

Women and SMSFs

Empowering and supporting SMSF members on their investment journey

A study of Self Managed Super Funds (SMSFs)
February 2016





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About the research



The study was undertaken to better understand the dynamics of the Self Managed Super Fund market, with a specific focus on the gender, generational and other demographic differences in relation to managing an SMSF. While the study looked at a number of demographic considerations, a key objective was to examine the difference in behaviours, confidence and market outlook between men and women.

The research was developed and conducted by Galaxy Research among a national sample of Australian consumers which included 801 SMSF members and trustees and 535 without an SMSF aged 18 years and older.

Respondents were sourced from TEG Rewards' proprietary panel of more than 1 million Australian consumers. The respondents were distributed throughout Australia, including both capital city and non-capital city areas.

Following the completion of interviewing, the data was weighted by age, gender and region to reflect the latest ABS population estimates.

In this report, respondents have been categorised as Generation Y (Gen Y), Generation X (Gen X), Baby Boomers and Traditionalists. The age groups that are identified as being part of each generation are:

- Gen Y: 18-34 years
- Gen X 35-49 years
- Baby Boomers: 50-64 years
- Traditionalists: 65 years and older.

This report was commissioned by Commonwealth Bank in conjunction with the SMSF Association.

About Commonwealth Bank

Commonwealth Bank (CommBank) is Australia's leading provider of integrated financial services, including retail, premium, business and institutional banking, funds management, superannuation, insurance, investment and share-broking products and services. The Group is one of the largest listed companies on the Australian Securities Exchange and is included in the Morgan Stanley Capital Global Index. CommBank aims to excel at securing and enhancing the financial wellbeing of people, businesses and communities.

www.commbank.com.au

About the SMSF Association

The SMSF Association is the peak professional body representing the SMSF sector throughout Australia. The Association's mandate is to lead the professionalism, integrity and sustainability of the SMSF sector. Its core focus is to raise the standard of advice provided by all professionals to the SMSF industry and to assist the SMSF trustee make informed decisions for their future retirement. The SMSF Association is committed to promoting a high standard of education among SMSF professionals and trustees and assisting them to work within the regulatory framework, to enable the industry to self-regulate and promote best practice.

The Association exists to continually improve the quality of advisors, the knowledge of trustees and the credibility and health of a vibrant SMSF community.

www.smsfassociation.com





SMSFs are a leading growth sector playing a very important role in the Australian investment market. More than one million¹ Australians are members of a Self Managed Super Fund (SMSF), representing a total investment pool of \$576 billion², and they have unique requirements as they seek to build their pre and post-retirement investment portfolios.

Foreword

As such, Commonwealth Bank in partnership with SMSF Association has undertaken a study conducted from a national sample of 801 SMSF trustees and 535 consumers without an SMSF to investigate the differences in behaviour and outlook for SMSF members.

The SMSF market continues to experience consistent growth, and for the year to September 2015 it was no different, with assets growing at 4% and trustee numbers at 5%³.

Within the SMSF community, there are many different types of investors that demonstrate significantly different behaviours. In particular, this report looks closely at gender and

generational differences, and reveals that behaviours, market knowledge and outlook differ markedly across the various demographics.

Overall, the study highlights the need for financial advisors and SMSF members to consider the often significant differences that exist between trustees of different ages and genders when building their SMSF portfolio. Particularly when looking at supporting women and their SMSF needs, there is an opportunity to provide more support that takes into account the key insights and findings of this research, with education being one of the most important factors in empowering all SMSF members.

Confidence, outlook and performance

With diversity amongst SMSF membership comes a variation between genders and age groups in how they view the outlook for many of the most common asset classes and their confidence in setting up and managing an SMSF.

The research shows a significant difference in these areas for men and women, and across the four generations that comprised the survey sample.

Women and SMSFs – support and education for an important and large segment of SMSF members.

With women making up 47%⁴ of all SMSF members, we have investigated the difference in behaviours, confidence and market outlook among males and females. Overall women indicate they are less confident than men in their understanding of all asset classes, men are also more likely to be the sole decision maker in a joint trustee scenario.

