Cuffelinks
Connecting investors with ideas

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Help! My SMSF audit report has been qualified

Liz Westover

All SMSF financial statements are required to undergo an annual audit. The thought of or the reality of receiving a 'bad' or 'qualified' audit report for your SMSF can be a scary prospect. But unless you have deliberately done something really wrong, it shouldn't be cause for panic. Understanding what happens when an audit is undertaken and what the auditor's responsibilities are might help ease any anxiety.

An auditor's responsibility

When conducting an SMSF audit, an auditor is essentially undertaking two types of audit. One is a financial audit where they are literally looking at the numbers reported in the financial statements. An auditor must form an opinion as to whether the numbers reported are correct and give a fair representation of the financial state of the fund.

The second type of audit is a compliance audit where they are required to form an opinion on whether the SMSF has complied with superannuation laws. While auditors can report on any matters they believe to be relevant, the pro forma audit report itself is supplied by the Australian Taxation Office (ATO) and requires auditors to specifically sign off on sections of the Superannuation Industry (Supervision) Act 1993 (SISA) and the Superannuation Industry (Supervision) Regulations 1994 (SISR)

Three levels of audit reporting

An auditor can report their findings from the audit in three ways.

The first is a management letter, given to the trustees only.

The second is through the auditors' report, again given to trustees only. All SMSF trustees will be issued an auditors' report which will be either qualified or unqualified.

The third method of reporting is directly to the ATO, using an Auditor Contravention Report (ACR).

Management letters

Auditors are required to provide their SMSF trustee clients with a management letter at the conclusion of the audit. In addition to addressing any major issues, the management letter can be an

opportunity for the auditor to raise any minor concerns about the fund that didn't necessarily warrant a qualification or an ACR. Do not ignore any issues raised by the auditor or you may find a qualification the following year. For the most part, however, they are a good indicator of where difficulties may arise during the next 12 months and can help trustees comply with their obligations.

What does 'qualified' mean?

When an auditor finds no breaches or errors in the SMSF, they will issue an unqualified audit report. When a breach or misstatement is identified, they may qualify the report depending on whether it is material or not. The auditor will typically make a statement saying that they have formed the opinion that the SMSF is complying except for the breach/misstatement identified.

On occasion, an auditor may qualify an audit report even when there are no breaches or misstatements identified. This could be because they are unable to verify or confirm some aspect of the fund. For example, they may not be able to confirm the opening balances of a new SMSF client's financials if previous years' financials are not provided, or they may not be able to form an opinion on the value or existence of a particular asset. In these cases, even though an audit report may be qualified, it does not necessarily mean that the trustees have failed to comply with their legal obligations.

Qualified report and Auditor Contravention Reports.

Not all qualifications of audit reports will be reported to the ATO.

If an auditor qualifies an audit report, they then make an assessment based on ATO guidelines as to whether an ACR needs to be lodged with the ATO. In most cases, an ACR will be lodged where there is a material, significant, repetitive or unrectified (from previous years) breach or misstatement. In other words, details of financial or compliance breaches will generally only be reported to the ATO where the auditor believes they are significant enough to warrant reporting or the ATO requires them to.

If you receive a qualified audit report and no ACR has or will be lodged, it should be taken as a very serious warning that should the breach remain unrectified or occurs again, the following years audit report will not only be qualified again but will likely result in an ACR being lodged as well.

It is worth noting however that regardless of whether an auditor lodges an ACR with the ATO, the SMSF's annual return is required to be lodged by the trustee (or their tax agent) with a notification as to whether or not an audit report has been qualified.

Materiality

Generally, when auditors are looking at a particular issue, they will be assessing its materiality. In most cases, they will not be overly concerned with minor amounts or issues. If they find an error, they will make an assessment of whether or not it matters, in the grand scheme of things. They will look at an error or breach in the context of other breaches, the value of the fund, the percentage of the breach of total assets, and whether it is a repetitive or unrectified breach.

