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Regulatory change and global volatility keeping SMSF investor money on the sidelines

Self-managed superannuation fund (SMSF) trustees have growing concerns on the impact of regulation and ongoing global volatility on their retirement plans with a growing number increasing cash reserves, according to AMP Capital.

Findings from annual research undertaken by AMP Capital show that more than two-thirds (65 per cent) of SMSF trustees are keeping cash in reserve due to global volatility concerns. On average, $110,000 in cash per SMSF is being held that would otherwise be invested in growth assets.

In addition, the majority (70 per cent) of SMSF trustees said they are concerned by ongoing regulatory reform to superannuation with 47 per cent of trustees planning to seek advice on how to navigate through the changes.

AMP Capital Global Head of Marketing, Digital, Innovation and Direct Tim Keegan said: “Regulatory changes to superannuation and global market volatility continue to be a concern for SMSF trustees. As a result, many investors are increasing the amount of money held in cash as a risk-reducing strategy. However, with a heavy weighting to cash, trustees could be at risk of not meeting their retirement goals.”

AMP Capital runs an in-depth survey with SMSF trustees each year to provide a snapshot of trustee investment trends. It also helps to arm financial advisers with insight and knowledge of where SMSF trustees are looking for specific advice.

While the number of SMSF trustees seeking advice increased 6 per cent in 2017, the majority (63 per cent) of trustees are still open to receiving further advice. Developing a retirement strategy (according to 30 per cent of trustees), income generation (28 per cent) and investment selection (22 per cent) are the top areas trustees are looking for advice.

Mr Keegan said: “In a period of heightened regulatory change, it’s clear that many SMSF trustees are looking for help to set up the right portfolio to reduce risk while still supporting their retirement goals. It’s an opportunity for advisers to share their expertise with new and existing SMSF clients.”

The research also revealed SMSF trustee perceptions of diversification. Close to half (47 per cent) of trustees consider a portfolio with 20 individual equity stocks to be well diversified and more than half (53 per cent) say a portfolio with a mix of domestic and global equities is well diversified. However, only 35 per cent of trustees feel that a portfolio invested across four different asset classes is diversified.

Mr Keegan commented: “The research reveals a potential concentration risk in equities for SMSF trustees. It’s important to not only consider diversification in the equities held but also across different asset classes, including infrastructure and property for example.

“The research showed 22 per cent of trustees intend to invest in managed funds over the next 12 months, with one of the main reasons to increase portfolio diversification. There’s an opportunity for advisers to discuss appropriate unlisted managed funds and active exchange traded funds available in the market to support trustees achieve this objective,” he said.

The research, now in its fourth year, is based on a quantitative online survey of nearly 700 AMP Capital SMSF investors conducted by Investment Trends to uncover the latest SMSF investor trends and insights.

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About AMP Capital

AMP Capital is a specialist global investment manager with A$187.7 billion in funds under management as of 31 December 2017 and more than 250 investment professionals serving our clients from offices in Sydney, Wellington, Hong Kong, Beijing, Tokyo, New Delhi, London, Chicago and New York. AMP Capital has a heritage and strength in real estate and infrastructure, and specialist expertise in fixed income, equities and multi-asset solutions. It is a subsidiary of AMP Limited, which was established in 1849, and is one of Australia's largest retail and corporate pension providers.