Interestingly, when asked to consider the longer life expectancy amongst women, more than half of all SMSF trustees believe women should adopt more aggressive investment strategies so they can better support themselves in retirement. It is important to consider a range of factors when formulating and executing on an investment strategy, and each SMSF should determine their risk appetite and understand their portfolio options to ensure that the SMSF is suited to their individual needs.

Life events can have a significant impact on your SMSF

With 42% of trustees experiencing major events in their life that could impact their SMSF, it is important to consider the best management approach should these events occur. The research looks closely at events such as divorce, a break from work, or the death of a co-trustee.

One of the primary findings is that flexibility is important for SMSF trustees in the context of contributions to ensure that investment portfolios are sufficient to support SMSF members in retirement. Perhaps not surprisingly, almost half of SMSF trustees would like more flexibility in the timing and amount of personal contributions they can make each year to allow them to catch up on their super after taking a break from work to care for family.

Following a separation, divorce or death of a co-trustee, women are more likely to make changes to their SMSF to align with their own investment goals while men are more likely to maintain the strategies already in place. In addition, just under half of all SMSF trustees don't have an estate plan in place should the death of a co-trustee occur.

Younger generations are more self-sufficient and have higher understanding of complex asset classes

Interestingly, the study found that Gen Y overall are more optimistic than older generations about the future outlook for different asset classes, including cash and bonds, and more confident in managing asset classes such as alternative investments, hybrid securities, cash management accounts (CMAs) and structured products.

One in five Gen X SMSF trustees say they set up their SMSF because they wanted to use their super to invest in property. Similarly, when compared to older SMSF trustees, a considerably higher proportion of Gen Y and Gen X say they set up their SMSF to gain access to borrowing via super.

Advisors also appear to have a greater influence on older SMSF trustees, with Gen Y less likely than other generations to say they set up their SMSF on the advice of their financial planner.

We hope the results of this report are informative for SMSF trustees and financial advisors, and helps both to better understand important trends, insights and unique behaviours in a rapidly changing and dynamic marketplace.

Marcus Evans,
Head of SMSF Customers,
Commonwealth Bank

Andrea Slattery,
Managing Director/CEO,
SMSF Association

¹ ATO quarterly report – September 2015

² APRA quarterly superannuation performance statistics – September 2015

³ ATO quarterly report – September 2015

⁴ ATO quarterly report – September 2015

Main findings

The dynamics of the SMSF market

The research unearths interesting contrasts between SMSF trustees of different genders and generations. In particular, it highlights variations in confidence and satisfaction levels in relation to establishing and managing their fund. Findings both confirm and extend commonly held views about trustees when compared with individuals who don't manage their super.

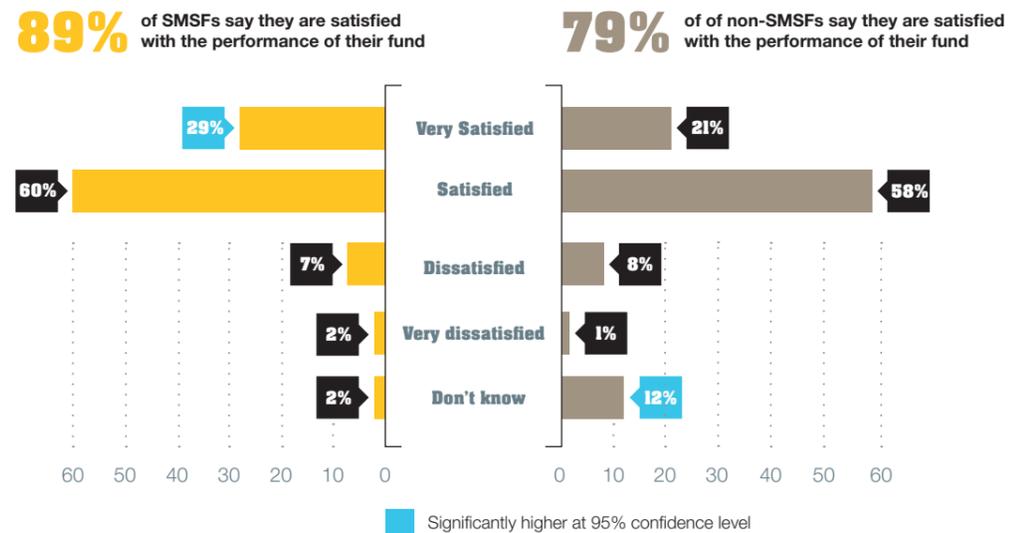
Firstly, according to the survey results, SMSF trustees looking to retire have indicated the average age they will be able to afford to do this is 63 years.