Don't panic

A qualified audit report is not necessarily cause for alarm. Look at the underlying causes of the qualification and seek assistance from the auditor and/or your professional accountant as to how to rectify the breach so next year's audit report won't be qualified.

Tips on making the audit go easy

- Provide your auditor with all the relevant information prior to commencement of the audit. Most auditors are able to provide a checklist of the documentation required.
- If your auditor asks for further information in writing, you are legally required to provide it within 14 days.
- If you think there is a problem with the fund, talk to your accountant and/or auditor. A good auditor will assist you to sort it out.
- Don't wait until the last minute to engage an auditor. You need to allow them time to conduct the audit. Remember, an SMSF annual return can't be lodged until after the audit has been completed.
- If you know there is a problem, seek to rectify it as soon as you can. There is a much better chance of a good outcome with the ATO if the

auditor can report a breach as being rectified already.

- Check any major decisions on investments, changes to the SMSF structure or membership, payment of benefits or change in circumstances with your accountant BEFORE actioning them. This will ensure that all SMSF activity is undertaken in compliance with the law.

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Are you an informed or a naive investor?

David Bell

As they say in poker, "If you've been in the game thirty minutes and you don't know who the patsy is, you're the patsy."

- Warren Buffett in his 1988 Letter to Berkshire Hathaway shareholders.

Have you ever seen a new investment opportunity or strategy for the first time and immediately thought, *"This is amazing, I have to be involved"*? Most of us would say yes (at least once) and if you relied on hype and hope over due diligence, then you were investing naively. Perhaps it worked out for you, perhaps not. There is heightened risk in these situations: we don't know the odds and they might not be in our favour. We are all vulnerable to these risks yet there are simple steps we can take to be an informed investor.

Ask this question every time you invest

Are you an informed or a naive investor? This is not a one-off question but rather should be asked every time an investment decision is made. We are informed if we know the opportunity or strategy well. As soon as we step outside our sphere of expertise and knowledge we become vulnerable. While experience can expand our sphere of expertise, no one has infinite knowledge and there is a point at which we step into an area where we have little knowledge. At this point it is the process we apply which will determine whether we invest naively or not.

Each of us is potentially a naive investor. If we make this mistake, then we invest without a strong grasp of the return potential of the investment and the risks to the outcome. While obviously this can lead to poor specific investment outcomes, we also end up with poorly constructed portfolios because we aren't aware of the risks we are trying to balance. It can even leave you open to fraud (covered in the article No easy way to make money).

Retail investors with no investment knowledge are vulnerable. For instance, consider the first time they see a fund manager presentation or the detail and modelling that may appear in a financial plan. They may be impressed yet the quality of the manager or the financial plan may be low.

Examples of naive investing

Seasoned industry professionals are also vulnerable and perhaps more nonchalant to the risk. Some examples of naive investing for direct investors are:

- A stock analyst who changes sectors of coverage and immediately starts making high conviction calls
- A qualitative stock analyst who is introduced to some technology for screening and ranking stocks
- A fixed income analyst who is introduced to a new area such as structured credit
- A core (high quality/low vacancy) property expert who is introduced to a development opportunity.

For portfolio managers who invest via managed funds:

- The first time you analyse a fund outside of your specialty, for instance, you cover equity funds but meet your first fixed income manager who impresses you with their process for constructing zero coupon yield curves to work out the fair value of bonds
- The first time you meet a hedge fund which transacts long and short, uses leverage and derivatives

- Any strategy that is based on technology, such as when you met your first quantitative equity fund, systematic CTA (a CTA is a strategy, commonly computer based, which trades futures contracts), or high frequency trader.

For me the best (or worst) example was Basis Capital, an Australian-based hedge fund which allocated heavily to structured credit. Unfortunately it lost all its money during the GFC (though there are reports which suggest there could be court action to retrieve some of the lost monies). This fund had high ratings from research houses, was supported by financial planners and invested in by retail investors (under guidance from their financial planners). I doubt any of these parties were informed investors when it came to structured credit.

