

[DIY platforms]

## Hired hands

A good self-managed super fund administrator can help take some of the hard work out of running your own fund and keeping it compliant, Jackie Pearson reports. The 10 listed here offer superior, comprehensive and professional service.

**A**wry sense of humour led Rex and Brenda Mathieson to give the name Poverty Point to their family farm, near Nirranda on Victoria's Great Ocean Road.

Daily for 47 years, they milked 360 dairy cattle on the property, so when it came to structuring their retirement strategy, they were determined not to leave anything to chance.

"We had a self-managed super fund (SMSF) before we retired from dairying," Rex says.

"We wanted to set it up before retirement so we could ramp down and sell the farm. Since 1964 I've managed my own business and I like to be in control, so self-managed super was the right option for me. It's a security thing; we like to know we can sleep at night."

Brenda and Rex say that same desire for peace of mind has led them to be clients of the WHK Group (WHG) for the past eight years.

"They were our existing accountant and our financial planner is also under the same banner, so when we started planning to sell the farm WHK was the obvious choice to handle the set-up and administration," he says.

The Mathiesons subdivided 1.2 hectares including their family home from the property's titles. They then transferred ownership of the dairy farm to the SMSF and leased it back while they were still working.

"The fund sold the remaining 120 hectares in two parcels to two of our lovely neighbours," Brenda says. "We saved thousands in capital gains tax and our SMSF now pays us income as a tax-free allocated pension. We pay WHK an administration fee capped at 1.1 per cent plus \$550 a year for the fund's audit and a small percentage to our broker for transactions. I have to say they're brilliant. Knowing what to do with all that money is pretty scary but they put it in our terms."

WHK Group offers SMSF clients online information updated daily but the Mathiesons prefer information quarterly or as needed.

"We get reports and updates on a needs basis," Rex says. "We might get written information with a heading 'action required' or a phone call. We come away knowing we've done the right thing."

### Expert help

The number of intermediaries – accountants, financial planners, brokers and administrators – setting up shop as SMSF specialists or experts seems to be growing by the day.

While the trustees of SMSFs have traditionally been self-directed independent investors, there are some convincing arguments for involving experts in the administration of your fund.

The federal government's Cooper review into the governance, efficiency, structure and operation of Australia's superannuation system means self-managed super is receiving more scrutiny than it has for 20 years.

The rules are already complex, can be onerous and are subject to regular change. Unless you have abundant time and financial expertise, seeking professional assistance can be a good idea. The challenge is to find an administrator with genuine experience and expertise that won't cost you a fortune. This is where our survey results can provide invaluable analysis to help you narrow the field.

Andrea Slattery, chief executive officer for the Self-Managed Super Fund Professionals' Association of Australia (SPAA), says SMSFs now represent 31 per cent of the superannuation industry pie.

"SPAA has 1600 individual members," she says. "There are 410,000 self-managed super



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funds, worth \$348 billion. We contend they have the lowest fees, the best performance and the most engaged members.”

As a result of the size and continuing growth of the SMSF sector, big players, such as Axa Asia Pacific Holdings, Perpetual, National Australia Bank, Australia and New Zealand Banking Group and Westpac Banking Corporation, now own SMSF administration platforms. The sector is simply too big to be ignored as a potential revenue stream.

At the other end of the scale are some tiny operators, mainly accountants who, recognising the enormous scope for building an SMSF client base, have decided to market themselves as SMSF administration experts.

In order to make it into our top 10 table (which starts on page 40) this year, administration platforms had to manage a comparatively high number of funds.

Cavendish Superannuation managing director and founder Andrew Hamilton says the high volume of funds it administers enables its processes to be streamlined and gives it the ability to employ a team that is large enough to maintain the high levels of technical knowledge needed to do the job well.

Craig Jameson, managing director of ING-owned Super Concepts, says trustees should also look for a provider with many years’ experience.