In this study, SMSF trustees continue to reinforce that the key reasons for setting up an SMSF are to gain more control over investments/choice of shares/property (59%), flexibility (40%) and to save money on fees (40%).

Overall customers with SMSFs are quite or very confident (82%) in managing their personal finances compared to people without an SMSF (72%). In addition, the survey reveals that SMSF trustees are more satisfied with the performance of their superannuation fund (89%) than non-SMSF customers (79%).

The study also found that 42% of SMSF trustees have had an event occur in their life since starting their SMSF that has had significant implications for the management of their superannuation

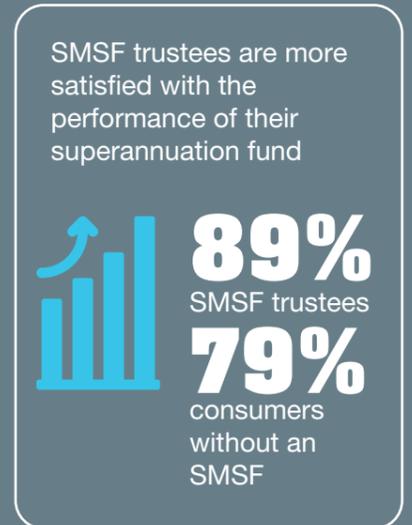
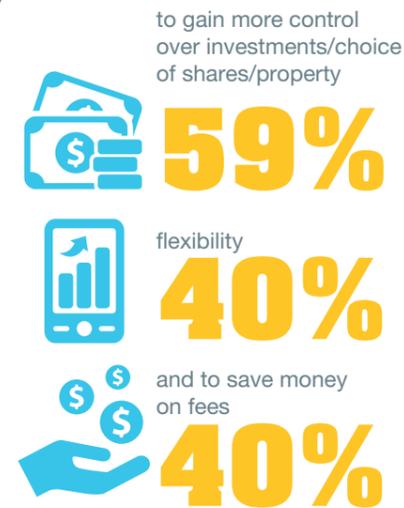
SMSF trustees are more likely to be satisfied with the performance of their superannuation fund



n=801
How satisfied are you with the performance of your self-managed superannuation fund?

n=535
How satisfied are you with the performance of your main superannuation fund?

The key reasons for setting up an SMSF are



Women and SMSFs

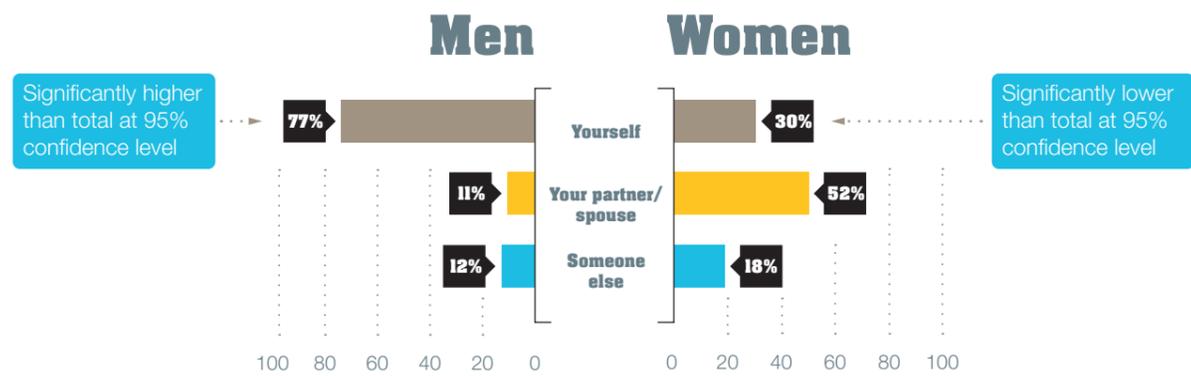
Establishment, management and outlook

Control, flexibility and saving money on fees are the top three reasons for establishing an SMSF, which is consistent with other industry data sources.