For a retail investor with no industry experience, every investment decision is one to which they may be a naive party.

Caution against being the patsy

No matter how wide your sphere of expertise, it is the actions you take when faced with a situation outside of that sphere which will determine whether you invest on an informed basis. The most crucial aspects are:

- Acknowledging that this situation is outside of your sphere of expertise
- Defining a benchmark level of knowledge that will make you suitably informed
- Developing a programme to achieve that knowledge benchmark
- Having the strength, discipline and governance structure to refrain from investing until the decision is an informed one. This may mean never investing in a certain opportunity.

While the above points apply to both retail investors and industry professionals, these groups face different challenges. Retail investors can find it difficult to expand their sphere of expertise. They may have no background in investing and may find it confronting and costly. They may be time poor because investing is an after-hours chore. Market professionals are at risk of bravado, tempted to overstate their sphere of expertise to justify their position and salary. They also face pressures to work to a timeline and face other agency issues such as the desire to be seen as an innovator.

Expanding the sphere of expertise

Knowledge is obtained in many different ways, but consider these components:

- Research – not only the opportunity or strategy but also the peer group for the strategy. The high frequency trading example is most illustrative: you can't help but be amazed when you visit your first high frequency trader. Perhaps you need to visit ten managers in this space to properly understand the risks
- Advice – seeking professional advice can be money well spent, using experts who can expand a sphere of expertise while providing assurance to decisions. At Mine Wealth + Wellbeing we are doing this at the moment in the area of agriculture
- Decision sharing – it may be beneficial to have multiple people involved in the research to ensure there is a team level of knowledge and no blind spots
- Reference checks – talk with industry colleagues about the people involved and the strategy. Industry participants do not always make the most of this opportunity.

There also needs to be a preparedness to not invest because the level of required knowledge and insight has not been achieved. This is a common rule for many people who invest into hedge funds where lines such as "we only invest into strategies we deeply understand" are commonplace.

Hopefully you come to the realisation that experience isn't just a measure of time or knowledge of different strategies or investment opportunities. There is an extra dimension of understanding yourself, your strengths and weaknesses, and how informed decisions are made. It's never much fun being the patsy at the table.

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Trusted professions go with the Flo'

Harry Chemay

Trust. It's at the heart of finance. Trust is that special property that bends time, allowing for the provision of a good, service or facility today on the strength of a belief that the other party will honour its financial obligation to make payment at or before some later date.

So central is trust to finance that the word 'credit' has its origin in the Latin *crédere,* which means to believe (and from which credo is also derived). The sudden collapse of trust in finance can be catastrophic, as demonstrated dramatically by the demise of the 158-year-old Lehman Brothers in the space of a few short months during 2008.

If the existence of trust lubricates the wheels of commerce and its absence acts as a retardant, then clearly being 'trusted' is economically advantageous. So just what makes one profession more trusted in the eyes of the public when compared to another?

Trust across professions - a survey approach

Unlike temperature or barometric pressure the measurement of trust resides not in the domain of physics but in sociology. Trust tends therefore to be measured by surveys that rank occupations across a scale from least trusted to most. One Australian example is the annual *Roy Morgan Image of Professions Survey*, run continuously since 1987 and expanding from an original 19 occupations to 30 now.

The Roy Morgan Survey respondents score people in various occupations for honesty and ethical standards using one of five possible responses; Very High, High, Average, Low or Very Low. A selection of these occupations appears in the table below, ranked highest to lowest for 2015.

The percentage of respondents rating each occupation as "Very High" or "High" for ethics and honesty for 2015 were:

Position	Occupation	Score (%)
1	Nurses	92
2=	Pharmacists	84
2=	Doctors	84
4	Teachers	78
11	Accountants	45
15	Lawyers	31
17	Financial Planners	24
26	Stockbrokers	12
27	Insurance Brokers	11
30	Car Salespeople	4

Source: Roy Morgan Image of Professions Survey.

