

# BLACK SKY REPORT

The SMSF opportunity for Financial Advisers.



# 1. What is the opportunity?

There's no doubt that Self Managed Super Funds (SMSFs) represent one of the biggest opportunities for financial advisers to grow their business. It's the largest and fastest growing segment of the Australian superannuation industry.

The SMSF market is like no other, which is why we've taken a Black Sky approach to our thinking. We've gone beyond the blue sky to bring you innovative thought and insight that will help you tap into this market.



## Black Sky facts

- **\$1.9 trillion** superannuation assets under management
- **\$570 billion** in SMSFs<sup>1</sup>
- **29%** of the market
- **\$3 trillion** in SMSFs by 2035<sup>2</sup>

In February 2015, AMP Capital commissioned Investment Trends to conduct a quantitative survey of nearly 1,000 AMP and AMP Capital SMSF investors. The result is this definitive narrative on the state of the market: *Black Sky Report. The SMSF opportunity for Financial Advisers*. All of the responses in the report are taken from this survey.

The research has given us an in-depth picture of SMSF investors' current and future service needs as well as their investment choices and goals. Our aim was to uncover any service gaps that exist within this burgeoning sector and share the insights that will enable you to take advantage of these opportunities.

1. APRA statistics, December quarter 2014 2. Deloitte

SMSFs are the  
largest and fastest  
growing sector of  
the super industry



## 2. Who are the SMSF investors?

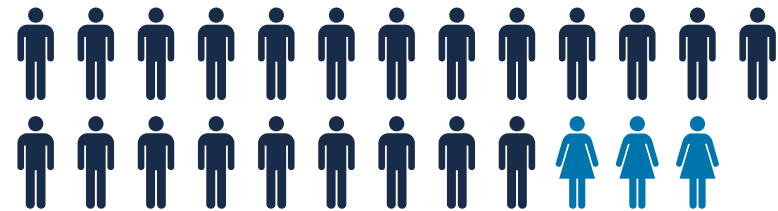
Research has already shown us that investors who choose to put their super into a self-managed fund are typically affluent, educated and mature. In this survey, those who responded were:

### Black Sky facts

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- **88% male**
- **60 years average age**
- **\$1.35 million average SMSF balance**

88% male



### What is their employment status?

Unsurprisingly, nearly 20% of the respondents have their own business or are self-employed. 27% were still in full time employment while 36% were retired, with a further 10% retired, but still working occasionally.

### Talking point

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#### **Investors are ageing and their partners know little about managing their SMSF**

The overwhelming majority of SMSF investors in this survey are male, with an average age of 60. Anecdotal evidence has suggested that many wives or partners of these investors have little or no knowledge of how to manage an SMSF, and the men worry about who will look after it when they are no longer around. Is there an opportunity for you to step in?

### 3. When and why did investors set up their SMSF?

30% of investors set up their SMSF between 1999 and 2005. But it's the Global Financial Crisis that was clearly a catalyst for investors to go their own way, with 49% of investors setting up after 2009. This reflects the desire to have more control over their investments following this turbulent period in global financial markets.

#### Why do investors go it alone?

The primary reason is undoubtedly for control (53%), but other reasons include:

#### Black Sky facts


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- **31%** to choose specific shares\*
- **30%** advice from financial adviser\*
- **19%** poor performance of existing fund\*

\*Multiple responses were permitted



**49%**  
set up their SMSF  
after the GFC



There's a desire for  
change amongst  
SMSF investors

SMSF investors  
like the control,  
but not the  
paperwork

## 4. What are the biggest issues in SMSF management?

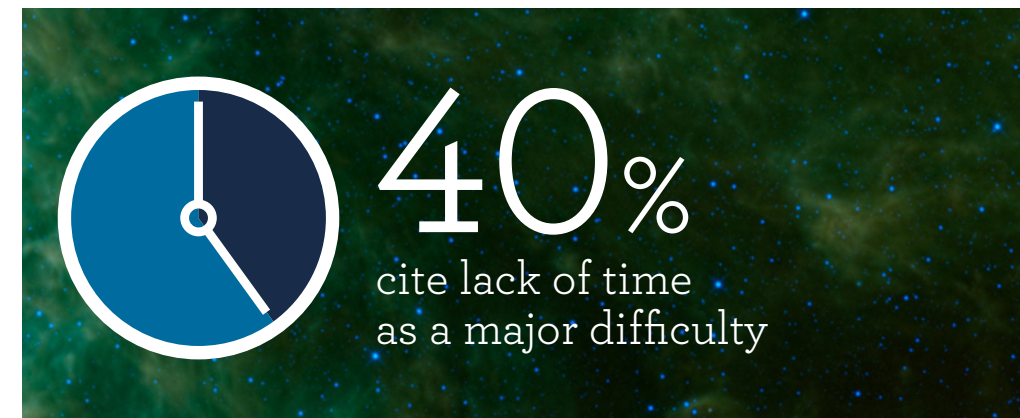
Managing SMSFs is hard work and time consuming. These are the most commonly cited difficulties in managing SMSFs amongst this group:

### Black Sky facts

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- 40% lack of time\*
- 40% administration and fees\*
- 35% rules and regulations\*

\*Multiple responses were permitted



### Talking point

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#### **SMSF investors face many obstacles in managing their investments**

If investors are time-poor, weighed down by administration and dislike having to deal with the constant change to rules and regulations, how can you help them with these challenges? What can you offer in terms of experience and knowledge to help them overcome these obstacles?

## 5. Is there a need for advice?

SMSF investors were divided into categories based on their responses as to how they sought advice – self-directed, validators, delegators, and others who did not fall into the first three categories.