“Super Concepts has been around for 25 years,” he says. “We were very entrepreneurial early on, providing deeds and fund establishment. Since then, we’ve built up systems and processes and have documented standards. Over the 25 years we would have established over 40,000 funds. We truly are SMSF experts.”

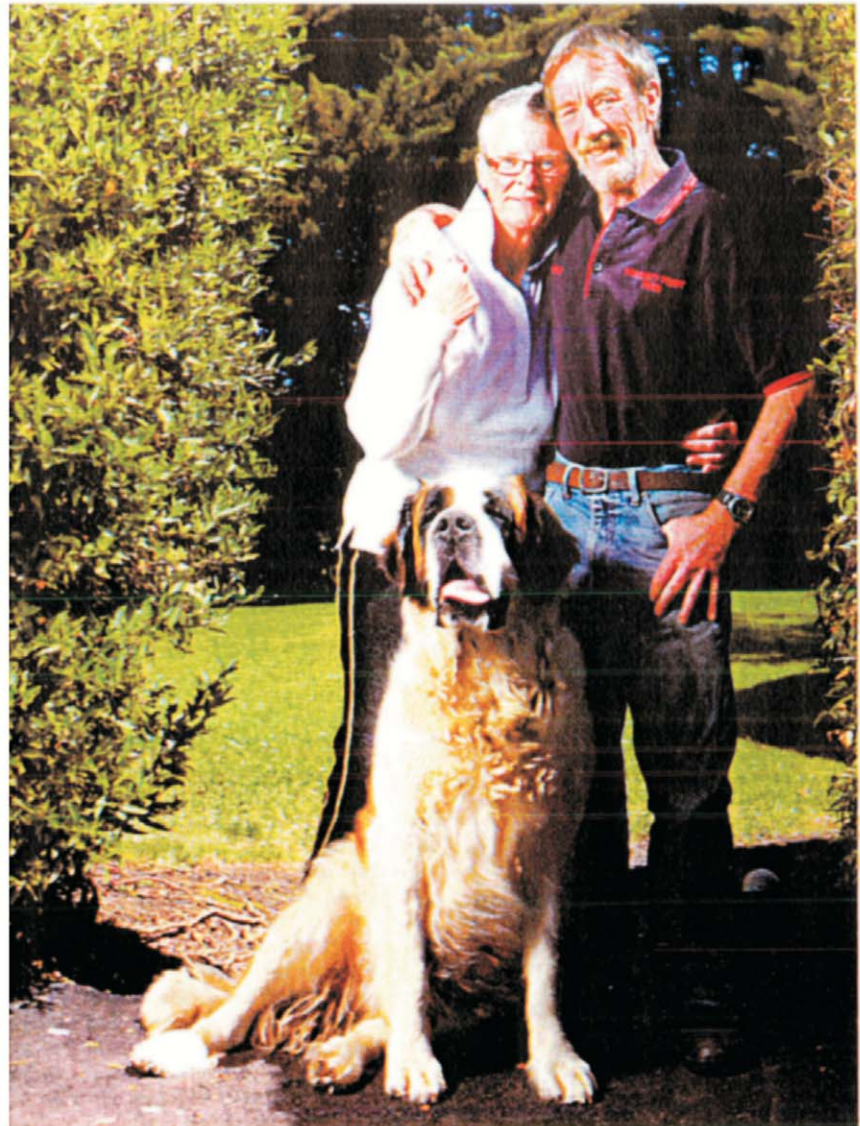
**The details**

The administration providers in our top 10 table all accept direct clients. Trustees don’t need to go through a financial planner or broker to access their services.

But the number of administrators who will only do business through financial planners is increasing. Some of the bigger brands surveyed that don’t appear in our table have set up SMSF administration services exclusively for the clients of financial planners such as ING, ANZ, Commonwealth Bank of Australia and Asgard.

But the ING, ANZ and Commonwealth offerings are actually managed by Super Concepts. The Asgard SMSF service is provided by Smartsuper. So you don’t have to go through a financial planner to gain access to an excellent SMSF administrator.

