



SMSF – The next gen

While self-managed super funds have long been the preserve of older Australians with time on their hands and large superannuation balances, new data suggests that younger Australians are increasingly choosing to take direct control of their superannuation savings.

According to the Self-managed Super Fund Quarterly Report for September 2022, published by the Australian Tax Office, more than one in ten members of a self-managed super fund are aged under 45 years.

More, there is significant industry data suggesting that it is 'Millennials' and 'Gen Y' Australians who are quickly becoming the fastest growing segment of people becoming new self-managed super fund account holders.

Data from the Australian Investment Exchange (AUSIEX) suggests investors born between 1981 and 1996 accounted for 10 per cent of all SMSFs established across its network since 2020.

That represents twice the number of Millennials setting up SMSFs between 2016 and 2019 and five times more than pre-2013 levels. The number of SMSFs established by Generation Z investors also doubled in the past 12 months, according to their records.

This supports other industry evidence that young Australians are increasingly taking a much greater interest in their financial situation, with many turning to a self-managed super fund to take direct control of their superannuation savings.

Much of this is due to the simple fact that the advent of compulsory superannuation means more and more twenty- and thirty-year-olds have a significant nest egg to manage beyond their property assets, compared to the situation forty years ago.

Self-managed super funds offer Millennials and Gen Y Australians alike the ability to take full control of their super. They can choose bespoke life insurances policies to be held within their funds and they can decide exactly what sort of investments they want to make with their superannuation.

This is bolstered by the growing number of online trading platforms that directly market their services to younger Australians and have opened the door to trading superannuation savings directly in shares both in Australia and overseas, exchange traded funds, and directly investing in cryptocurrency.

The combination of these factors means more and more younger Australians are taking an interest in their financial affairs and, as part of that, making their own decisions regarding their superannuation savings by starting a self-managed super fund.

Nonetheless, the same difficulties confront younger Australians as older Australians in deciding to create and then run their own fund.

Self-managed funds can cost up to \$4,000 or more to establish and then a further \$4,000 or more each year to ensure that all accounts, tax returns and other annual compliance documents are filed.

While you can set up a self-managed super fund with a relatively small amount of money, in terms of the comparative costs of doing so, they only make sense for investors who hold \$200,000 or more in superannuation savings.

There are also significant responsibilities involved in running your own super fund. Many people find them extremely time-consuming, especially those super fund owners who choose to research and make their own investment decisions.

It is also important to ensure that you appoint appropriate advisers to undertake key responsibilities, such as providing taxation and audit advice, as failure to comply with these laws ultimately becomes the responsibility of the owner of the fund. Failing to comply with these requirements can result in costly penalties.

While taking more interest in your financial position is always a good thing, setting up a self-managed super fund can be a big step involving taking on considerable responsibilities. As a result, it is essential to seek advice from a professional adviser skilled in providing advice to self-managed super funds to ensure that doing so is the right step for you.

Sources:

<https://www.ato.gov.au/> "Self-managed super fund quarterly statistical report – September 2022", Australian Taxation Office (30 November 2022)

<https://axis.ausiex.com.au/> "Self-managed super funds increasingly for the Ys and the Zs", Australian Investment Exchange Limited Media Centre (12 November 2021)

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