### Black Sky facts

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- 43% validators
- 39% self-directed
- 12% delegators
- 5% others

This shows that a substantial proportion are willing to seek advice to either validate their own views or to make decisions on their behalf. Amongst those who are open to using a financial adviser, they would do so:

### Black Sky facts

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- 27% to seek a second opinion
- 24% for technical advice
- 23% to access a wider range of investments



# There is an appetite for advice amongst SMSF investors

### Talking point

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#### Become a trusted adviser

Some SMSF investors may use a number of professionals for advice. Accountants, administrators, brokers, auditors and solicitors, to name a few. Is this an opportunity for you to position yourself as being one of your clients' trusted advisers.

# There is an ‘advice gap’ waiting to be filled by advisers

## Talking point

### 42% of retired investors require help selecting investments

Of the 46% of respondents who are either retired or semi retired, nearly half (42%) said that making decisions around what investments to make was the hardest thing to do with managing their SMSF, followed by keeping up with regulation changes.

## 6. Where do SMSF investors want more help?

Our research shows that there is a segment of investors who want advice, with 54% saying they would turn to a financial adviser for unmet advice needs. So there is a clear opportunity for advisers to fill the gaps.

### Black Sky facts

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High priorities include:

- 29% retirement related issues
- 22% pension strategies
- 16% general investment advice
- 16% inheritance and estate planning

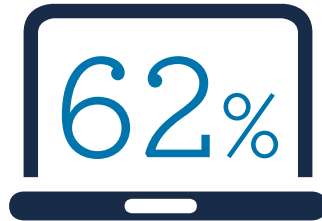


## 7. How is digital disrupting the investment world?

A clear theme was the increasing use of digital technology by SMSFs – across multiple platforms – for research and education, investment advice and access to investments. Gone are the days when investors relied on one or two newspapers. Now, investors are likely to use:

### Black Sky facts

- **62%** online investment newsletters
- **39%** ASX website
- **23%** social media
- **8%** internet chat sites



Online newsletters

### Black Sky facts

Preferred method of engagement

- **21%** piece by piece (phone and online)
- **15%** piece by piece (face-to-face)
- **8%** comprehensive advice (phone)

### Talking point

#### How can you make the most of the digital marketing world?

The trend towards accumulation of knowledge through digital means will only get bigger. How can you embrace online channels? How can you create more contact opportunities and provide more insights through webinars, social media, video calls and email strategies? How do you move beyond just face-to-face? How do you provide the advice as *they* want it?



### Black Sky facts

Preferred social media for investment purposes:

- **12%** LinkedIn
- **8%** Facebook



# Use your knowledge to help drive client relationships

## Talking point

### Lack of knowledge is a key barrier to diversification into new asset classes

Despite the fact that many investors are keen to diversify, a lack of product knowledge is holding them back – whether it’s on ETFs, LICs or managed funds. How can you fill this knowledge gap with easy wins that will help you build long term relationships?

## 8. How can you satisfy the desire for change?

Our research shows that there’s a desire to diversify into new asset classes.

### Talking point

**76% have made *at least one* new investment switch in the last 12 months**

In addition, 38% made *substantial* asset allocation changes in the last 12 months, primarily to adopt a more defensive stance, increase diversification or chase an investment opportunity. How can you take advantage?

### Black Sky facts

- 45% currently use managed funds
- 21% use LICs
- 15% use ETFs

45%  
use managed funds



### Black Sky facts

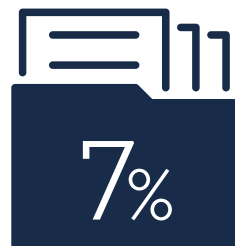
- 3 of the top 4 barriers to investing in LICs relate to lack of knowledge
- 20% say lack of knowledge on ETFs holds them back

## 9. What is the opportunity in managed funds?

Diversification, gaining access to specialist investment strategies and ease of access are all key drivers for SMSFs to invest in managed funds. In addition, the following reasons were suggested:

### Black Sky facts

- **22%** no need to pick stocks individually
- **11%** less paperwork
- **6%** tax calculations done for me
- **4%** growth in managed funds as a portion of portfolio in two years



Managed funds as a % of portfolio in **2013\***



Managed funds as a % of portfolio in **2015**

### Talking point

#### There is a growing trend for managed funds to form part of investors' portfolios

Our research revealed that SMSFs want to know more about services that help them access managed funds (for example, the ASX's mFund Settlement Service) or purchase managed funds through an online broker. This is where the growth opportunities lie.

\*Investment Trends 2014 SMSF Investor Report, based on a survey of 2163 SMSF Trustees

Ease of access helps pave the way for other investment opportunities

### Black Sky facts

These are the managed funds that SMSFs would most likely invest in:

- **36%** actively managed international equities
- **26%** actively managed Australian equities
- **19%** index international equities

Are you ready to  
get your share  
of the fastest  
growing sector  
of the super  
industry?

## 10. How can you tap into the SMSF opportunity?

There's no doubt that SMSF investors are some of the most exacting clients out there.

In addition to wanting a high level of control, they expect the best in everything – advice, reporting, compliance, communication, value for money and, of course, investment returns.

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Helping investors achieve these  
goals is a challenge.

But it is also a significant opportunity.

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Advisers who are flexible and innovative, who look beyond the traditional way of engaging these investors, who are determined to fill the service gaps, have a real opportunity to grow business revenue from this rewarding segment of the super industry.

We hope this report has given you the insights you need to succeed.

# About AMP Capital

AMP Capital has created Australia's first suite of managed funds tailored specifically for the SMSF market, providing your clients with an opportunity to invest in funds that are not usually available to individuals. Whether your clients want to diversify into property, corporate bonds or infrastructure, our research shows that there's a big opportunity for you to satisfy this growing need.

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