



Key highlights from the Vanguard/Investment Trends 2021 SMSF Investor Report

Deep Insights Research

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The Vanguard/Investment Trends SMSF Investor Report

Research purpose

The **16th edition** of our research uncovers SMSF trustees' approach towards managing their SMSF, their attitudes towards advisers and their investment goals.

Research methodology

Quantitative online survey conducted between **March and April 2021**

It is to our knowledge the largest scale and deepest dive study into SMSF trustees.

Respondents came from a wide range of sources, including the Investment Trends panel. **Statistical methods were then used to calibrate** the sample collected to ensure it was representative of the target groups.

Total number of responses in each target group after data cleaning and validation: **n=2,523 SMSF investors**, maximum sampling error[^]: +/-2.0%

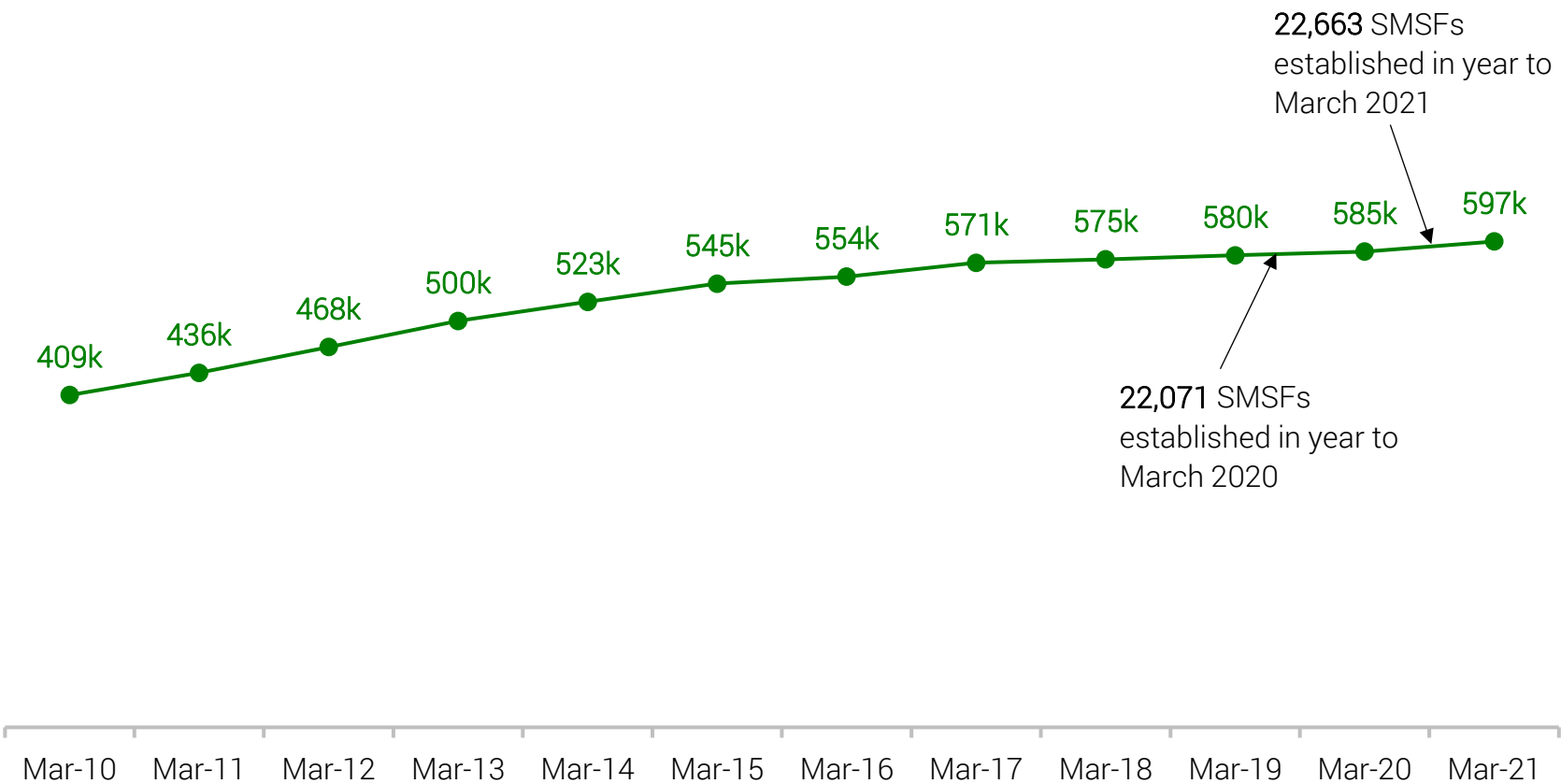
[^] 95% confidence interval, centre of the range. Smaller segments will have a larger margin of error



