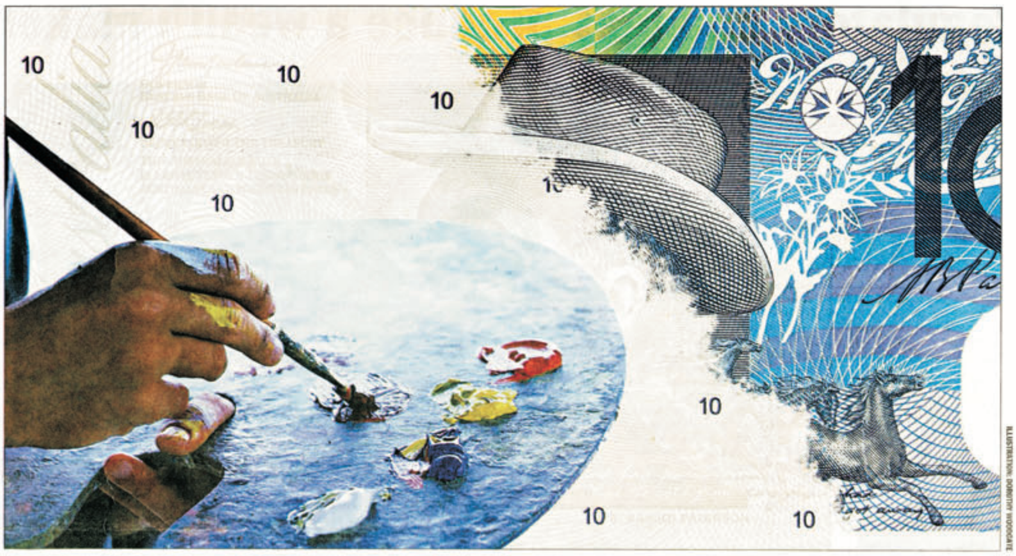


# There's nothing quite like doing it yourself

More and more people are preferring to take control over their financial destiny in retirement, writes **John Wasiliev.**

Self-managed funds, superannuation's fastest growing sector for several years, enjoyed significant support during 2007.

The $300 billion of accumulated savings in more than 365,000 funds puts the total second only to the nearly $400 billion in retail super funds.

Support for the self-managed or DIY super sector, as it is popularly known, has grown by almost 30 per cent in the past year.

There are forecasts that in five to 10 years it will hold assets equal to the $1.2 trillion in the superannuation saving sector today.

"The major reason many people get into DIY super is for the control it offers," says Ernst & Young superannuation partner Noelle Kelleher.

This has been confirmed by numerous studies over the past few years.

In DIY super you can control the way you make contributions, your investments, how you spend your benefits and also how you manage the costs of being involved. But there is another, more personal reason, says Kelleher.

"People often say to me 'If I'm going to lose my money, I prefer to be the person responsible for it'," she says.

"A lot of people who make the conscious decision to have a DIY super fund — as distinct from being talked into this by an accountant, an adviser or a broker — seem to be those who get very uptight if they pay someone to look after their savings and the value goes down."

There are a number of strategies that make DIY super attractive. These opportunities are a major reason why it is booming, with hundreds of new funds being launched each week — over the past year there has sometimes been more than 1000 new funds a week.

But before you embark on any strategy, says accountant and superannuation adviser Phil Jacquillard of Adelaide-based SuperGuardian, you need to determine if you are the right sort of person to manage your own super.

"That's the first analysis you need to undertake," he says.

It's also something that anyone with an existing DIY fund should review regularly.

**'The major reason many people get into DIY super is for the control it offers.'**

Jacquillard says those who have run their own business are often quite successful. "They usually have what it takes," he says.

Business people often have the ability to make decisions and they have experience in reading and understanding financial statements.

Jacquillard says it is important to know that when you sign something, you are taking on a responsibility, and therefore not to sign anything without knowing what you are signing.

"As a general rule, business owners are pretty good when it comes to DIY super because many of the things you need to know are similar to the sorts of thing you do when running a business," he says.

Those who run a business are also used to being in control of financial situation.

Things that make DIY super different include owning certain investments that are rarely found in bigger funds, such as works of art, coin and stamp collections.

On the contribution side there are certain assets that can be contributed directly into a DIY fund, like shares listed on a stock exchange, units in large public managed funds and the property from which a small business is being run. The property could be a shop, a factory, an office or a family farm.

Such contributions are described as in-specie transfers.

When the time comes to take your super as a benefit and you are over the age of 60, you can either sell the asset tax-free and distribute the proceeds as a tax-free pension, or take the lot as a tax-free benefit under the lump sum rules which permit in-specie payments.

When it comes to the payment of benefits, says Graeme Colley from Super Concepts, DIY funds can really show their adaptability, especially in response to any changes that justify a different strategy.

"If the law changes, you can change your self-managed fund strategy very quickly to reflect this, whereas bigger funds tend to be more cumbersome," he says.

One topical example has been the introduction of transition to retirement income streams, which everyone is talking about across the superannuation fund alternatives.

These income streams allow anyone over age 55 to start a tax concessional income stream before they retire — or, since July 1, a tax exempt income stream if they are over 60. While these pensions were introduced more than two years ago, many big funds are only just starting to offer them and some still haven't.

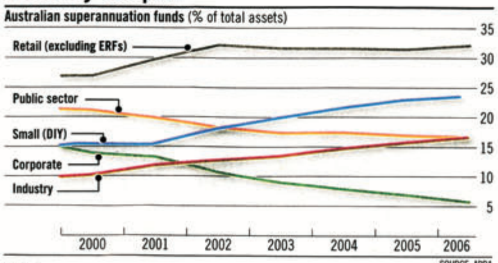
"But a DIY fund could have been employing this strategy for the last two years," Colley says.

## Self help

- The DIY sector has grown by 30 per cent in the past year.
- It is predicted that in five to 10 years the sector will hold assets equal to the $1.2 trillion in the superannuation sector today.
- Certain assets can be contributed directly into a DIY fund, like listed shares or units in large public managed funds.

## How they compare

**Australian superannuation funds** (% of total assets)

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