Noticeably more respondents in this year’s survey, however, did say that they prefer clients



to come to their service via an investment wrap or a financial planner.

Most administrators don’t set a minimum fund size, saying they are happy to take care of the large and the small. But some of their fees do impose a minimum asset value (between \$100,000 and \$300,000) below which it would not be viable to use their services.

“Our average portfolio is \$1 million, so funds tend to have larger amounts,” Hamilton says, “but the general industry feel seems to be that unless you have hundreds of thousands of dollars, don’t look at it. Having said that, the younger generation wants to do self-managed super so they’re starting with smaller amounts that will grow over time. Our average client age keeps shifting downwards.”

Most of the companies that responded to this year’s survey described their teams as having high levels of expertise and training. We set the benchmark for inclusion in our top 10 very high this year.

SPAA chairman Sharyn Long says

that trustees should be looking for an administration platform that employs technical and compliance experts who have at least a university degree as well as SMSF-specialised qualifications.

“Our team is broken into three areas – technical services, accounting and tax and administration,” Multiport CEO John McIlroy says. “Our technical service division comprises over 40 years of experience in the technical and strategic aspects of SMSFs and are leaders in the field in Australia. All of our technical services and accounting personnel are degree qualified and have undertaken specific SMSF studies at the highest level available.”

**What’s on offer**

Some SMSF trustees want to be able to manage their super with the ease of internet banking where information is online and updated daily. All the administrators in the table offer such reporting. But it’s also reassuring to be able to pick up the phone and speak

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unnecessarily expensive. On the other hand, an administrator that offers a fee cap may work out cheaper for a larger fund. If you go with a service that charges per transaction, make sure you know exactly what constitutes a transaction. Some providers have been known to count the receipt of a dividend or a phone call to your administrator as a transaction.

**Pension phase:** Ongoing administration is usually cheaper if your fund's members are in the accumulation stage. There can be additional expenses as members move into the pension phase. Pension set-up fees may be charged in addition to your usual administration charges.

The highest cost we found for setting up an account-based pension was \$1023, charged by Managed Financial Strategy (not in our table). A standard charge for this service is about \$550 per pension but some providers include pension set-up costs in their ongoing fees.

**Extra charges:** Make sure you ask for a comprehensive schedule of fees and charges. The cost of your fund's annual audit (usually outsourced to a panel of preferred auditors) will amount to extra, along with actuarial costs if you have members in the pension phase.

Other services you may be charged for include technical advice, rolling over existing super fund balances, pension commutation, winding up your SMSF and even preparing PAYG statements.

**Worth the money?**

SPAA's Sharyn Long says trustees who are considering whether using a specialist administrator is worth the cost would do well to remember that there are 33 pieces of legislation that affect all superannuation funds, including SMSFs.

"A typical SMSF trustee is older with a higher taxable income but is not necessarily more financially sophisticated," she says.

"Most people set up an SMSF because they want control. The biggest proportion – 45 per cent – are professionals like doctors and lawyers but that's no guarantee they have financial expertise.

"SMSFs are administratively difficult and that's why there are a number of service providers – lawyers, administrators and accountants – that trustees should consider using to varying degrees.

"Some trustees might require a bundled service. Others might be quite happy to do their own record-keeping. It's a matter of deciding what's the most cost-effective way to administer your fund to ensure it runs efficiently, meets your investment objectives and remains compliant." **Si**



► CASE STUDY

## Racing now, after one false start

It took a year for Roy and Diana Trotman, of Somerton Park in South Australia, to realise that all was not well with their self-managed super fund.

"It just seemed to make sense to me to run my own super fund," Roy says. "I'd been an insurance broker all my life and I'd started buying shares when I was about 45. My accountant suggested a firm in Adelaide and an appointment was made.

"They drew up the documents and I paid \$400. I managed everything in the first year and handed over the books to my accountant to organise the audit, but during the year no one from the original company was available to answer any of my questions.