SMSF establishment continued to grow through
COVID-19

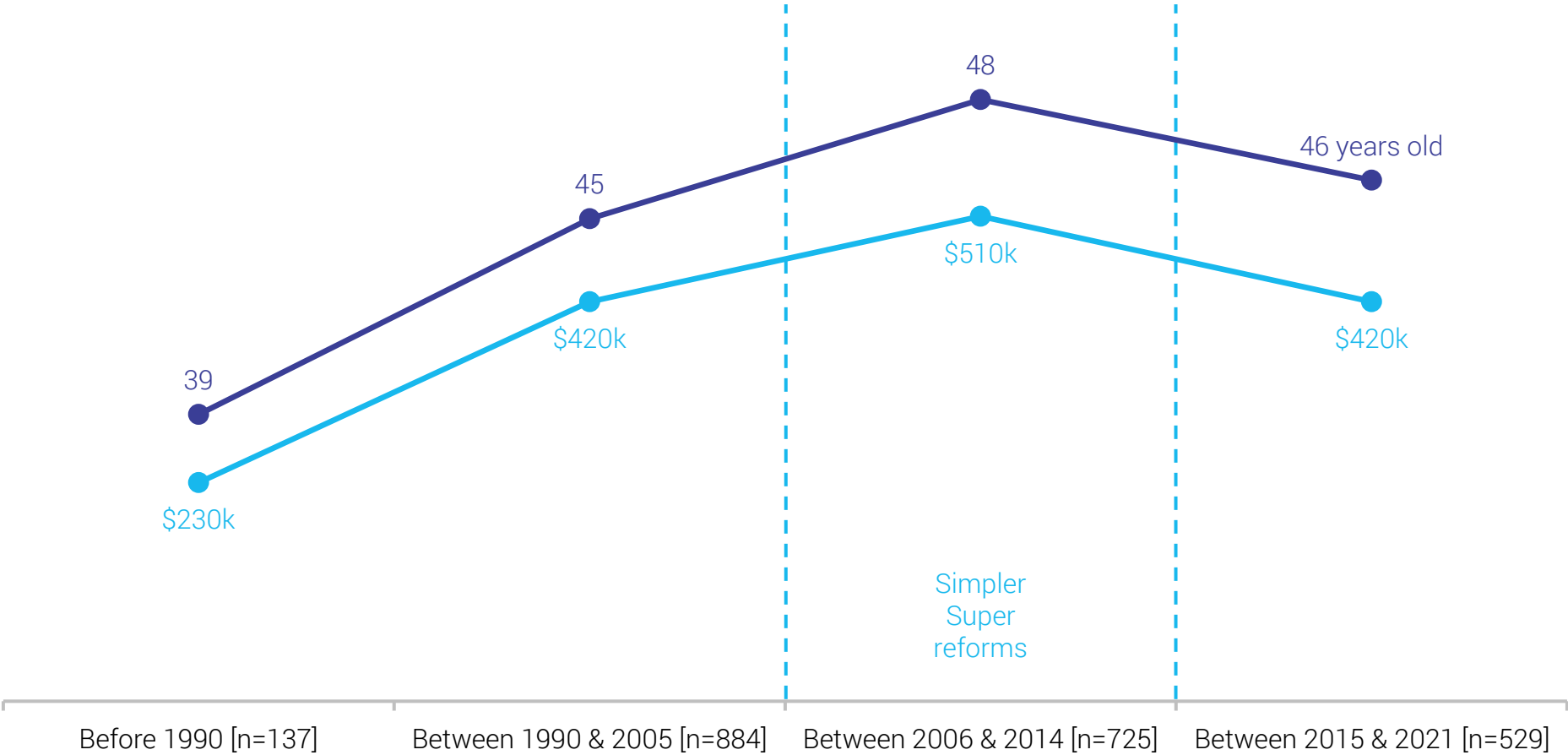
The total number of SMSFs continues to grow steadily

Number of SMSFs established
(Source: ATO Self-Managed Super Fund Quarterly Statistics Report)



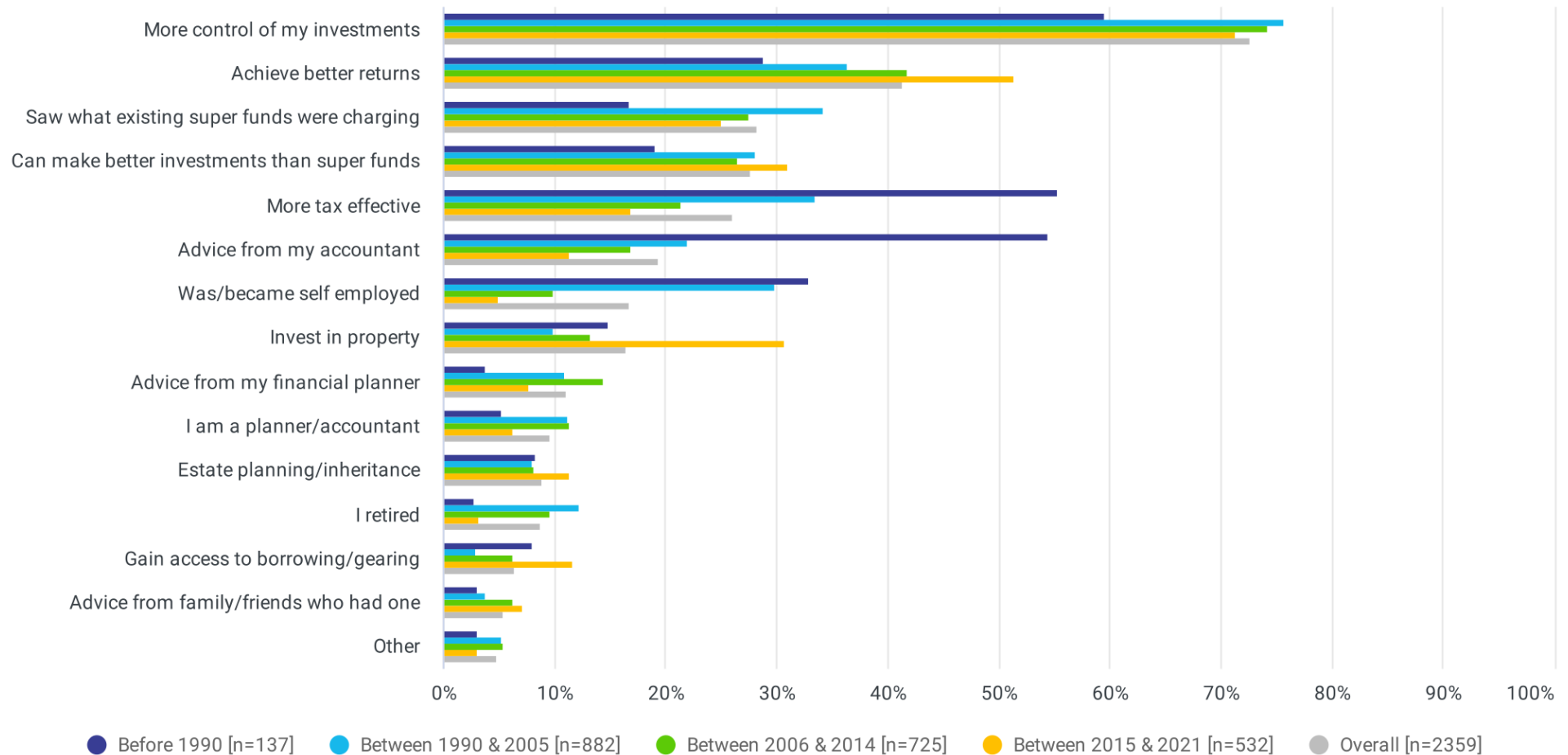
Newly established SMSFs are getting younger and are being set up at lower balances

