund) - Trading Managed Fund Units Fully Paid	I	6.1%	1.7%
18	NDQ	Betashares Nasdaq 100 ETF - Exchange Traded Fund Units Fully Paid	I	6.2%	1.6%
19	MICH	Magellan Infrastructure Fund	I	8.7%	1.6%
20	IAF	iShares Core Composite Bond ETF	D	5.6%	1.6%
Total (Percentage that the top 20 make up of total SMSF investments in Exchange-Traded Funds)					**54.8%**

60% of ETFs are concentrated around international holdings running tag with the managed funds. This is mostly in part of ETFs becoming more popular and people wanting a good mix of international and domestic assets.

Top 20 LICs/LITs

Listed investment companies (LICs) and listed Investment trusts (LITs) provide exposure to a basket of underlying securities, often shares, although increasingly there are funds providing exposure to other asset classes, such as fixed income.

Investors' cash is pooled in a managed fund and a professional investment manager selects the fund's securities and invests it. Listed on the ASX, you buy and sell shares in LICs and LITs through a broker.

Based on # of SMSFs

Rank	Security Code	Description	% of Funds with shares that hold this Security	% of total SMSF LIC/LIT investments
1	AFI	Australian Foundation Investment Company Limited (AFIC)	18.0%	10.8%
2	ARG	Argo Investments Limited	14.2%	7.8%
3	MXT	MCP Master Income Trust	12.9%	4.6%
4	WAM	WAM Capital	10.5%	3.8%
5	MGG	Magellan Global Trust	9.9%	3.3%
6	LSF	L1 Long Short Fund	8.0%	3.6%
7	MFF	MFF Capital Investments Limited	7.6%	3.8%
8	MHH	Magellan High Conviction Trust	7.5%	2.1%
9	MLT	Milton Corporation Limited	7.3%	4.7%
10	VG1	VGI Partners Global Investments Limited	6.5%	2.5%
11	WLE	WAM Leaders Limited	5.9%	2.9%
12	NBI	NB Global Corporate Income Trust	5.7%	1.8%
13	KKC	KKR Credit Income Fund	5.0%	1.7%
14	WGB	WAM Global Limited	4.4%	1.3%
15	PL8	Plato Income Maximiser Limited	4.4%	2.0%
16	VG8	VGI Partners Asian Investments Limited	4.0%	1.3%
17	HM1	Hearts and Minds Investments Limited	4.0%	1.9%
18	PMC	Platinum Capital Limited	4.0%	1.2%
19	APL	Antipodes Global Investment Company Ltd	3.9%	1.4%
20	BKI	BKI Investment Company Limited	3.9%	1.9%
Total (Percentage that the top 20 make up of total SMSF investments in Listed Investment Companies/Trusts)				**64.2%**

