

**SMSFOA Members' Newsletter**

**#10 /2014**

Dear Members

**SMSFOA Annual General Meeting**

The 2013-14 AGM was held in Sydney on Tuesday 17 November.

Members approved the Directors' Annual Report and confirmed the re-appointment to the Board of Clive Craven and Barry McWilliams who had retired by rotation.

In his Chairman's Report, Bruce Foy reviewed the first two years of SMSFOA and concluded that we have proved the need for our existence.

"If ever there was any doubt about whether a strong voice for SMSFs is necessary, it has been dispelled by the range of issues we have dealt with over the past two years."

He noted that SMSFOA is now accepted by government and the media as a credible representative for the one million Australians who have SMSFs. See Bruce Foy's report and an accompanying report from the Executive Director, Duncan Fairweather, below.

**The Rise and Rise of Self-Managed Superannuation Funds**

Every quarter the ATO publishes the number of self-managed superannuation funds. The number always goes up, growing by around 7,500 each quarter.

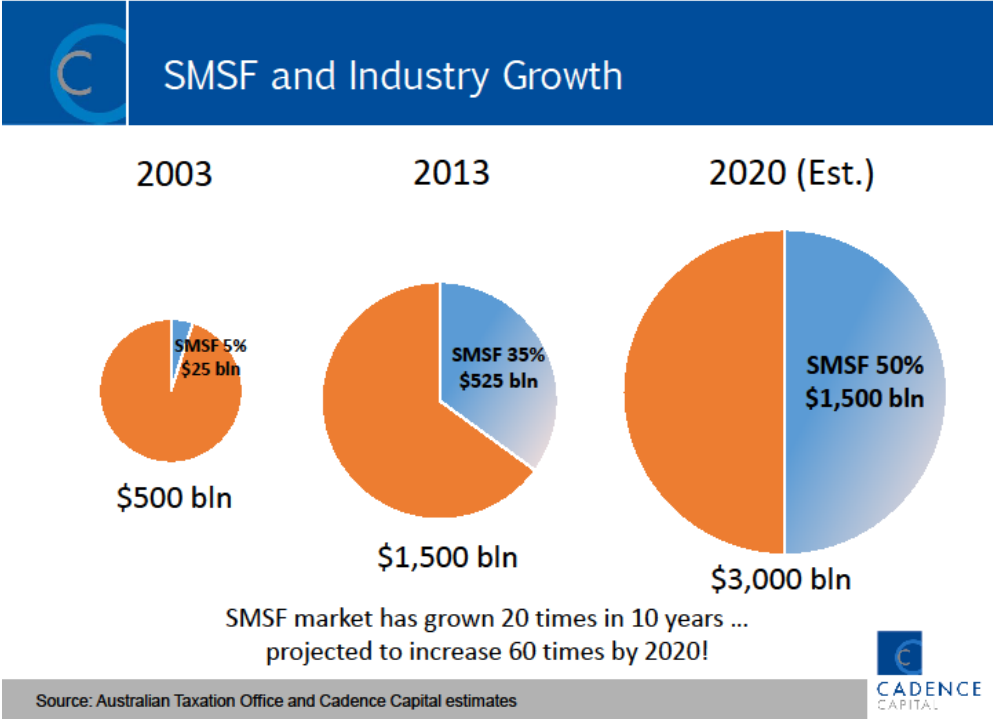
By the June quarter of 2014, the number of SMSFs had reached 534,000 with just over one million members, nearly as large as the population of Adelaide.

SMSF's have become the driving force in Australia's superannuation system. They hold the largest slice of all superannuation assets (31%) compared to retail funds (26%) and industry funds (20%) according to APRA's 2013 annual statistics.

The seemingly inexorable rise of self-managed funds is the most striking dynamic of Australia's superannuation system. More so because the rise of self-managed superannuation has been driven by the choice and determination of individuals rather than by government policy direction.

As impressive as these numbers are, they are set to get a lot bigger. A startling prediction was made at a recent SMSFOA workshop: by 2020, half of all superannuation savings will be held in self-managed funds.

The CEO of Cadence Capital, Karl Siegling, illustrated the phenomenal growth and potential of self-managed super.



Karl is well placed to observe the rise of SMSF’s – they make up 65% of Cadence Capital’s 5,400 shareholders.