Average age and balance
By When SMSF was established. Among SMSFs



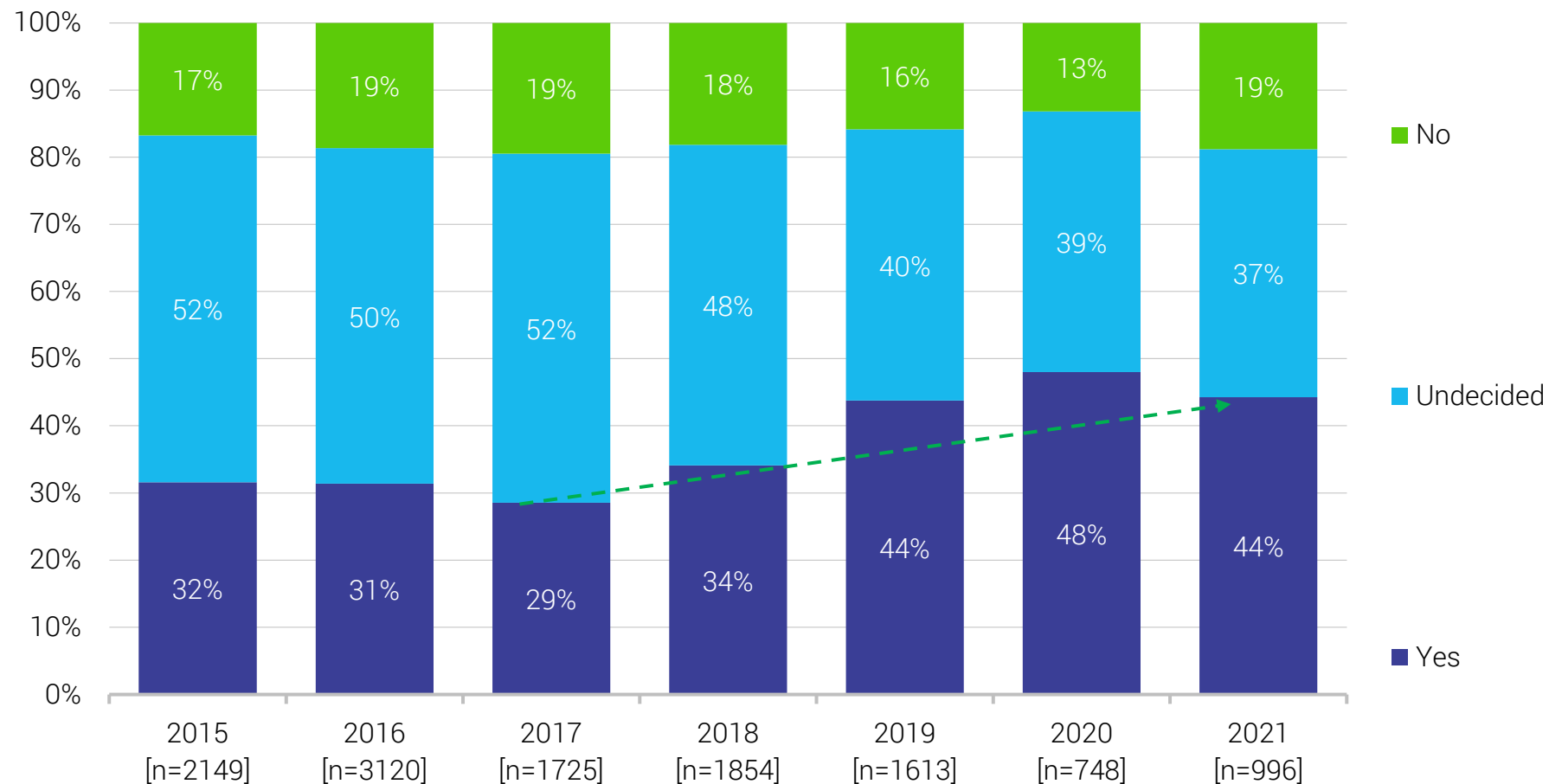
The reasons for setting up an SMSF have changed significantly over time. In recent years, a growing reason has been investors' perceptions that they can achieve better returns through an SMSF

Q2 What were the main reasons for setting up your SMSF? (Multiple responses permitted)
By When SMSF was established. Among SMSFs