However, men cited they are more likely than women to set up their own SMSF to gain more control over their investments (55% compared to 45%), to be able to choose specific shares to invest in (23% compared to 15%), because they believe they can make better investments than super fund managers (19% compared with 13%) and because of their poor performance of previous super fund (18% compared with 11%).

When looking at the confidence of men and women in relation to their SMSF, there is a significant difference. The research reveals that 83% of men indicate they are very or quite confident in managing their SMSF, compared with only 62% of women. This survey also showed that among SMSF members whose fund has multiple trustees, men (77%) are more likely than women (30%) to have initiated the establishment of their SMSF.

Men are more likely than women to have initiated the establishment of their SMSF



n=577; have 2 or more trustees in SMSF
Who initiated the establishment of your SMSF?

Confidence

83% **62%**

Men with an SMSF are more likely than women to say they are very or quite confident in managing their SMSF

Initiated

77% **30%**

Men far more likely than women to have initiated the establishment of their SMSF

Men are more likely than women to set up their own SMSF to gain more control over their investments

55% compared to **45%**

Women and SMSFs

Gender and asset classes

The research illustrates some substantial gender differences when looking at the understanding and outlook for a range of asset classes that could be included in an SMSF investment portfolio.

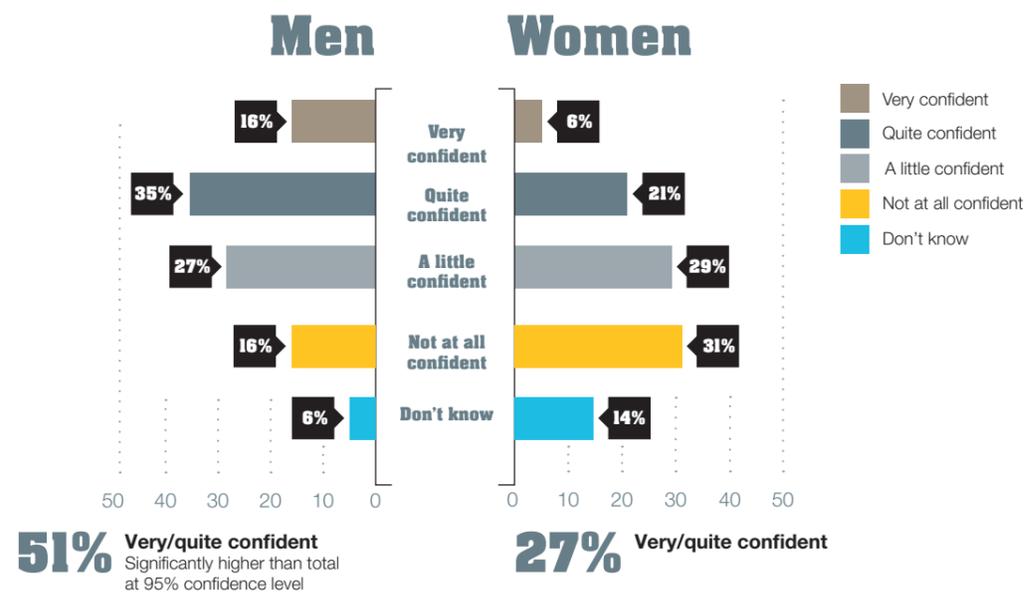
Men are more likely than women to invest in Australian shares (55% compared to 46%), bank cash management accounts (CMAs) (23% compared to 15%) and hybrid securities (11% compared to 4%).

In terms of outlook, SMSF trustees believe the assets that will fare the best are investment properties (43%), Australian shares (39%), international shares (34%) and managed funds (34%). In addition, men are more optimistic than women about the outlook for international shares (39% compared to 28%).

In general, men are more confident in their understanding of different asset classes compared to women. Confidence in understanding of share trading showed some of the biggest gaps between men and women, specifically in relation to Australian shares, international shares and Exchange Traded Funds (ETFs).

Interestingly, when asked to consider the longer life expectancy amongst women, more than half of all SMSF trustees (56%) believe women should adopt more aggressive investment strategies so they can better support themselves in retirement.

How confident are you that you know the level of international exposure among different asset classes?



n=801
How confident are you that you know the level of international exposure among different asset classes?

