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MAKING MONEY

A grid girl with financial grunt – PAGE 28

DIY option not a super choice for everybody

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SINKING superannuation returns are tempting people to think about taking a do-it-yourself approach, but financial experts warn it pays to be wary.

Self-managed super funds are the fastest-growing part of the $1.1 trillion superannuation sector and are forecast to be the biggest component within 10 years.

Latest data from the Australian Prudential Regulation Authority shows there are 379,000 SMSFs nationally, growing at the rate of 2000 new funds a month, with 730,000 fund members.

However, jumping on the SMSF bandwagon can be bad for your financial health.

The key barrier is the super balance you need to make a SMSF cost-effective. Depending on who you ask, this figure varies widely, from about $200,000 to above $500,000.

Both figures are much higher than the average Australian's super balance of well below $100,000. Another barrier involves the complexity and regulations of running a self-managed fund.

The chief executive of the Self-Managed Super Funds Professionals' Association of Australia, Andrea Slattery, said anyone unprepared to understand the regulations was unlikely to be an ideal SMSF candidate.

"They don't suit people who don't have the time or the interest," she said.

Perpetual Private Wealth state manager John Hender said share market turmoil had resulted in people moving money both into and out of SMSFs.

"Anecdotal evidence from our seminars, and from talking with clients and accountants, suggests that with the unrest of this bear market there are some SMSF clients who, disappointed with their own investment results,

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have moved back to public-offer managed funds," he said.

"And we've seen a number of people do the reverse."

Prescott Securities financial adviser Nick Loxton said investors who refused any outside assistance or advice could run into problems.

"Due to the unpredictability of today's financial markets, you are now facing even greater risks if you make a wrong investment decision," he said.

"Some over-confident SMSF trustees take DIY to the extreme and choose to shun outside advice when making their investment decisions.

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DIY not a super choice for all

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"Even if you have the expertise and market knowledge of a leading global fund manager, this can be a dangerous strategy.

We find the most successful SMSF trustees are those who take an active interest in the running of their fund but still utilise quality research and advice to make informed and educated decisions."

Adelaide financial strategist Theo Marinis said people who were worried by this year's negative super returns should not doubt their existing super. "Unlike a daily bank account, super should be thought of in terms of five-year blocks," he said.

"When viewed from this perspective, despite the biggest downturn in the markets in 21 years, $100,000 invested in super on July 1, 2003, would still have been worth $152,300 five years later."

Mr Marinis's figure is based on a Russell Investments balanced fund but is representative of the overall sector.

"It is a long-term investment," he said.

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