Another prediction at the SMSFOA workshop was from the ASX's Ian Irvine: by 2035 some 2.47 million Australians - more than the population of Brisbane - will have self-managed superannuation accounts worth \$1.6 trillion, close to the \$1.8 trillion in the overall super pool today.

The dramatic success of self-managed funds is driven by the strong desire of the people who set them up to take control of their own retirement savings and make their own investment decisions.

And they mostly get those decisions right with a return on assets performance comparable to the returns achieved by the professional managers of retail and industry funds.

### Reports to the Annual General Meeting

#### Bruce Foy, Chairman:

The SMSF Owners’ Alliance has now been in existence for two years so it is timely to review what we have achieved and contemplate the challenges we still face.

The first conclusion we can draw is that we have proved the need for our existence. If there was ever any doubt about whether a strong voice for SMSFs is necessary, it has been dispelled by the range of issues that we have dealt with over the past two years.

When policy questions concerning self-managed funds arise, SMSFOA provides answers.

When the media focus on SMSFs, we are ready with a comment.

When critics attack SMSFs and spread misinformation, we are quick to defend them.

When policymakers seek the views of the SMSF sector, they come to us.

In our first two years, SMSFOA has achieved recognition as a credible representative voice for the one million Australians who are trustees and members of a self-managed fund.

We are recognised by government, by the media and by other players in the superannuation sector.

### *Dealing with Government*

At the government level, this recognition is reflected in the readiness of ministerial advisers, departments and regulators to listen to our views and to seek out our opinions.

We are invited by Treasury to provide our perspective on SMSF related policy issues they have under consideration.

We have a regular high-level dialogue with the Australian Taxation Office and we are part of the ATO's formal consultation process as members of the Superannuation Industry Relationship Network.

As the ATO is the supervisor of SMSFs, having effective access to and a good working relationship with the ATO is critical to our role as a relevant stakeholder on SMSF issues.

We are also members of the Consumer Advisory Panel through which ASIC consults on regulatory matters affecting investors, including SMSFs.

These platforms give SMSFOA an opportunity to convey the interests of SMSF owners.

So we have a strong foot in the door of government. From here we need to widen our advocacy capability to engage in broader public and political campaigns to advance and defend the interests of SMSF owners. The need for such campaigns is growing as superannuation comes under the policy spotlight.

### *In the media*

The other main outlet for our views is the media. Our media releases are sent to the general media and to writers who specialise in superannuation. SMSFOA is regularly quoted by the mainstream and online media. But we must bear in mind that the daily media is ephemeral and we need to continue to make an effort to create a more visible and sustained media presence.

One of the reasons why we are taken seriously by policy makers is the substance and quality of our submissions which are based on sound research. In the past year, we again lodged a substantial pre-budget submission and participated in the budget business lock-up. We made two submissions to the Financial System Inquiry and also to government reviews of retirement income streams and on the regulation, governance and transparency of APRA-regulated superannuation funds.

### *Member support*

Apart from our policy work, our ability to deal effectively with government and the media, to win their acceptance of SMSFOA as an effective advocate for self-managed super, depends on membership support both in terms of providing a mandate for our policy agenda and the financial resources to support our day to day activities. When it comes to winning the policy battles in Canberra, the quality of our arguments is important – so too is the political clout of a million Australians with SMSFs. With the essential building blocks for an effective advocacy body in place, growing our membership numbers steadily over time will be a high priority for SMSFOA.

Part of our effort to provide value to members and potential members is to present events that deliver well-informed perspectives and practical information of real value to SMSF owners. During the past year, we have presented two seminars at the ASX with a line-up of quality speakers on topics of interest to SMSF owners. Feedback on the value of these events has been very positive.

### *Upcoming challenges*

Looking ahead, there are key challenges looming.

First will be the final report of the Financial System Inquiry, headed by David Murray who will deliver his report to the Treasurer this month.

We were pleased that the FSI's interim report made positive references to the success of the SMSF sector but somewhat disappointed that it accepted uncritically the view advanced by left-wing think tanks and some media commentators that SMSF members get an unfair tax break. We hope the recommendations of the final report will be based on a more objective analysis.

Next will be the government's foreshadowed White Paper on Taxation which is being drafted by Treasury and is expected to be released in the near future.