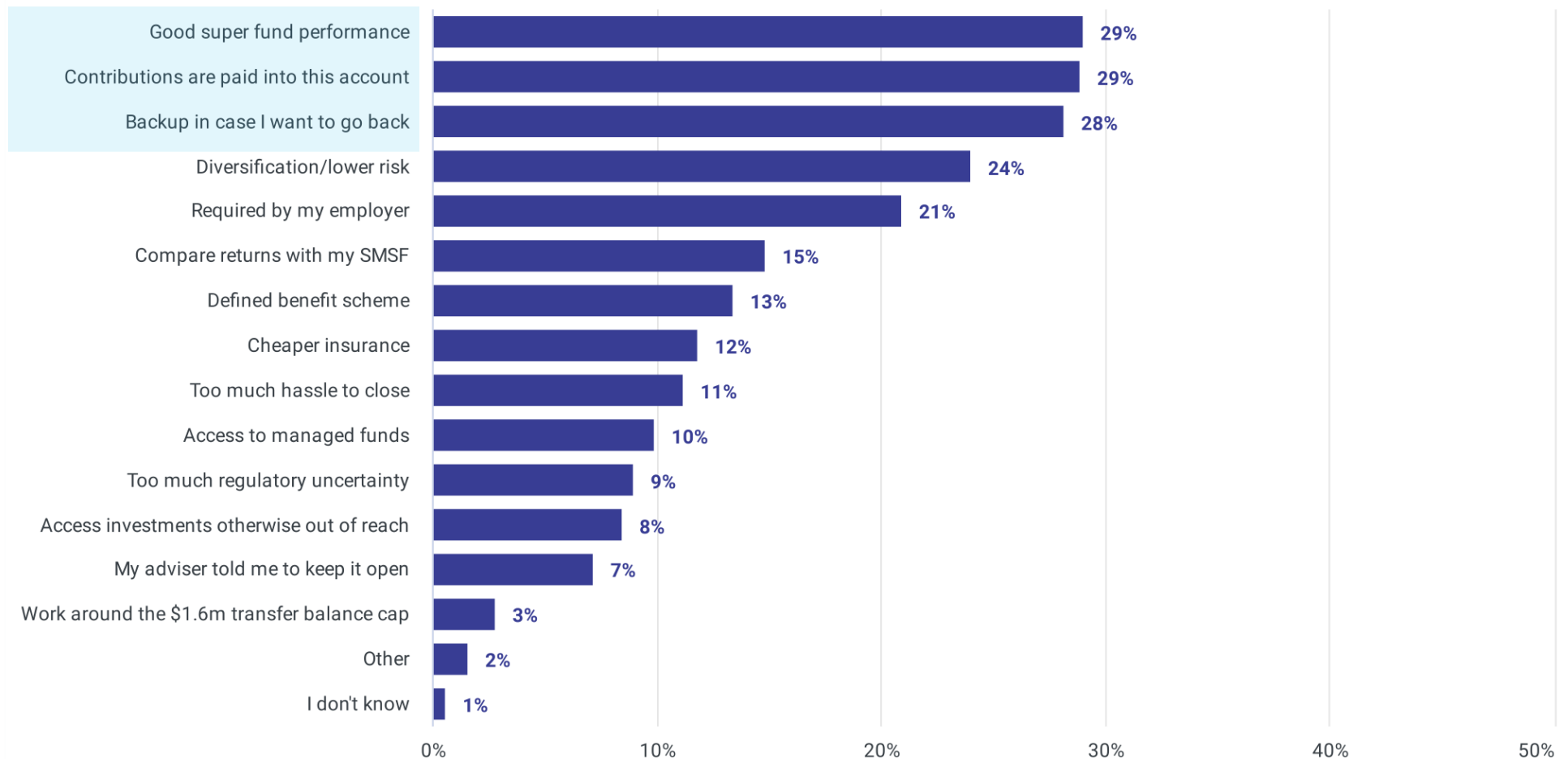
Most prospective SMSFs either intend to maintain a relationship with their current super fund after establishing their SMSFs or are yet undecided

Q14 Do you intend to keep your current super fund when you establish your SMSF?
Among potential SMSFs



Potential SMSF investors primarily want to keep their current super fund for their good performance or because contributions are paid into it. They also desire to maintain a back-up in case they change their mind

Q15 Why do you intend to keep your current super fund? (Multiple responses permitted)
Among potential SMSFs who intend to keep their current super fund when setting up an SMSF [n=448]