"That first year I got the feeling my accountant wasn't particularly experienced in self-managed super funds. It turned out the original documentation for the fund was wrong because the deed didn't specify my requirement to switch to an allocated pension."

In 2000, Roy and Diana's broker suggested that they speak with Cavendish Superannuation.

"Cavendish had to draw up a new deed and they've given us a lot of help over the years, especially while I was still working," Roy says.

"They have a record of all our investments, they retain copies of dividend and interest statements, keep records of all our transactions, prepare our tax, get our audit done and send everything to us to be signed.

"They free us up to run all the investments, and give us the time to decide when and what we're going to buy and sell.

"I think I pay a pretty standard rate for the service. It's a bit more now because there's more to do when you have an allocated pension, but I've got friends who pay an investment adviser 1 per cent of their assets each year and they've been put in managed funds that were hammered during the financial crisis. The annual fees that we pay to Cavendish are a fraction of 1 per cent."

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directly to the person who administers your fund. "Smartsuper provides each client with a dedicated client services person," Smartsuper managing director Andrew Bloore says.

It's also worth checking that such contacts are not counted as a transaction you will have to pay for.

The aim of the game when finding an SMSF administration platform is to gain access to a broad list of services for the lowest possible price – ensuring, of course, your provider has a high level of expertise and experience. The services listed in our table are the basics you should expect from any specialist SMSF administration provider.

Some are also willing to perform a simplified year-end preparation of accounts and audit if the trustee has maintained their own records through the year. But if you pay fees like those listed in our table, you should be getting more than end of year shoebox accounting.

Services not usually provided by specialist SMSF administration platforms include investment advice, stockbroking, insurance and mortgage advice. Some specialist administrators have affiliations with experts in these areas and are happy to provide referrals.

Others that are owned by, or have ties with, wraps or financial planning dealerships may only administer your fund if you are a client of their wrap or financial planning arm. Others will charge you more if you want to use your own, independent planner or broker. No such restrictions apply to those listed in our top 10.

**What it will cost**

Administration fees vary dramatically and several different fee structures are used.

**Set-up:** Some providers charge a fee for initial fund set-up, others do this as part of their annual fee. Of those that do charge, the cheapest were Village Mall (\$330) and the Super Concepts' AccountsPlus service (\$275). The most expensive fees, both at \$1650, were by two companies not included in our table: EL& C Baillieu Stockbroking and Equity Trustees. Equity Trustees says it may waive the fee depending on fund size and record details.

The type of fund structure and trust deed you have will also affect costs. It is significantly more expensive to set up an SMSF if you opt to have a corporate trustee rather than each individual member being a trustee. The former option, which basically involves setting up a company, will double your expenses.

When shopping around for a platform it is worth negotiating to have the set-up fee waived. "Sometimes we run an introductory offer to waive this fee," Dixon Advisory Super managing director Alan Dixon says.

**TOP 10: BEST SMSF ADMINISTRATION PLATFORM PROVIDERS 2010 (In rank order)**

Provider	WHK Group	Cavendish	Multiport
<b>Si score (\$250,000 fund) (%)</b>	<b>80</b>	<b>78</b>	<b>76</b>
<b>Si score (\$2 million fund) (%)</b>	<b>80</b>	<b>79</b>	<b>76</b>
Ownership	Publicly listed	Privately owned	Wholly owned by Axa
Experience (years)	20	17	10
Accept direct clients	Yes	Yes	Yes
Minimum fund size	No minimum	No minimum	No minimum
Number of funds administered	>11,000	5000	1350
Available nationally	Yes	Yes	Yes
<b>Service includes:</b>			
Fund set-up	Yes	Yes	Yes
Deed and updates	Yes	Yes	Yes
Takeover existing SMSFs	Yes	Yes	Yes
Consolidate existing super	Yes	Yes	Yes
Mail and transaction processing	Yes	Yes	Yes
Pension establishment	Yes	Yes	Yes
Ongoing pension administration	Yes	Yes	Yes
Daily online reporting	Yes	Yes	Yes
Tax management	Yes	Yes	Yes
Centrelink management	Yes	Yes	Yes
Administration of borrowing within fund	Yes	Yes	Yes
<b>Fees</b>			
Set-up	\$750	\$695	\$660
Annual administration (\$250,000 fund)	\$1500	\$1938	\$2340
Annual administration (\$2 million fund)	\$2200	\$1938	\$3840
Additional audit costs (yearly)	Nil	\$435	\$330-\$550
Additional fee for pension set-up (per pension)	Nil	\$550	Nil
Web address	whk.com.au	cavendishsuper.com.au	multiport.com.au
Phone	(03) 9522 0888	(08) 8216 4200	(02) 9230 0177