No doubt the White Paper will address superannuation and focus on the incentives to save through reduced taxation of mandatory and voluntary contributions. Given Treasury's tendency in the past to view superannuation tax concessions as an unnecessary cost to the budget, and to over-state the cost, we are not confident that SMSFs will come through the tax review unscathed.

We may need to mount a campaign to forestall any change to the taxation of super that will be to the detriment of SMSF owners who have saved under the existing rules. Just as we did when the previous government announced a new 15% tax on the earnings of super funds that would have fallen heavily on SMSF owners. That move was headed off, not least by our lobbying efforts.

This is not to say we are opposed to progressive reform of the superannuation system. But any change must enhance the adequacy and sustainability of the system without any adverse retrospective effect on people who have built their retirement savings in accordance with government policy objectives and under the existing rules.

So there are two very significant and imminent issues of importance to SMSF owners that will demand our attention over the coming months.

The need for SMSFOA as an effective advocate remains pressing.

I take the opportunity to thank all of our members and supporters and especially my colleagues on the Board of SMSFOA for their dedicated efforts during the past two years.



## **Duncan Fairweather, Executive Director**

### *1. SMSFOA Board Meetings*

The Board met formally four times during the 2013-14 financial year to review operations, financial performance, policy advocacy and strategy.

Between formal Board meetings, activities are directed by the Chairman, Executive Director and Finance Director in consultation with other Board members.

### *2. Membership*

Membership continued to grow incrementally. The Board recognises the need to grow membership to a more significant level and is considering initiatives to promote SMSFOA more widely and encourage new members to join. Member views on ways this can be achieved would be welcomed.

### *3. Events*

Partly to attract new members, SMSFOA conducted a seminar at the ASX in December 2013 which featured a strong line-up of knowledgeable speakers and attracted sponsorship support. More recently, in October 2014, SMSFOA presented a workshop at the ASX which was again notable for the quality of the presenters. The Board will consider further events in 2015.

### *4. Policy Advocacy*

SMSFOA prepared a number of substantial submissions to government policy reviews.

These included:

- A pre-Budget submission to Treasury and attendance at the business lock-up in Canberra on budget night. The budget did not contain any major changes with regard to superannuation.
- Two submissions to the Financial System Inquiry. The first focussed on the role of SMSFs and the second responded to the FSI's Interim Report. A third submission may be necessary following release of the FSI's Final Report this month.
- A submission to the Treasury review of better regulation, governance and transparency of APRA-regulated funds. We called for greater transparency by the trustee companies that manage public-offer superannuation funds.
- A submission to ASIC with regard to disclosure of risks and costs involved in setting up an SMSF.

All of our submissions are published on the SMSFOA website.

#### 5. *Government consultation*

A key relationship for SMSFOA is with the Australian Taxation Office which is the regulatory supervisor of the SMSF sector as well as being the collector of superannuation taxes and provider of statistics on SMSFs. SMSFOA enjoys a regular high-level dialogue with the senior ATO officials as well as being part of the ATO's formal consultative process.

Another important relationship is with the Australian Securities and Investments Commission (ASIC) which regulates the providers of investment products used by many SMSFs. SMSFOA is a member of ASIC's Consumer Advisory Panel.

#### 6. *Media*

SMSFOA issued 14 media releases on topical issues during the year under review and was quoted regularly in the mainstream media, notably by The Australian, the Australian Financial Review and by the ABC. The Executive Director was interviewed live on ABC News 24 and SkyTV and on ABC Radio Breakfast programs.

More recently, SMSFOA has been more active on online newsletters and blogs including *SMSF Investor* and *Cuffelinks*.

#### 7. *Networking*

SMSFOA has engaged in discussion with associations whose membership includes the trustees and members of SMSFs and who share similar interests. These discussions have been with the Australian Investors Association, the Australian Shareholders' Association and Independent Contractors Australia.

While they are still at an early stage, it's hoped these discussions may lead to closer working relationships with these groups and promotion of the benefits of SMSFOA membership.

#### 8. *Communication with Members*

This year we have sent members a regular newsletter via email with news of SMSFOA's activities. This has been well received by members. The newsletter is also published on the SMSFOA website, [www.smsfoa.org.au](http://www.smsfoa.org.au)

The website is updated regularly with SMSFOA media releases and research papers.



Duncan Fairweather  
Executive Director

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