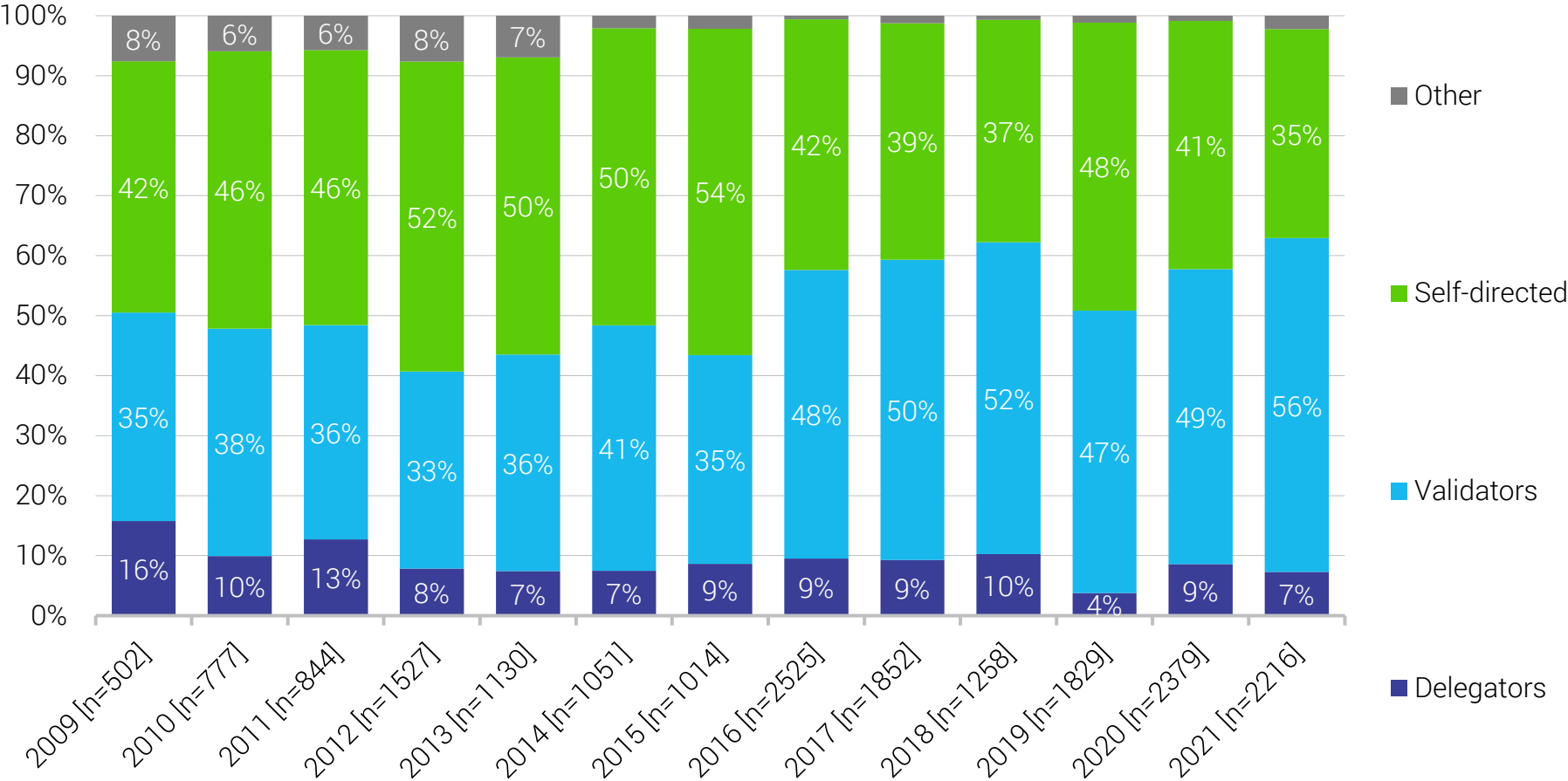




More SMSFs are warming up to financial advice

Uncertainty from the COVID-19 pandemic saw a significant shift in SMSFs' attitudes towards receiving financial advice. An increased portion of SMSF "validators" are now open to receiving financial advice

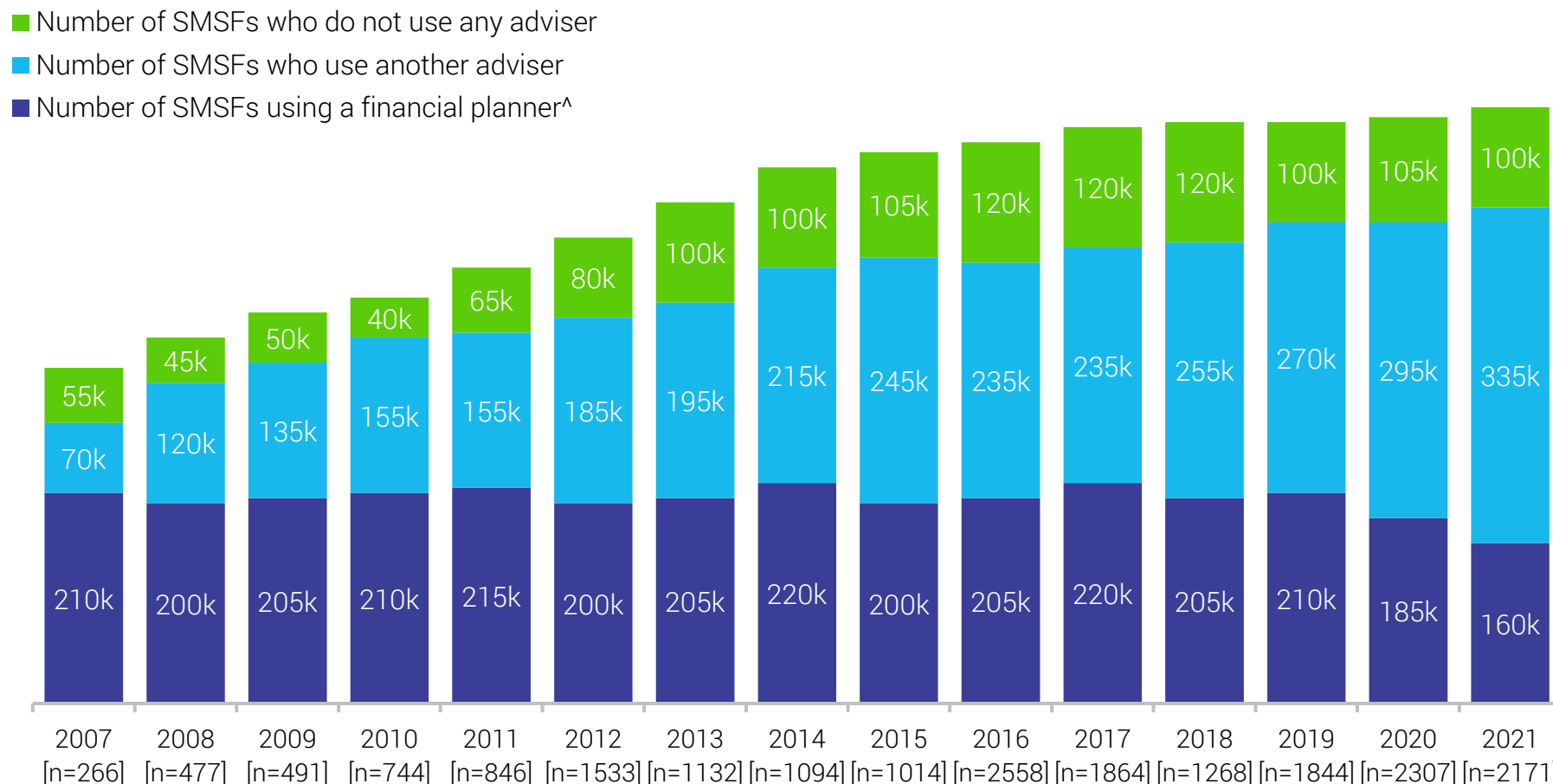
Advice personas
Among SMSFs



Note: SMSF 'delegators' delegate all decisions to financial advisers;
SMSF 'validators' use financial advisers to validate their own decisions; 'Self-directed' SMSFs do not use financial advisers