Based on $ value

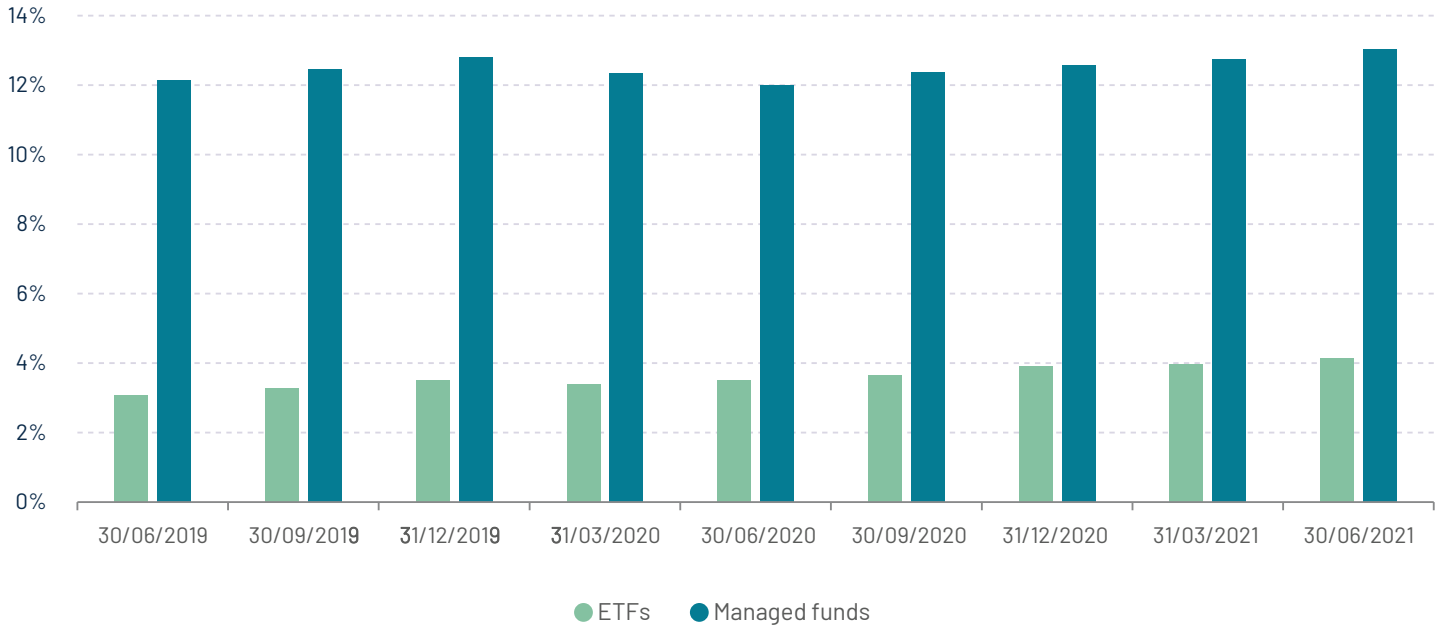
Rank	Security Code	Description	% of Funds with shares that hold this Security	% of total SMSF LIC/LIT investments
1	AFI	Australian Foundation Investment Company Limited (AFIC)	18.0%	10.8%
2	ARG	Argo Investments Limited	14.2%	7.8%
3	MLT	Milton Corporation Limited	7.3%	4.7%
4	MXT	MCP Master Income Trust	12.9%	4.6%
5	WAM	WAM Capital	10.5%	3.8%
6	MFF	MFF Capital Investments Limited	7.6%	3.8%
7	LSF	L1 Long Short Fund	8.0%	3.6%
8	MGG	Magellan Global Trust	9.9%	3.3%
9	WLE	WAM Leaders Limited	5.9%	2.9%
10	VG1	VGI Partners Global Investments Limited	6.5%	2.5%
11	MHH	Magellan High Conviction Trust	7.5%	2.1%
12	PL8	Plato Income Maximiser Limited	4.4%	2.0%
13	BKI	BKI Investment Company Limited	3.9%	1.9%
14	HM1	Hearts and Minds Investments Limited	4.0%	1.9%
15	NBI	NB Global Corporate Income Trust	5.7%	1.8%
16	PGF	PM Capital Global Opportunities Fund Limited	3.6%	1.7%
17	OPH	Ophir High Conviction Fund	2.2%	1.7%
18	KKC	KKR Credit Income Fund	5.0%	1.7%
19	APL	Antipodes Global Investment Company Ltd	3.9%	1.4%
20	FGG	Future Generation Global Investment Company Limited	2.7%	1.4%
Total (Percentage that the top 20 make up of total SMSF investments in Listed Investment companies/trusts)				**65.2%**

Growth of ETFs

ETFs are rising steadily over the past 9 quarters in terms of the money invested in these types of securities. ETFs have become largely popular among SMSF members with a growth of ~2% over the past nine quarters.