**The Si test**

We asked 48 organisations promoting themselves as SMSF administrators to complete our comprehensive survey. In order to make it into our top 10, they had to demonstrate that they:

- Were available nationally.
- Accepted SMSF trustees as direct clients.
- Had been SMSF specialists for a long enough period of time to accumulate genuine experience and expertise.
- Administered a sufficiently large number of SMSFs on a

continuing basis that they were able to achieve economies of scale and have professional systems and processes in place.

- Had a team with a high level of expertise.
- Provided direct contact with the person responsible for administering the client's fund.
- Had competitive fees for the initial set-up, continuing administration, pension set-up, audit and actuarial costs.
- Provided a comprehensive range of administration and

compliance services either in-house or through affiliated specialists.

- Did not penalise clients who decided to use non-affiliated brokers or auditors.

Administrators listed in this table are not necessarily the cheapest or the largest available. They represent a starting point for you to do your own shopping around before deciding on the provider that is most appropriate for your particular circumstances.

**Ongoing:** There are three main methods used for calculating regular administration fees. The first is an asset-based charging system where you pay a percentage of your fund's assets each year. Some administration platforms cap these percentage-based fees.

The second method is based on the number of transactions your fund performs each year.

And the third is based on the number of investments held by your fund. Some providers also have additional charges for certain services on an hourly basis.

Each method of charging has its strengths and weaknesses. The best way to make sure you end up with the best deal is to ask several providers for dollar value quotes based on their method of charging.

The cheapest administration service for a \$250,000 fund was \$1200 a year, or 0.48 per cent of the fund's asset value, from MLC Masterkey Custom, which narrowly missed out on being in our top 10.

If you have a relatively small fund, a platform with a minimum fee may be

SuperGuardian in the Press

Smartsuper	Dixon Advisory Super	Snapshot Asset Manager (Evolution Super)	Super Concepts: SuperTrack, AccountsPlus or standalone	Village Mall	Axa Access	SuperGuardian
75	74	72	71	71	70	68
74	75	75	71	71	70	70
Wholly owned by Perpetual	Privately owned	Privately owned	ANZ/ING	Privately owned	Wholly owned by Axa	Privately owned
20	10	5	25	7	4	8
Yes	Yes	Yes	Yes	Yes	Yes	Yes
\$300,000	\$100,000	No minimum	No minimum	\$100,000	No minimum	No minimum
2400	3215	200	4000	500	300	1000
Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	On request	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes (SuperTrack)	Yes	Yes	No
Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes	No
\$1320	\$990	Nil	SuperTrack \$550, Accounts Plus \$275	\$330	\$440	\$690
\$2200	\$2500	\$2160	\$2970	\$2200	\$2760	\$1860
\$9350	\$4990	\$2160	\$8910	\$1500	\$3552	\$1860
\$550	Nil	\$506	Nil	Nil	\$330-\$550	Nil
Nil	Nil	\$550	\$440	Nil	Nil	\$550
smartsuper.com.au 1300 138 348	dixon.com.au 1300 883 158	evolutionsuper.com.au (08) 8271 2711	superconcepts.com.au 1800 625 644	searlecharlton.com.au 1300 783 823	axa.com.au/access 1300 364 672	superguardian.com.au 1300 787 576



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