DIY super sets blistering pace

Bianca Hartge-Hazelman

The fastest growing sector in retirement savings is showing no signs of slowing down: latest data shows that the amount of money in self-managed superannuation has risen $3 billion in three months to $418 billion as 7500 more funds were established.

But the average fund balance fell slightly, to $916,746 from $926,196, according to figures released by the Australian Tax Office.

The small drop in balances may be partly because of funds losing money on share investments rather than shifting to more defensive assets such as cash and term deposits.

The value of self-managed funds' investment in shares fell 2 per cent from $143 billion in the March quarter to $139 billion at the end of June.

Investment in the defensive asset class increased from $110 billion to $114 billion. Investment in direct residential real estate grew from $14 billion to $14.5 billion.

SMSF Professionals Association of Australia chief executive Andrea Slattery said the move towards cash could reflect a flexibility in the way in which investments and decisions were being made, or more people might be moving into the pension phase.

The number of new funds established during the quarter rose to 7466, while only 64 funds were wound up, taking the total number of SMSFs to 456,472.

During the 2011 income year, 32,619 funds were set up – the most since 2007, when 40,765 were created.

The spike in net establishments during the 2007 income year reflected a Howard government initiative that allowed people to put as much as $1 million into their superannuation during that year. Superannuation limits have since been reduced by both political parties in government.

KEY POINTS

- In the March quarter, 7466 funds were established, taking the total number of SMSFs to 456,472.
- The average fund balance fell slightly, to $916,746, from $926,196.
- Investment in shares fell 2 per cent.

The number of funds which exceeded the $1 million mark also climbed. During the 2010 financial year, 16,360 SMSFs moved into the magical million account balance range.

Ms Slattery said this indicated that people were growing the balances of their funds and that the sector was continuing to perform well.

Those with the highest account balances were also more bullish about investing in the sharemarket, despite its volatility. During the 2010 income year, SMSFs with balances of between $1 million and $2 million increased their exposure to listed shares by 3.26 per cent, while those with $10 million or more increased their allocations by 5.33 per cent.

By contrast, the number of SMSFs with balances below $200,000 fell to 24.2 per cent of funds.

Self-managed schemes continue to appeal to people aged 55 years and over, who represented nearly 56 per cent of all funds at the end of the June quarter. People aged 35 to 44 accounted for just 13.8 per cent.

Men (53.6 per cent) outnumbered women in SMSFs, but women were more active members in the sector before reaching the age of 55, when more men set up funds.