MEN 53%
& BABY BOOMERS 37%
are well represented among SMSF trustees

SMSF trustees are more likely to be retired, small business owners and white collar workers

SMSF trustees are more likely to prefer to be very organised when it comes to non-financial aspects of their life

SMSFs have a higher level of education and household income on average than those without an SMSF

Overall, SMSF trustees tend to be more health conscious and engage in more frequent moderate to high intensity physical exercise

MORE THAN HALF OF SMSFs 56%
believe women, because they live longer on average, should adopt more aggressive investment strategies so they can better support themselves in retirement

Women and SMSFs

Dynamics of joint trustees

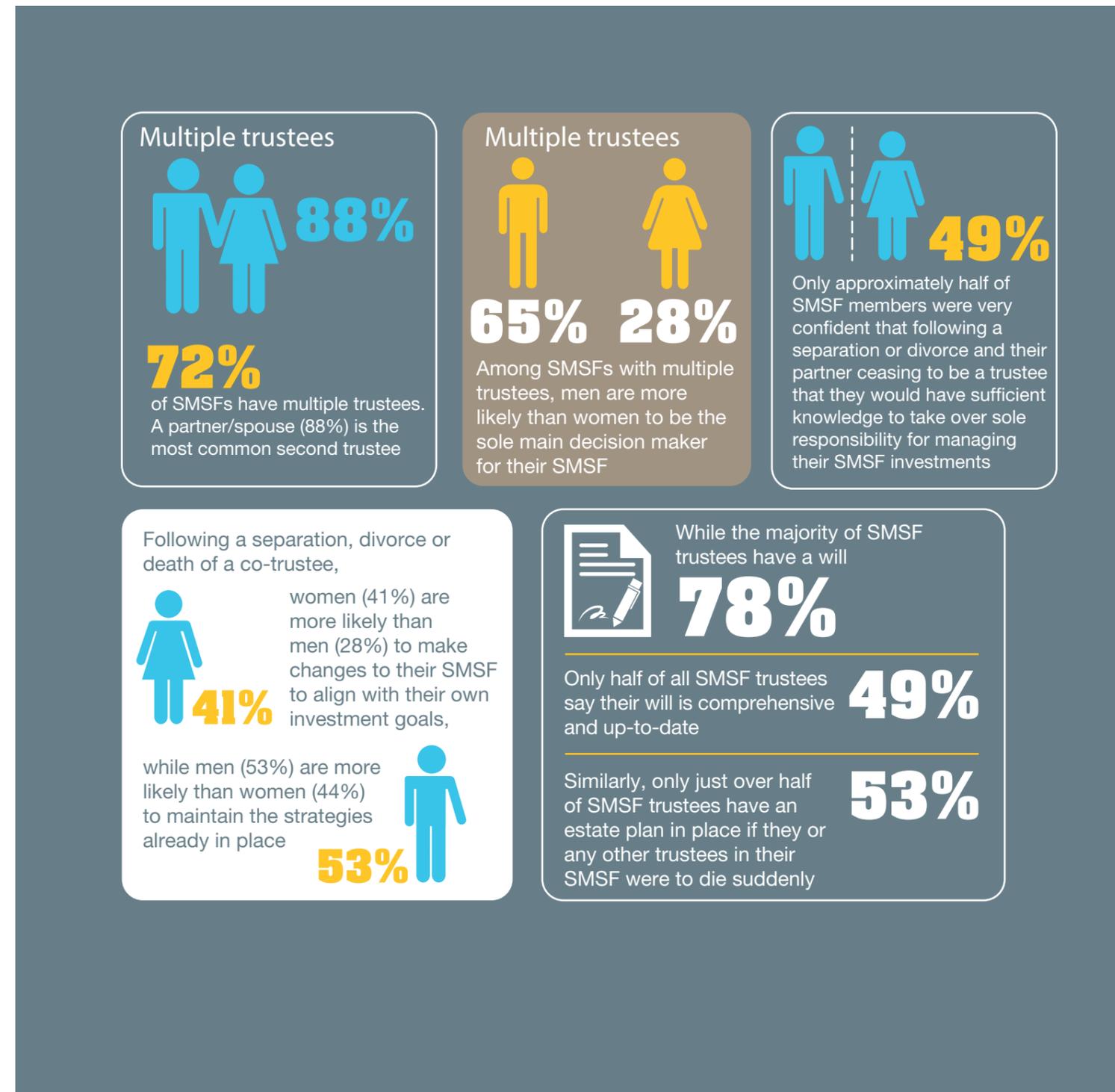
According to the research, SMSFs with more than one member make up 72% of all SMSFs, where SMSFs have two members, the most common is spouses/partners (88%).