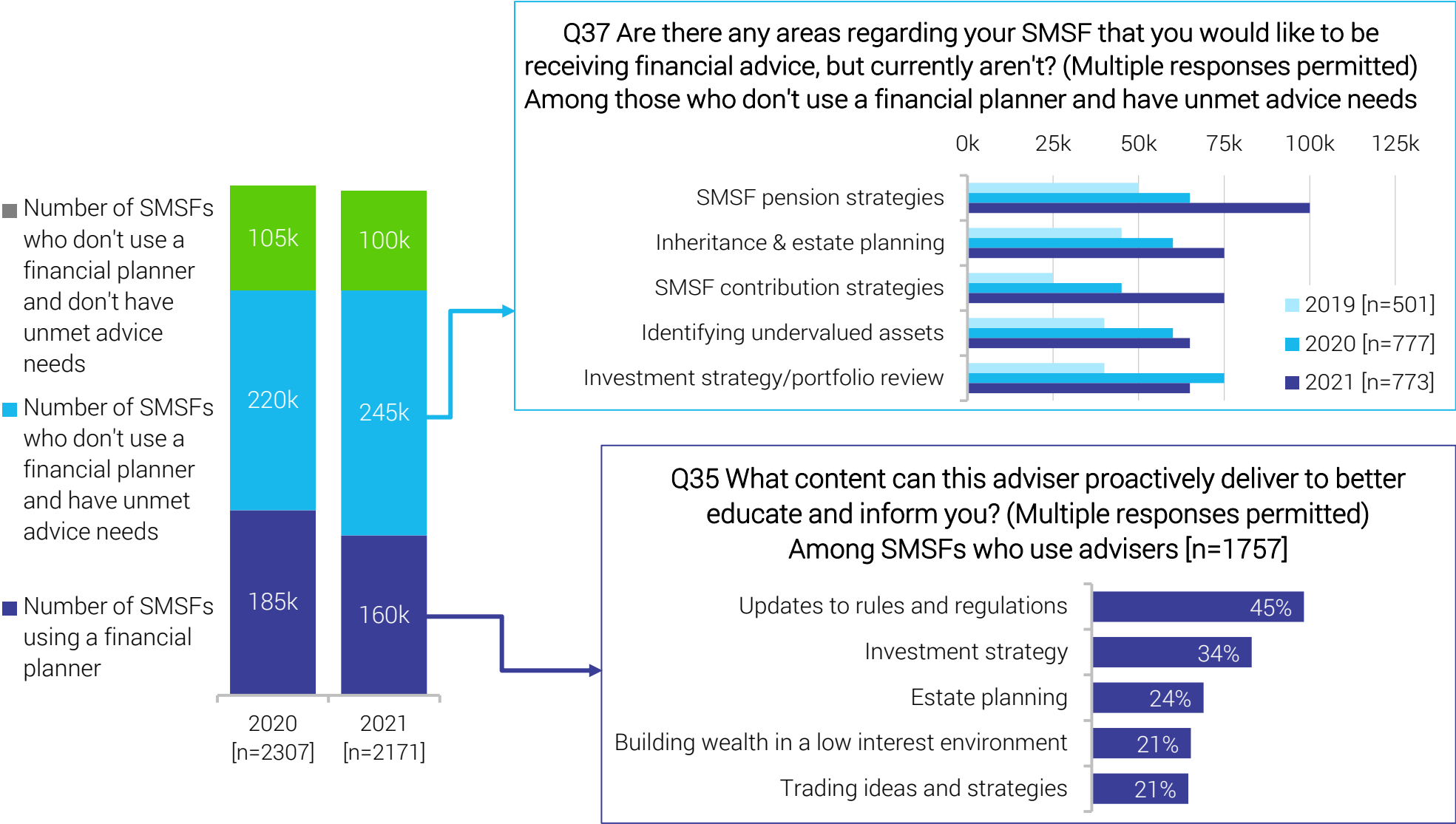
SMSFs' changing attitudes to advice has yet to lift their adoption of financial planners

