



# THE BLACK SKY REPORT 2016

Part 1:

# SMSFs

Trends and challenges



# Executive summary

In 2015, we brought you the inaugural Black Sky Report: The SMSF Opportunity for Advisers – which applied a new way of thinking to the growing SMSF market.

Following its success, we are again publishing the Black Sky Report, using new research data from Investment Trends – providing the most up-to-date insights into the behaviours and attitudes of SMSF Trustees.

The aim of this three part report is to highlight any professional opportunities that exist within the rapidly-evolving SMSF category – giving you the information you need to act.



Part 1:

# SMSFs – Trends and challenges

In Part 1, we provide you with a summary of the views of both SMSF investors and the SMSF category as a whole. More so, you'll learn what Trustees are thinking right now and discover the reasons for their considerable shift in asset allocation since the publication of the last report.



# A snapshot of SMSF Trustees



## The desire to diversify

The strong theme that comes to the fore in this latest research is the increasing appetite SMSF investors have for diversification. Interestingly, the worldwide market volatility in 2015 led to **46% of all AMP Capital Trustees making significant changes** to their asset allocation in the last 12 months.

In fact, 30% have opted for **increased diversification** to avoid exposure, while 30% also quote “a more defensive strategy” as their reason for diversification.



## Managed Funds provide stability in times of volatility

What also stood out in this research is the fact that Managed Funds continue to buck the trend. More specifically, **27% of those surveyed are looking to invest more in Managed Funds in the next year**, up from 19% in 2015.

Further still, as of this report, **51% of all Trustees surveyed now use Managed Funds**, while 60% use managed investments, up from 49% in 2015. In terms of listed and unlisted managed investments, allocation is up, too. Listed and unlisted managed investments increased to 16% this report, compared to 14% last year.

## More diversification also means more choice

As expected, a shift towards diversification is reflected by more funds and products being selected by SMSF investors. On average, SMSF investors intend to invest in 2.8 different types of Managed Funds in this report, up from 2.6 types of Managed Funds in 2015.



# Investors are more time poor than ever



3.4 hours a month

average time spent managing SMSF

As SMSF Trustees' appetite for diversification and selecting the right investments increases, their time spent researching and managing their SMSF actually decreases. Investors are more time poor than ever before – spending only **3.4 hours a month (on average) selecting and researching their SMSF** this report – down a further 8% from 2015.

Naturally, your time spent immersed in the market, researching products, dealing with compliance, and identifying and understanding market conditions, is a luxury many of your clients don't afford themselves.

For SMSF investors, sifting through constantly changing short-term information, such as daily market activity, can prompt short-sighted decisions. However, your ability to read market signals and take the medium to long-term view not only removes impulse actions, it can greatly assist Trustees with their investment decisions.

The real opportunity lies in your ability to best share your knowledge of the market with your clients – not only acting as validator – but also guiding clients with supply and interpretation of key data.



## Confidence is down, but SMSFs are up

Because of current market volatility, the average retirement goal has dropped from \$2.3million to \$2.1million. However, from the Black Sky Report 2015 to this report, the average **SMSF balance among those surveyed actually went up \$50,000 to \$1.4million.**

### Inside the investor's head – 2016

↑ 25% changed their SMSF's asset allocation because they view Australian shares negatively, up from 11%

↓ 12% did so because they have a positive outlook on Australian shares, down from 24% – a 50% drop

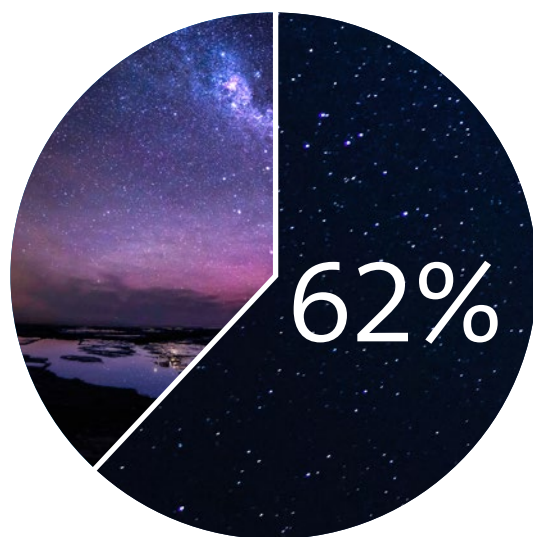
↑ 8% changed their SMSF's asset allocation because they view international shares negatively, up from 3%