Among SMSFs with multiple trustees, men (65%) are significantly more likely than women (28%) to be the sole main decision maker for their SMSF.

Less than half (49%) of SMSF trustees were very confident that following a separation or divorce and their partner ceasing to be a trustee that they would have sufficient knowledge to take over sole responsibility for managing their SMSF investments.

After separation, divorce or death of a co-trustee, women (41%) are more likely to make changes to their SMSF in line with their own investment goals while men are more likely to maintain the strategies already in place (53%).

While the majority of SMSF trustees have a will (78%), only half of them say their will is comprehensive and up-to-date (49%). Similarly, only just over half of SMSF trustees (53%) have an estate plan in place that covers their family if they or any other trustees in their SMSF were to die suddenly.



Women and SMSFs

Impact of significant life events on super

More than four in 10 SMSF trustees (42%) have had an event occur in their life since establishing their SMSF that could have significant implications for the management of their superannuation.

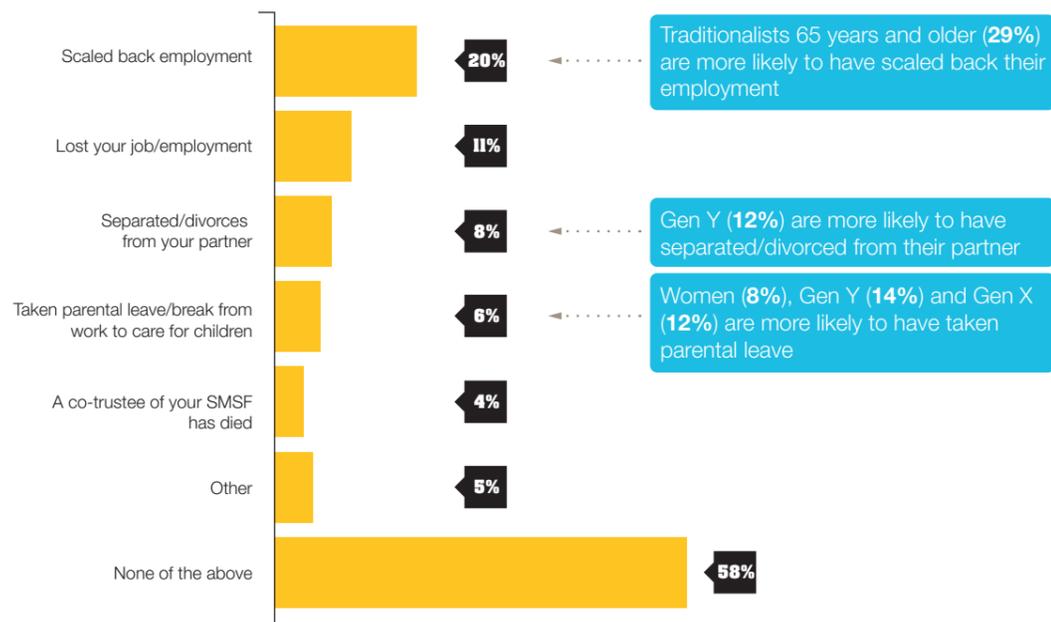
Among SMSF trustees who have taken parental leave, more women (61%) than men (27%) say they now have less super than they otherwise would have had if they hadn't taken a break from work to care for family.

Over half of SMSF trustees who have taken parental leave (55%) made additional contributions to their superannuation to cover the period when they would not have any income.

Interestingly, just under half of SMSF trustees (47%) would like more flexibility in the timing and amount of personal contributions people can make each year to allow them to catch up on their super after taking a break from work to care for their family.

For those SMSF trustees that took parental leave, four in 10 indicated that they will now be older before they will be able to afford to retire. In addition, among working SMSF trustees, 50 years and older, women (61%) are more likely than men (45%), to want to reduce their working hours when making the transition to retirement, whilst maintaining their overall income level.