The results are unequivocal. Nursing is the most ethical and honest profession for the 21st year in a row. It's quite a gap to the next most trusted professions at 84%, jointly held by pharmacists and doctors, with teachers rounding out the top four.

And what of professions connected to finance, commerce and investing? Accountants fare relatively well, sitting in the top half in 11th spot. Lawyers sit mid-pack, holding 15th on 31%, whilst financial planners sit two below lawyers in 17th place on an 'approval' score of 24%.

Other professions are clearly perceived as being less trustworthy. Amongst these are stockbrokers (26th), insurance brokers (27th) and finally in last place, car salespeople at a score of 4, a position held for 28 years in succession.

Why are nurses so trusted?

Part of the answer might lie in the high standard of training and education required. Most states require a minimum three year tertiary qualification to become a registered nurse. Further, once qualified, trainee nurses are under strict supervision, gradually increasing the range of treatments and medication they are allowed to administer as their experience builds.

Nursing is also a profession with a rich history of compassion, empathy and service. From Florence Nightingale tending the wounded in the Crimean War to the volunteers who battled the recent Ebola outbreak, nursing is a profession emphatically linked

to the service of others over the advancement of self.

Can financial planners bridge the gap to nurses?

It's clearly a long haul from 24% to 92%. Financial planning's cause hasn't been helped by a series of advice scandals over the past several years, some involving Australia's largest financial institutions. In the wake of these scandals, the laws governing the provision of advice have been strengthened. Yet these are only part of a greater shift that must occur if financial planning is to sit amongst the truly trusted professions.

If you're in a profession struggling with trust and credibility, nursing is a model of professionalism worth aspiring to. Modern nursing has a clear and unbroken lineage to the pioneering work of *The Lady with the Lamp*, as Florence Nightingale came affectionately to be known.

Nightingale was not a nurse by training. How could she be when no such training existed in mid-1800s Britain? She was in equal parts social reformer and statistician. Among her many contributions was the development of the pie chart to illustrate numerical proportion. With this and other novel data visualisation techniques she conveyed information vital to both the Crimean War effort and public hygiene more generally, and for her efforts became the first female member of the esteemed Royal Statistical Society.

Nightingale is best remembered, however, for establishing the foundations of the nursing profession in 1860. The principles she espoused; of service, diligence and compassion, together with a body of knowledge based on scientific observation and measurement, still resonates in the *Nightingale Pledge* which, although modernised since its first incarnation in 1893, remains at the core of nursing's code of ethics in most jurisdictions.

Earning trust, and keeping it

Professions who find themselves not as universally trusted as nursing might first seek to focus on finding their reason for being, a reason other than the accrual of monetary benefits and material possessions. Unlike financial planning, nursing suffers little in the way of principal/agent effects. These effects present themselves when a person tries to simultaneously serve two parties with opposing interests. It is fair to surmise that in any hospital the patient, loved one, doctor, nurse and hospital board are all pulling in the same direction – a speedy recovery and discharge.

Perhaps the last word on trust is best left to the father of modern economics, Adam Smith, who in his 1759 work *The Theory of Moral Sentiments*, suggested that one should seek not to be praised but instead first to be *worthy of praise*.

In a similar vein, if financial planners wish to emulate the trusted status of nurses they should seek first not to be trusted, but to be *worthy of trust*. The pie chart, a tool used by financial planners the world over to sell complex investment concepts to clients, was after all first perfected by the lady who wrote the book on trust.

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Electing for a pension payment to be taxed as a lump sum

Nicholas Ali

It is important to understand the different tax treatment of 'superannuation income streams' and 'superannuation lump sums'. Whilst in most instances, the tax free component will be received tax free whether a lump sum or income stream, the treatment of the taxable component can vary greatly. It is often advantageous for this component to be taxed as a lump sum.