Number of SMSFs using advisers



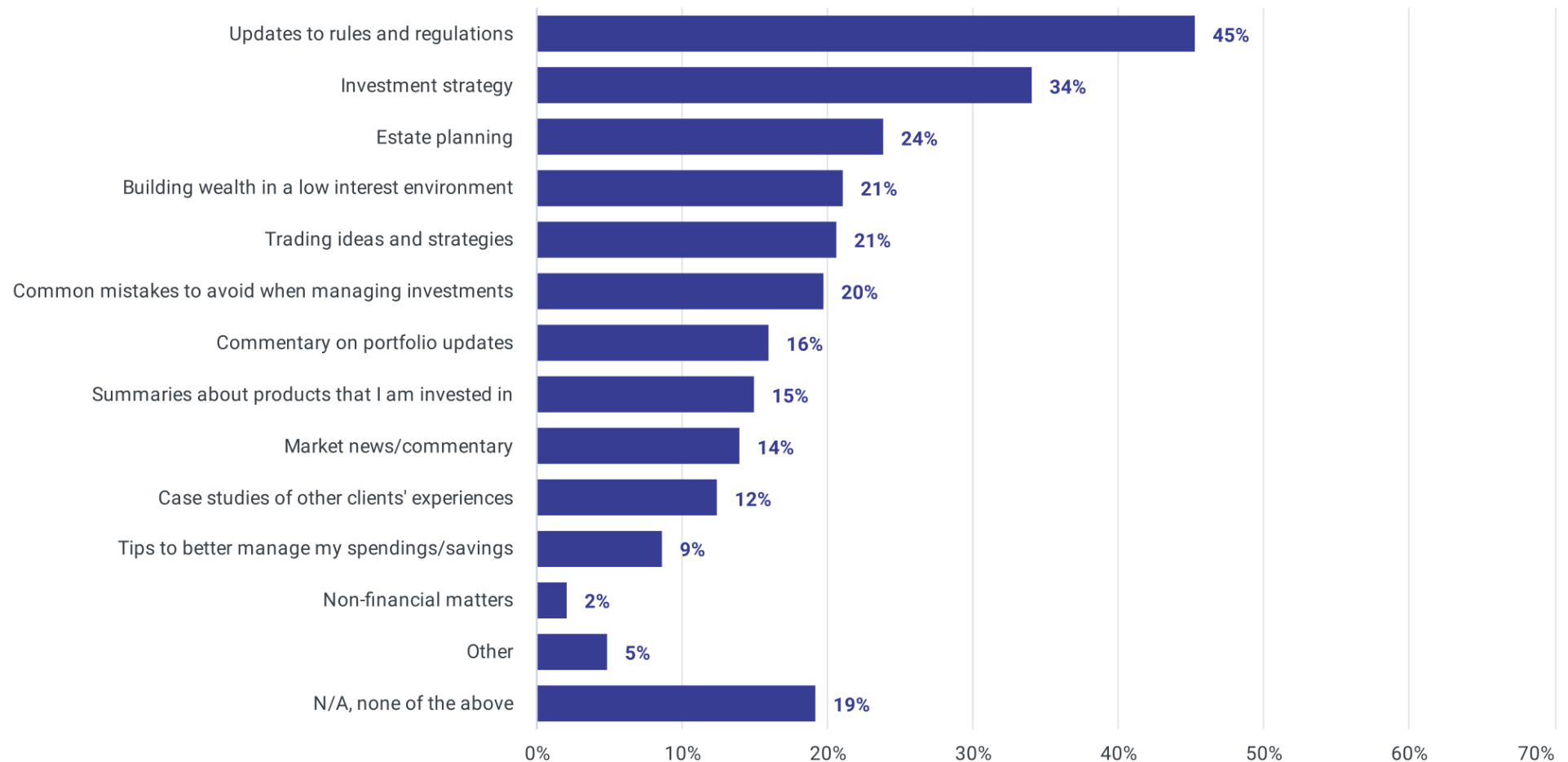
^Financial planner includes 'bank and non-banked affiliated financial planners', 'accountants for investment advice' and 'specialist superannuation consultants'

Still, a growing number of SMSFs recognise their need for advice – particularly around pension & contribution strategies, and inheritance & estate planning



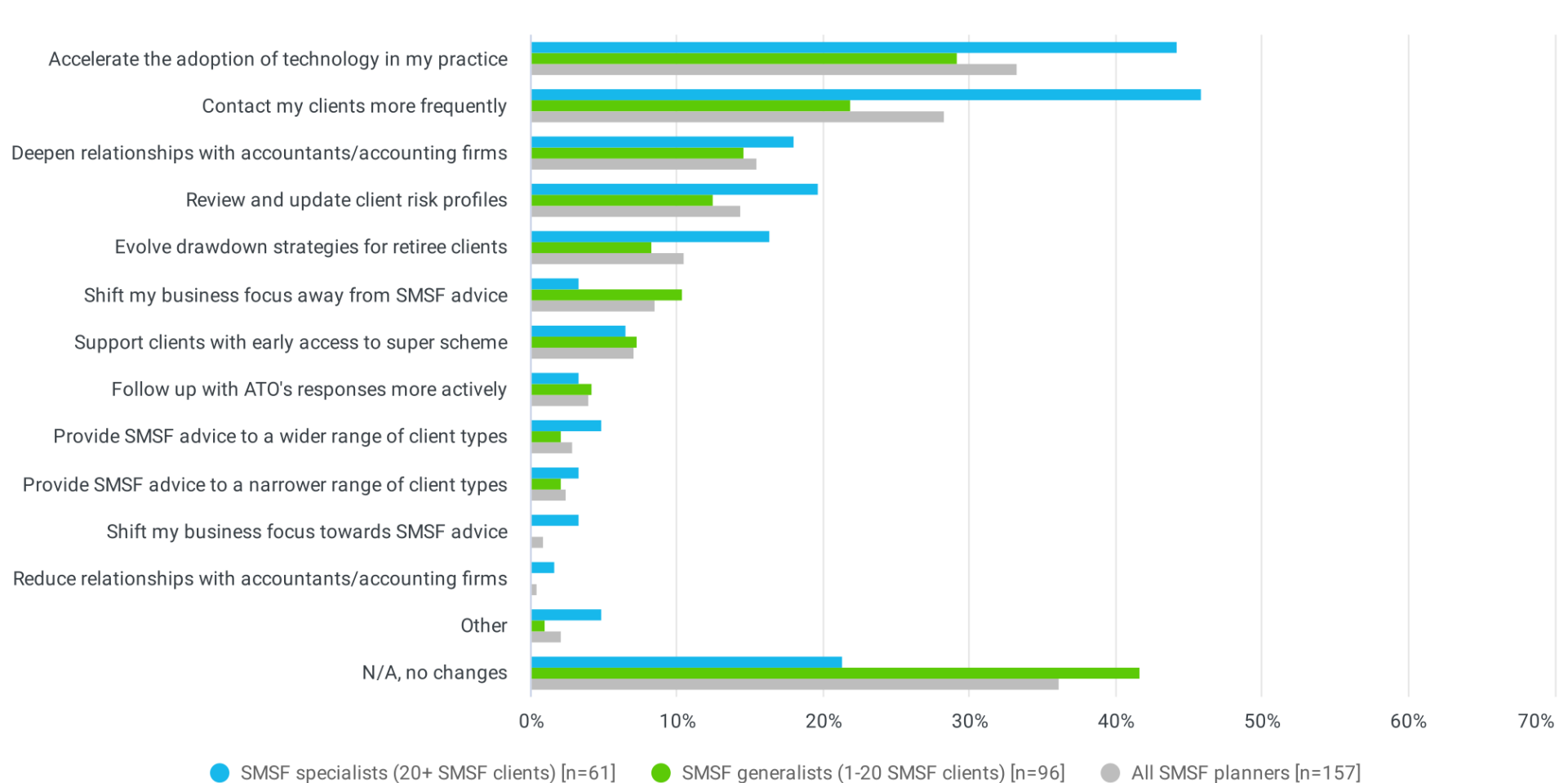
Among advised trustees, there is strong demand for more education content from their adviser, especially around regulatory updates, investment strategy and estate planning