Impact on life events of an SMSF trustee



n=801
Since starting your SMSF, have any of these events occurred in your life?

Traditionalists 65 years and older (29%) are more likely to have scaled back their employment

Gen Y (12%) are more likely to have separated/divorced from their partner

Women (8%), Gen Y (14%) and Gen X (12%) are more likely to have taken parental leave

More than four in 10

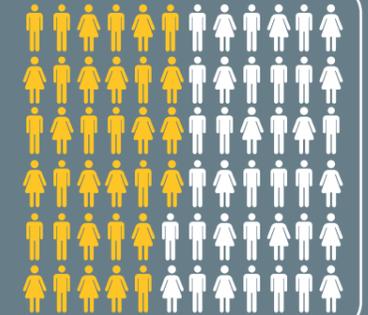
42%

of SMSF trustees have had an event occur in their life, such as a divorce, since starting their SMSF that could have significant implications for the management of their superannuation



47% of respondents

After taking a break from work to care for family, almost half of SMSF trustees would like more flexibility in the timing and amount of contributions they make each year to allow them to catch up on their super



Parental Leave



61% **27%**

Among SMSF trustees who have taken parental leave, more women than men say they now have less super than they otherwise would have if they hadn't taken a break from work to care for family

Over half of the SMSF trustees who have taken parental leave

55%

also made additional contributions to their superannuation to cover the period when they would not have any income.



Generational Differences

Baby Boomers and Traditionalists are more likely than Gen X and Gen Y to indicate that the reason they established an SMSF was to gain more control over their investments (58% compared to 40%). Accountants also play a more important role in the decision to set up an SMSF among the older generations (24%) compared to younger generations (12%).

Self employment was another factor cited as a key reason to establish an SMSF, and played a bigger role with Baby Boomers and Traditionalists versus the younger generations (22% compared with 13%).

Interestingly, Gen Y SMSF trustees indicated a more positive outlook on different asset classes than their older counterparts, and were substantially more confident in managing complex asset classes such as alternative investments, hybrid securities and structured products.

When looking at the reasons to establish an SMSF, there were also some significant differences between the generations.

Gen X (21%) were the most likely to set up their SMSF to invest in property via their super. Gen Y and Gen X (10%) are also more likely than Baby Boomers and Traditionalists (3%) to set up their SMSF to gain access to borrowing via their super.

Financial planners may need to find different ways to appeal to younger audiences. The research reveals the generational difference in using the advice of a financial planner to set up their SMSF, with older generations being more inclined to seek this type of support. The research showed that Gen Y (11%) indicate they are less likely than Gen X (25%), Baby Boomers (27%) and Traditionalists (29%) to have set up their SMSF after advice from a financial planner.



GEN Y

tend to be more optimistic about the future outlook for different asset classes than older generations

GEN Y

are more confident in managing complex asset classes such as alternative investments, hybrid securities and structured products

GEN X

21% most likely to say they set up their SMSF



because they wanted to invest in property via their super

GEN X & GEN Y

are more likely – **10%**

to say they set up their SMSF to gain access to borrowing via their super than

Baby Boomers and Traditionalists **3%**

GEN Y 11% are less likely than

GEN X 25%
BABY BOOMERS 27%
TRADITIONALISTS 29%

to say they set up their SMSF on the advice of their financial planner

Conclusion

The SMSF market represents an important and growing segment of the Australian investment market.

This study highlights that SMSF trustees are not all the same. The market is comprised of many different types of investors, each with their own unique behaviours, requirements and investment objectives.

The diversity of experiences and attitudes of SMSF trustees is particularly evident when examining gender differences, with the report finding there is a gender gap in their level of confidence about both the management of their super fund and understanding of asset classes.

This is a significant revelation given women account for 47%⁴ of all SMSF members.

This study was undertaken to assist all industry stakeholders in their understanding of the SMSF market. By providing more clarity around the different types of SMSF investors and highlighting their unique behaviours and requirements, the industry is able to better support SMSF customers in realising their retirement aspirations.

The Commonwealth Bank, in partnership with the SMSF Association, looks forward to unlocking further insights into the unique behaviours and motivations of SMSF trustees as the market continues to evolve.



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Self Managed
Super Fund
Association



Things you should know:

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