72% say they would prefer to be frugal now to aid a comfortable retirement



# As markets drop, your value rises

The increasing value of Financial Advisers is also reflected in the latest research. In fact, positive attitudes **increased significantly**, with **52% of those surveyed now viewing Advisers as “validators”**, up from 42% in 2015. Further evidence that now is a crucial time to engage your clients and position yourself as their go-to validator in times of heightened market volatility.



of all SMSF Trustees  
quote that they have  
“unmet advice needs”

## Your knowledge, your opportunity

It's not just positive attitudes towards Financial Advisers that increase in times of market volatility. The sizeable shift in asset allocation has created a strong demand for information and advice in 2016. This knowledge gap is due to SMSF investors seeking advice to help navigate them through the unfamiliar territory of new investments.

In fact, a formidable **62% of all SMSF Trustees quote that they have “unmet advice needs”**.

Furthermore, Trustees still cite **“identifying the right investment” as the no.1 problem with managing their own super**. This is an opportunity to sit down with SMSF investors and demonstrate your broad knowledge and expertise in the field of diversification and access to out-of-reach assets. Now more than ever, Trustees are open to the possibility of new Managed Funds and investment strategies.



# Why should investors turn to you for advice?

New rules come into effect on July 1 that limit the scope of advice that accountants can provide to SMSF investors, without obtaining a licence. This law change will directly benefit those who specialise in Managed Funds, namely, Financial Advisers.

**With fewer accountants able to service their clients' SMSF needs, your expertise can fill the knowledge gap that presents itself.**

Also, as SMSF investors look to further diversify with defensive assets, the research highlights a shift towards Financial Advisers over accountants as preferred investment specialists. In fact, as of 2016, only 13% of investors intend to use an accountant for both investment and other unmet advice needs, down from 18% last report.



# What makes Managed Funds attractive?

Interestingly, **46% of Trustees surveyed view access to out-of-reach investments as their main reason for investing in Managed Funds**, up from 32% in 2015.

Likewise, **89% of SMSF Trustees love the perceived benefits of access and diversification that Managed Funds give them**, while 46% say ease and low costs are reasons they intend to invest in Managed Funds.

This appetite to invest in Managed Funds, featuring out-of-reach assets, presents an opportunity for your expertise and access. In fact, your targeted insights on Managed Funds, with their corresponding asset classes, as well as up-to-date market knowledge, gives you the unique position of being able to present long-term strategies and value to your clients – proactively.



# 46%

of Trustees view access to out-of-reach investments as their main reason for investing in Managed Funds

# 56%

of SMSF Trustees love the perceived control Managed Funds give them in terms of choice and access



# Black Sky thinking:

The reality is, current market volatility will have seen significant value wiped off asset classes within SMSF portfolios. In some cases, large-percentage drops in a relatively short time.

This unpredictability and instability has caused SMSF investors to search for safer yields and capital stability, leading to increased demand for low-growth assets.

It's due to this continuing uncertainty that the value of a Financial Adviser rises. The fact that you're ingrained in holistic financial approaches, understand more than just blue chip products and also have access to out-of-reach investment classes, gives you a crucial stake in the long-term strategy of your clients' SMSF asset allocation.

The numbers all point to one thing – you

**83%** say they face difficulty when managing their SMSF

**62%** report unmet advice needs

**31%** need advice on "investment strategies and protection"

**25%** are happy to start paying for advice



# There's more where this came from

If you found Black Sky Report 2016,  
**Part 1: SMSFs – Trends and challenges** valuable,  
you can [download the other reports here](#)



## Part 2: Asset allocation

From offensive to defensive



## Part 3: ETFs

The surge continues