



## Media Release

Monday 14 June 2010

### **GESB URGES AUSTRALIANS TO GET ADVICE ON SELF-MANAGED SUPER FUNDS**

Self-Managed Superannuation Funds (SMSFs) are an appropriate retirement investment vehicle for many people, but as their popularity endures, GESB is urging Australians to seek advice to ensure this type of fund is suitable for their personal circumstances<sup>1</sup>.

National research from GESB demonstrates that many Australians don't understand the time, risks and costs involved in operating SMSFs, with more than half (58%) of Australians thinking it is appropriate to establish a SMSF with a balance of \$50,000 or under, including one quarter (25%) who think a balance of \$5,000 would be apt.

The Cooper Review has indicated that a \$5,000 balance would easily be eaten up in the first year of operation, saying that, "very small SMSFs, with \$50,000 or less in assets have average annual operating expenses of 5 to 6 per cent of their total assets."<sup>2</sup>

Fabian Ross, General Manager of Wealth Management at GESB, said that the growth in SMSFs appears to point to Australians wanting to exercise control over their super and feeling that account fees charged by the major super providers are too high.

"Access to the information required to manage super does not equate to having the ability to interpret or apply this information in an effective and efficient way to ensure an adequate income in retirement," said Mr Ross.

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<sup>1</sup> As at 30 June 2009 there were around 410,000 SMSFs, representing 99% of all superannuation funds, A Statistical Summary of Self Managed Super Funds, December 2009, Cooper Review; around 2,500 Self Managed Super Funds are set-up each month, Self-Managed Super Fund Professionals' Association of Australia

<sup>2</sup> A Statistical Summary of Self Managed Super Funds, December 2009, Cooper Review

“Our research shows that only a third of people (32%) would consult a professional financial adviser to decide how suitable an SMSF is for their individual circumstances.

“People need to understand that the control they are seeking could come at the price of greater risk, cost and personal commitment.

“The perception appears to persist amongst many Australians that they can deliver better returns than a full-time super fund investment team.

“The reality is that individuals are unlikely to outperform the professionals over the long-term without either taking on significantly more risk or getting lucky.

“Seeking advice will help them understand how to exercise control effectively and without taking on unacceptable levels of risk.”

GESB’s research showed that, while Australians appeared to have a good grasp of some of the technical risks associated with SMSF, many failed to appreciate the obligations of trustees or so-called “lifestyle” risks.

GESB said that factors like the time and money associated with administering a SMSF need to be taken into account, along with the desire and ability to manage the fund in the long term, particularly as an individual gets older. How the fund is managed in the event of death also needs to be factored in.

Mr Ross said, “Asset allocation is the most important factor affecting investment returns. But, in many instances, SMSFs leave members less able to diversify their portfolios, particularly outside of Australia, due to cost and other prohibitive factors.”

## **Ends**

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**Notes to editors:**

1. GESB's findings were based on a survey of 1,100 people, which was weighted to be nationally representative of Australia's population by gender, age and location. The research was conducted by TNS on behalf of GESB in March 2010.

**2. About GESB**

GESB is the largest WA-based super provider with more than 313,000 members, representing nearly one quarter of the WA workforce, and around \$10.0 billion funds under management.

With more than 70-years of superannuation experience, GESB is ideally situated to provide members with a choice of superannuation and retirement products, access to financial planning and insurance coverage through super, combined with competitive fees and a wide range of member education, information and resources.

For further information visit [gesb.com.au](http://gesb.com.au) .

**3. Industry ratings and awards**

SuperRatings awarded GESB Super, West State Super and Retirement Income Allocated Pension its highest Platinum rating in 2010. This is granted to only the top 15% of the best 'value for money' funds, based on an assessment of investment returns, investment methodology, fees, administration and advisory services, as well as a robust, secure and proven governance framework.

Chant West awarded GESB Super, West State Super and Retirement Income Allocated Pension its highest rating in 2010, Five Apples, following an assessment of organisational strengths, investments, fees, insurance, administration, member services and employer services.

The Heron Partnership has also awarded GESB its highest rating in 2010, 5 Quality Stars, granted to only the top 25% of super products, based on an assessment of investment arrangements, insurance, ancillary benefits, communications and contributions.