Accessing $195,000 tax free before age 60

For those pension recipients at least 60 years of age at the time of the pension payment, there will be no tax applicable, irrespective of the components. However, those aged between preservation age and 59, the taxable component, if taxed as a 'superannuation income stream', will be taxed at their marginal tax rate (MTR), plus Medicare Levy, less a 15% tax offset.

In contrast, those aged between preservation age and 59, if they have satisfied a relevant condition of release, can receive the first $195,000 of the taxable component as a lump sum tax free.

A payment made from a pension can be treated as a lump sum for income tax purposes. Under the Income Tax Assessment Act 1997 (ITAA 1997) and associated regulations, payments from superannuation are defined as follows:

- Superannuation lump sums (taxed using the low rate cap/maximum rate of 17% (above the low rate cap) for those between 56 and 60), and
- Superannuation income stream benefits (taxed at normal marginal rates less the 15% tax offset for those between 56 and 60).

The default position is that any payment from a superannuation income stream is a pension. Regulation 995-1.03 of the Income Tax Assessment Regulations 1997 (ITAR 1997), however, states that a payment is not a superannuation income stream benefit if it comes from an income stream that allows flexible payments and the person to whom the payment is made elects, before a payment is made, for that payment **not** to be treated as a superannuation income stream benefit. Any payment not considered a superannuation income stream benefit is by default a superannuation lump sum (s307-65 ITAA (1997)).

Therefore, a payment can be treated as a lump sum and taxed as such. An important requirement is this election must be made prior to the payment being made. An election made after the date of the payment will not be valid and the benefit will be treated as a superannuation income stream.

The superannuation legislation implications

From a superannuation perspective (SIS Regulations), the payment will be considered a partial commutation of the income stream, but counts against the minimum pension requirements set out in the SIS Regulations. For clients under the age of 60, it is possible to use this interpretation to provide a lower rate of tax when compared with the benefit being taxed as an income stream (or even zero tax).

Of crucial importance is the taxpayer must have satisfied a condition of release, making their benefit in the SMSF Unrestricted Non-Preserved. Such a condition of release would be retirement on or after preservation age. This then begs the question – can this strategy be used for a Transition to Retirement Income Stream (TRIS)?

The answer to this question is yes, provided the TRIS pension has Unrestricted Non-Preserved benefits at least equivalent to the amount of the partial commutation. Many TRIS pensions are usually commenced with benefits that are Preserved; which means they can only be cashed as a lump sum (partial commutation) when the member satisfies a condition of release with a nil cashing restriction.

Let's look at an example

Sandy is 56 and is looking to start a TRIS pension. She has a member balance in her SMSF of $600,000, all a taxable component. She has an Unrestricted Non-Preserved benefit of $105,000 and she has not used any of her low rate taxable threshold. If Sandy draws the minimum amount from her TRIS pension (4% or $24,000), how much tax does she have to pay?

The table below illustrates the outcome if the benefit is taxed as an income stream at various marginal tax rates, or taxed as a lump sum (this applies to the taxable component only).

	Marginal Tax Rate	Tax to pay
Payment taxed as an income stream		
$24,000 x 49% less 15% offset	49%	$8,160
$24,000 x 39% less 15% offset	39%	$5,760
$24,000 x 33% less 15% offset	33%	$4,320
$24,000 x 21% less 15% offset	21%	$1,440
Payment taxed as a lump sum	**0*-17%**	**$0*-$4,080**

*In Sandy's case no tax is payable, as she has not used any of her low cap taxable threshold.

As can be seen from the table above, if an income stream benefit can be taxed as a lump sum, the tax savings can be significant, especially if the low cap taxable threshold is available. In fact, as Sandy has not used any of the $195,000 cap, she can draw the full $105,000 Unrestricted Non-Preserved benefit from the fund and pay no tax.