Total Market Value % comparison of ETFs and MFs

Fig. 15.1

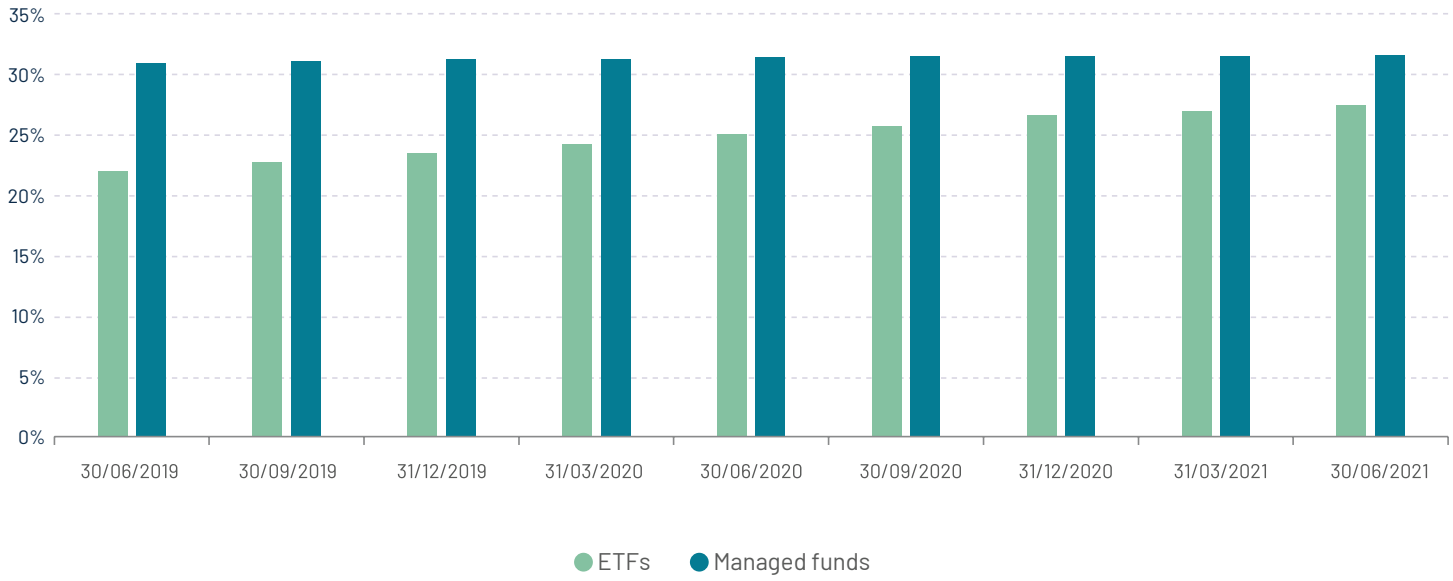


No. of SMSFs investing in ETFs and Managed Funds

It is clear that SMSF investors also see the inherent competitive advantage of ETFs compared to more traditional unlisted managed funds. The main benefits of an ETF being more liquid and price action transparent means that investors can quickly move funds away from poorly performing funds.

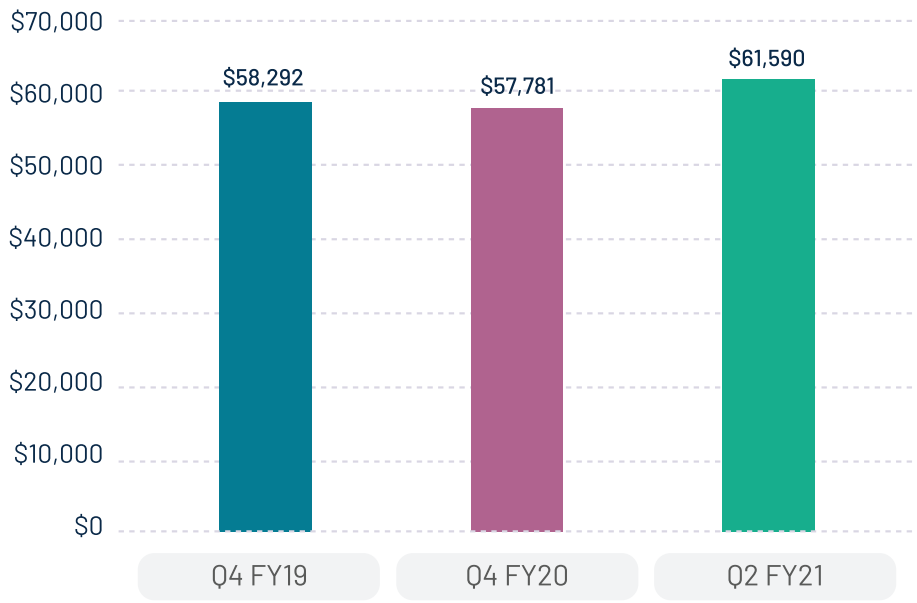
No. Of SMSFs investing in ETFs and Managed Funds

