Publication: The West Australian; Date: Jun 3, 2013; Section: West Business Liftout; Page: BUS7

PROMOTERS ON A WARNING

Watchdog growls at spruikers

Neale Prior

Superannuation is a $1.5 trillion honey pot, so it is no wonder it is being eyed off by every type of investment promoter from bond fund managers to apartment promoters.

And one of the best ways of getting your hands on the sweet stuff is to persuade a person to release their savings from their boring old industry fund and, to borrow the words from sales brochures, take control of their financial future with a self-managed superannuation fund (SMSF).

The Australian Securities and Investments Commission says it is working to stop DIY super becoming the vehicle of choice for property spruikers, who have been aggressively promoting investors to set up SMSFs then borrow money to buy into their hot deals.

The trick here is that the spruikers tap into investor anguish about poor recent returns through mainstream superannuation funds and ignorance about basic principles of diversification, market fluctuations, independent advice and investment selection.

It was clear from talking to financial and superannuation experts at the Outlook Series with Curtin Business School that this was an upside-down way of deciding to embark on a DIY super project.

Actuary and superannuation industry veteran Michael Heffernan, of global group Mercer, said an SMSF could work with people who were well informed, understood their own risk tolerance and profile, and had good external investment advice they could trust.

They also need to have the time to run their own investment portfolio.

"If you want to spend your life in retirement and you want to go away for a month, do you want to be away when something happens to the market," Mr Heffernan said. "Should I take some action now?

"Some people are well suited, but there are people who have gone into it for whom it is not well suited."

> It is not really all that smart to go into an SMSF just because someone has a you-beaut property deal to sell you.

Smith Coffey principal Stephen Jones said the only real difference between an industry fund and self-managed fund that was the public fund had a trustee that the investor did not control.

Mr Jones said if it was not going to cost any more to have your superannuation in your own name, it might be worth having an SMSF. Also, an investors might be considering a property investment but "quite often that does not translate to being a benefit".

Peter Nicol, a superannuation specialist at accounting firm RSM Bird Cameron, said he talked a lot more people out of going into DIY superannuation funds than he had put into them.

Mr Nicol said that many of the 5000 clients at his firm sought financial advice from external sources, ranging from active advice to the occasional review. It included people who might receive quasi financial advice from a stockbroker who gave them some hints and tips about potential investments.

He said it was highly questionable whether people who had their money tucked away in cash and did not get any proper financial advice should consider DIY super. The Wealth Designers financial planner Troy Macmillan said people had to find strategies to maximise the probability of achieving their financial goals.

When talking about superannuation, this included salary sacrifice or transferring other assets, such as shares or property.

Mr MacMillan said the next decision was the investment structure, which could include a superannuation fund or a family trust.