Financial planning opportunities

This creates the following opportunities for Sandy:

- The $105,000 taxable component withdrawn as a pension but taxed as a lump sum can be re-contributed to the SMSF as a non-concessional contribution. Sandy has turned $105,000 taxable component to $105,000 tax free. This would then preclude the 17% lump sum tax payable if these funds were to be paid to independent adult children on Sandy's death.
- Sandy could reduce her overall tax by increasing her salary sacrifice contributions to superannuation, replacing her wage taxed at her marginal tax rate with tax free pension payments. The salary sacrifice contributions are only subject to the 15% concessional contributions tax.
- The assets in the fund used to pay the pension will become exempt from tax. This could be considerable if the fund realises assets held for a significant period of time to help fund the pension payments.
- The $105,000 re-contributed as a non-concessional contribution could be quarantined into a second 100% tax free pension, where all earnings will also be considered a tax free component. This could provide valuable tax savings if the benefit was paid to independent adult children on Sandy's death.

Issues to watch with this strategy

Special care is needed with this strategy:

- To have the benefit not treated as a superannuation income stream benefit, the election must be made before the payment.
- The election is only effective whilst the income stream is in place. If the income stream is fully commuted to a lump sum, the payment will not count towards the minimum pension requirements.
- There was some confusion as to whether this strategy applied to TRIS pensions, but the ATO has clarified the view that a member can make the election but only if they have an Unrestricted Non-Preserved benefit in their account.
- The payment will be considered a partial commutation of the pension, so any Unrestricted-Non Preserved benefit in the member account will need to be at least the value of the payment made.
- The account balance of the TRIS pension account immediately after the partial commutation must be greater than or equal to the remaining required minimum payment for that financial year (less pension payments already made) for the lump sum to be counted against the minimum pension standards.

Whilst this strategy has some distinct advantages, it is important clients seek advice with regard to their own personal circumstances. For example, it may be of benefit to only apply the Preserved benefit in the member account to the TRIS pension, leaving the Unrestricted Non-Preserved benefit to be maintained for other purposes (such as an account based pension or lump sum). It is also important the fund's governing rules provide flexibility with regard to pension payments (such as the ability to make an "in-specie" lump sum from a TRIS).

Nicholas Ali is Head of Technical Services & Education at SuperIQ and Super Concepts. The strategies described in this article are complex and should only be attempted using professional advisers with the requisite skills. It is accurate at the time of writing but rules or interpretations may change.

Investing by thematics rather than indexes

Michael Birch

Investors are becoming increasingly frustrated at buying an index where they have little or no conviction around the thematics of some companies within the index. An example of this is owning the ASX200 which has companies that are in the gaming industry or in the business of selling alcohol.

Thematic investing will continue to build in Australia where investors follow themes or trends that resonate with them in a particular industry or sub-industry. It is already possible through more granular Exchange Traded Funds (ETFs) which are a

low cost vehicle for investors to gain a thematic exposure.

Key thematics worth following

Some key themes that we follow include:

1. Changing consumer tastes

The internet has changed the buying patterns of consumers and enabled new retailers to emerge quickly and at a low cost compared with 20 years ago. Mobile connectivity has accelerated this even further. Based on some estimates, by 2020 there are expected to be over 40 billion devices connected to the internet. The majority of the growth is expected to come from emerging markets as internet penetration increases and consumer tastes change. This creates a huge opportunity – for example, one billion people in India conduct only 1% of their retail sales on-line. This is a huge opportunity for the likes of Apple, Google, Samsung, social media and telecommunication companies, cyber security companies and retailers such as Nike or other brands that can transition from high street to on-line without having to sacrifice margins.

2. Energy and environmental awareness

China is currently dealing with the fallout from little to no environmental policies in the past and recent market moves have highlighted huge disruption as its manufacturing sector adjusts. It is working to find cleaner energy sources. Market estimates of an increase in energy consumption of 43% by 2040 would use an additional 40-50 million barrels per day. The world needs a new energy source to replace oil. Solutions are coming to market that could further improve and reshape the energy balance: cost curves for renewables are falling, solar is displaying profitable returns without subsidy, battery technology is improving and the cost of energy storage is declining. Winners are likely to be solar, nuclear and battery technologies that can produce a solution at a low enough cost to be adopted by industry.

