An opportunity awaiting

The latest research into the SMSF sector has unearthed some excellent advice opportunities, particularly among women, Olivia Long writes.

OLIVIA LONG
is executive director of Xpress Super.

At a time when there is rapid change under way in the financial advisory industry, along comes a report that points the way to an exciting market opportunity. I am not talking a niche opportunity here. Quite the opposite. This market is potentially about half a million people – the women who comprise 47 per cent of SMSF trustees and members.

It's a staggering number, but according to the report "Women and SMSFs", jointly released in February by the SMSF Association and Commonwealth Bank of Australia (CBA), which surveyed 801 SMSF trustees and 535 non-SMSF members, a picture has been framed of female trustees and members who could be open to professional advice, especially if their circumstances change and they are suddenly on their own.

When coupled with other research that clearly shows women are second-class citizens when it comes to superannuation – the product of wage disparity, broken work patterns and early retirement – then the opportunity for advisers to provide well-crafted advice becomes even more self-evident.

What this CBA/SMSF Association report clearly demonstrates is that there is a gap between men and women in terms of how confident they are in managing their SMSF.

The study says: "Overall women indicate they are less confident than men in their understanding of all asset classes [and] men are also more likely to be the sole decision maker in a joint trustee scenario."

Interestingly, those surveyed with SMSFs are quite or very confident (82 per cent) in managing their personal finances compared with people without an SMSF (72 per cent). In addition, the survey reveals SMSF trustees are more satisfied with the performance of their superannuation fund (89 per cent) than non-SMSF customers (79 per cent).

The raw numbers say it all. The research shows 83 per cent of men indicate they are very or quite confident in managing their SMSF compared with only 62 per cent of women. It also shows that among SMSF members whose fund has multiple trustees, men (77 per cent) are more likely than women (30 per cent) to have initiated the establishment of their SMSF.

Drilling a little deeper into the research results, the report certainly reinforces the concept of women as the poor relative when it comes to superannuation. At one level it's revealed by who is the decision maker in an SMSF. SMSFs with more than one member comprise 72 per cent of all SMSFs, and of these funds the most common is two trustees/members who are spouses/partners (88 per cent). Within these relationships, men (65 per cent) are significantly more likely than women (28 per cent) to be the sole decision maker for their SMSF.

At another level it reflects the differing working patterns between men and women. Among trustees who have taken parental leave, more women (61 per cent) than men (27 per cent) say they now have less superannuation than they otherwise would have had if they hadn't taken a break from work to care for family. Over half of the SMSF trustees who have taken parental leave (55 per cent) have made additional contributions to their superannuation to cover the period when they would not have any income.

Significantly, just under half of all SMSF trustees (47 per cent) would like more flexibility in the timing and amount of personal contributions they can make each year to allow them to catch up on their superannuation after taking a break from work to care for their family – something I have been advocating for years.

For those SMSF trustees who took parental leave, four in 10 indicated they will now be older before they will be able to afford to retire. In addition, among working SMSF trustees 50 years and older, women (61 per cent) are more likely than men (45 per cent) to want to reduce their working hours when making the transition to retirement, while maintaining their overall income level.

What this CBA/SMSF Association report clearly demonstrates is that there is a gap between men and women in terms of how confident they are in managing their SMSF.

But perhaps most telling in the differences between Mars and Venus comes when there is a life-altering event to a member/members of an SMSF. It happens more than you might suspect; as more than four in 10 SMSF trustees (42 per cent) experience an event since establishing their SMSF that could have significant implications for the management of their superannuation. It could be a divorce, a break from work, or the death of a co-trustee.

When such an event occurs, the research shows less than half (49 per cent) of the trustees surveyed were very confident they would have sufficient knowledge to take over sole responsibility for managing their SMSF investments. Interestingly, after a separation, divorce or death of a co-trustee, women (41 per cent) are more likely to make changes to their SMSF in line with their own investment goals, while men are more likely to maintain the strategies already in place (53 per cent).

I suspect this reflects two trends. Firstly, in these circumstances women are forced, for the first time, to actually take control of the SMSF, and in doing so begin to question how it operates. Secondly, in all likelihood they get professional advice, especially in terms of the investment strategy, to advise on overseeing the fund. It's the financial equivalent of being thrown in the deep end.

Certainly when the fund is in joint hands, the research shows it is men who take the lead, especially in terms of investment; they are more confident than women in their understanding of different asset classes that could be included in an SMSF investment portfolio. To quote the report: "Confidence in understanding of share trading shows some of the biggest gaps between men and women, specifically in relation to Australian shares, international shares and exchange-

Continued on next page ▶

▸ *Continued from previous page*

traded funds."

Men are more likely than women to invest in Australian shares (55 per cent compared to 46 per cent), bank cash management accounts (CMA) (23 per cent compared to 15 per cent) and hybrid securities (11 per cent compared to 4 per cent).

The report also threw up some interesting insights into the younger generation, which it finds (much to the chagrin of their baby boomer parents, I suspect) to be more self-sufficient and have a higher understanding of complex asset classes. In addition, it finds that gen Y overall are more optimistic than older generations about the future outlook for different asset classes, including cash and bonds, and more confident in managing asset classes such as alternative investments, hybrid securities, CMAs and structured products.

"One in five gen X SMSF trustees say they set up their SMSF because they wanted to use their super to invest in property. Similarly, when compared with older SMSF trustees, a considerably higher proportion of gen Y and gen X say they set up their SMSF to gain access to borrowing via super. Advisers also appear to have a greater influence on older SMSF trustees, with gen Y less likely than other generations to say they set up their SMSF on the advice of their financial planner," the report says.

What does all this tell us? Not surprisingly that behaviours, market knowledge and investment outlooks differ markedly across the various demographics. And this is what advisers have to be cognisant of. They need to consider the often significant differences that exist between trustees of different ages and genders when building their SMSF portfolio.

As the report says, and I concur, when looking at assisting women and their SMSF needs, there is an opportunity to provide more support that takes into account the key insights and findings of this research, with education being one of the most important factors in empowering all SMSF members. There's a market opportunity awaiting – it will just need to be approached differently. ▾

MEN ARE MORE LIKELY THAN WOMEN TO HAVE INITIATED THE ESTABLISHMENT OF THEIR SMSF

HOW CONFIDENT ARE YOU THAT YOU KNOW THE LEVEL OF INTERNATIONAL EXPOSURE AMONG DIFFERENT ASSET CLASSES?