Fig. 15.2



Average ETFs Balance in an SMSF*

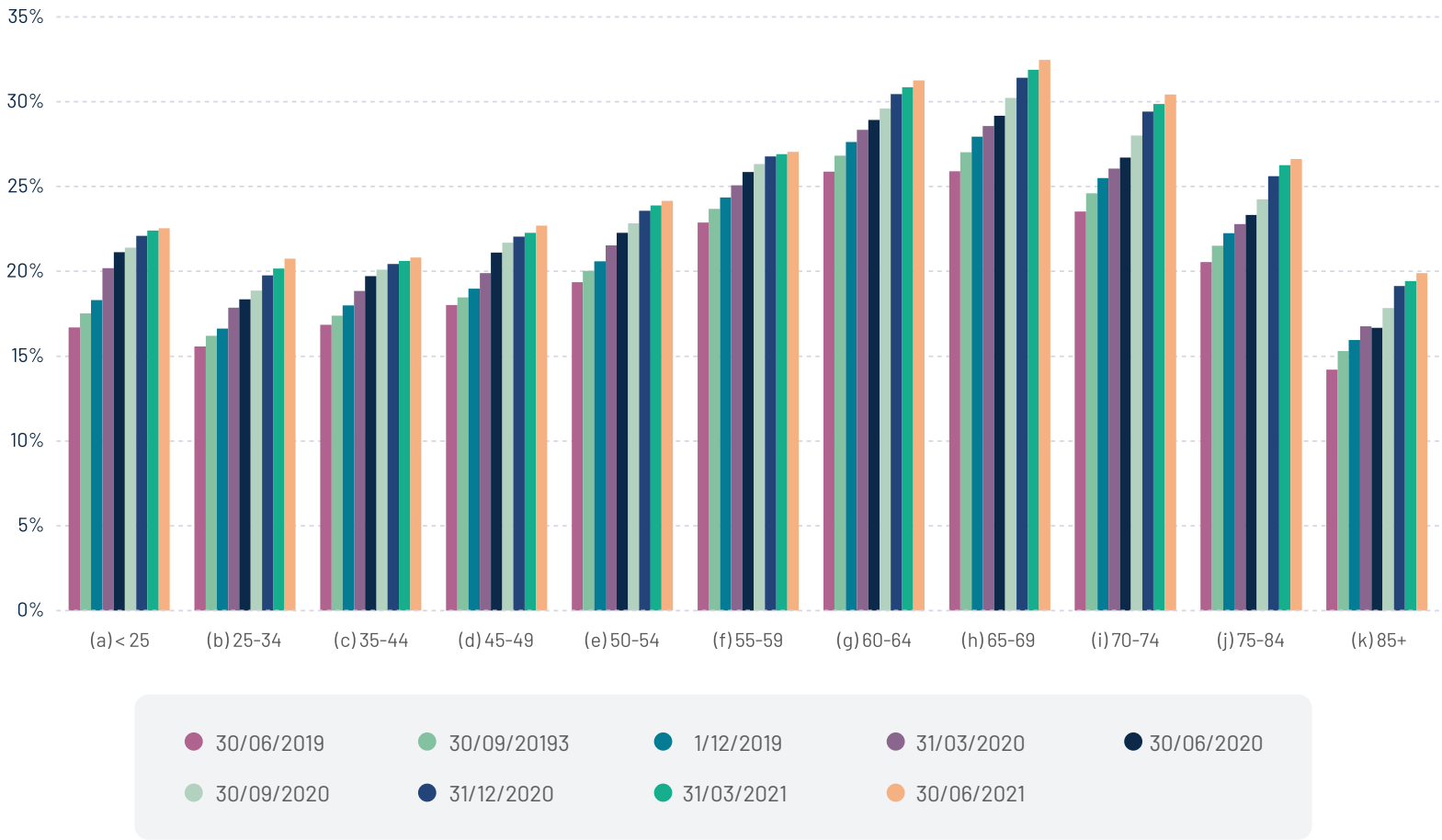
Fig. 15.3



*Q4 data is not complete yet

% of Members in an Age Bracket investing in ETFs

Fig. 15.4



There is a surge in ETFs in all age groups with ETFs showing high growth (~7%) within <25 bracket and in older bands between 60-74.

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

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