3. Big data and cyber security

Big data, collecting and analysing client spending patterns is presenting huge opportunities in software. This is not new, but the tools to undertake the analysis are now more advanced, and improved storage and computing power have meant that no job is too big. Much of the development to date has been focused around building a big data strategy rather than spending the real money to implement it across the organisation. Accenture estimates that 73% of industrials are allocating 20% of their IT capex budget to big data. Credit Suisse estimates that applications across the industrial and consumer spectra could generate an estimated 10% compound annual growth in investment in big data to at least US$85 billion by 2026. The productivity gains to be harnessed as this is leveraged in industrial processes and automation are considerable, especially where the industrial 'internet of things' meets automation, robotics, additive manufacturing etc. The winners are the big players with a robust engine and scalable businesses such as Amazon, Microsoft, Oracle and cyber security.

4. Aging population and maturing emerging markets.

People are living longer, in both developed and emerging markets. Healthcare is the big theme, looking after the elderly and sick. For companies that can effectively work with governments to improve the quality of life, and reduce the public burden, there are huge opportunities.

Environmental issues causing health problems in countries such as China and India are more endemic and ultimately there is heightened risk around regulatory or policy changes. Where 'ageing' is concerned, the two end markets that are most relevant typically lie across the healthcare supply chain and savings industry. A growth overlay to these end markets comes from emerging market, not just because of rising GDP per capita, but as the rate of ageing is now becoming more pronounced. It is now projected at twice that in developed markets out to 2035.

A therapeutic area of specific growth in healthcare is oncology and its related 'immuno' story, estimated as worth $35 billion in the end market. The challenge to healthcare generally is who pays the bills, and how? Winners are the big players that can implement broad solutions across geographies, and the hospital players who can provide low cost care and take the burden off the government.

Look for themes you are passionate about

These are just some examples of thematics that people can invest in for multiyear strategies, rather

than chopping and changing looking for the next takeover. It is easy to see why this is a much more powerful investment proposition and most likely the way of future investing. Invest in something you know, a theme you are passionate about and stick with it because you will probably do better in the long run.

Michael Birch is Head of Equities at Mason Stevens Limited. These views are general and do not consider the personal circumstances of any investor.

Results of roboadvice survey

Graham Hand

A few weeks ago, our article, *Scenes from a roboadvice pitch to angel investors*, presented a fictitious pitch by a roboadviser startup to venture capitalists. Judging by the thousands of times it has been viewed, it was passed around much of the roboadvice industry.

Following the article, a Reader Survey was attached asking questions on the potential attraction of the investment, the features of a good roboadvice offer, who the likely providers of roboadvice will be and the background of the respondents.

We attach the full survey results linked here.

Thanks to all the people who responded. The numbers were not as big as expected due to a dodgy survey link on the first day.

We have opened the full text of the responses because the comments are at least as valuable as the bare statistics.

A few highlights:

- 75% of respondents said they would not invest, while 24% said they would at a lower entry price than the initial valuation. This seems like a promising result for the availability of venture capital at a price.
- The negative comments focus on competitors undercutting the offer and the lack of a 'moat'.
- The requirements of a good robo offer are extensive, with 88% expecting portfolio allocation recommendations, 62% wanting educational material and 66% investment implementation.
- There was no consensus on who is most likely to succeed in this space, although only 18% responded 'nobody'.

A software developer advised us last week that he has a list of 41 'roboadvice' offers either in the market or under development in Australia. There will be a lot of activity in this space, in many different forms.

Graham Hand is Editor of Cuffelinks. The Survey is released for general information and no responsibility is accepted for any of the opinions.

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