Q35 What content can your adviser proactively deliver to better educate and inform you?
(Multiple responses permitted) Among SMSFs who use an adviser [n=1757]



Advisers are responding to the challenge – with the pandemic prompting many to accelerate the digitisation of their advice firm and increase engagement with their clients

Q29 What have you done differently when advising on client SMSFs in the face of COVID-19 outbreak?
(Multiple responses permitted) By Number of SMSF clients. Among SMSF planners

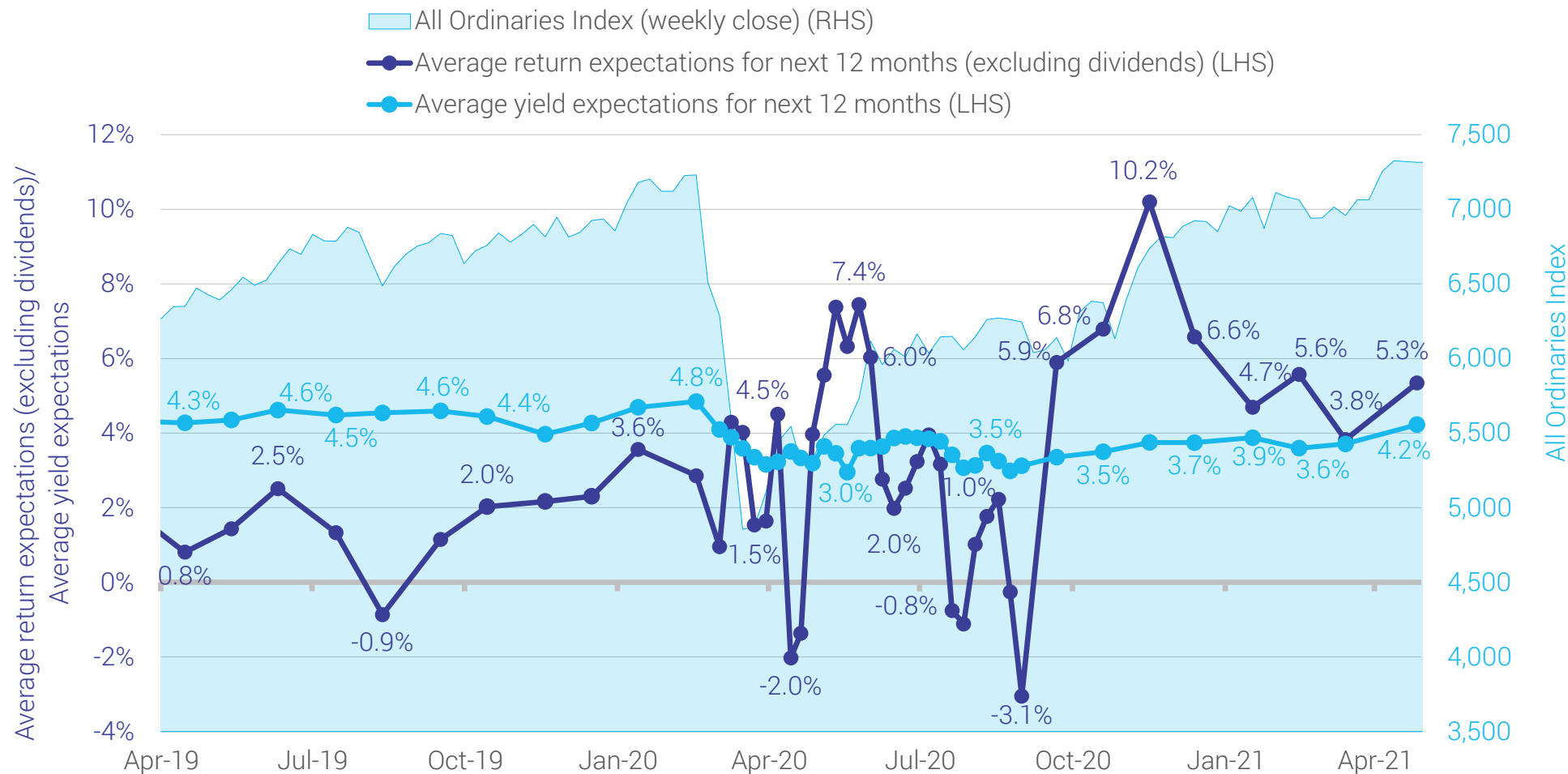


The low cash rate environment is driving appetite
for equities – domestic and offshore

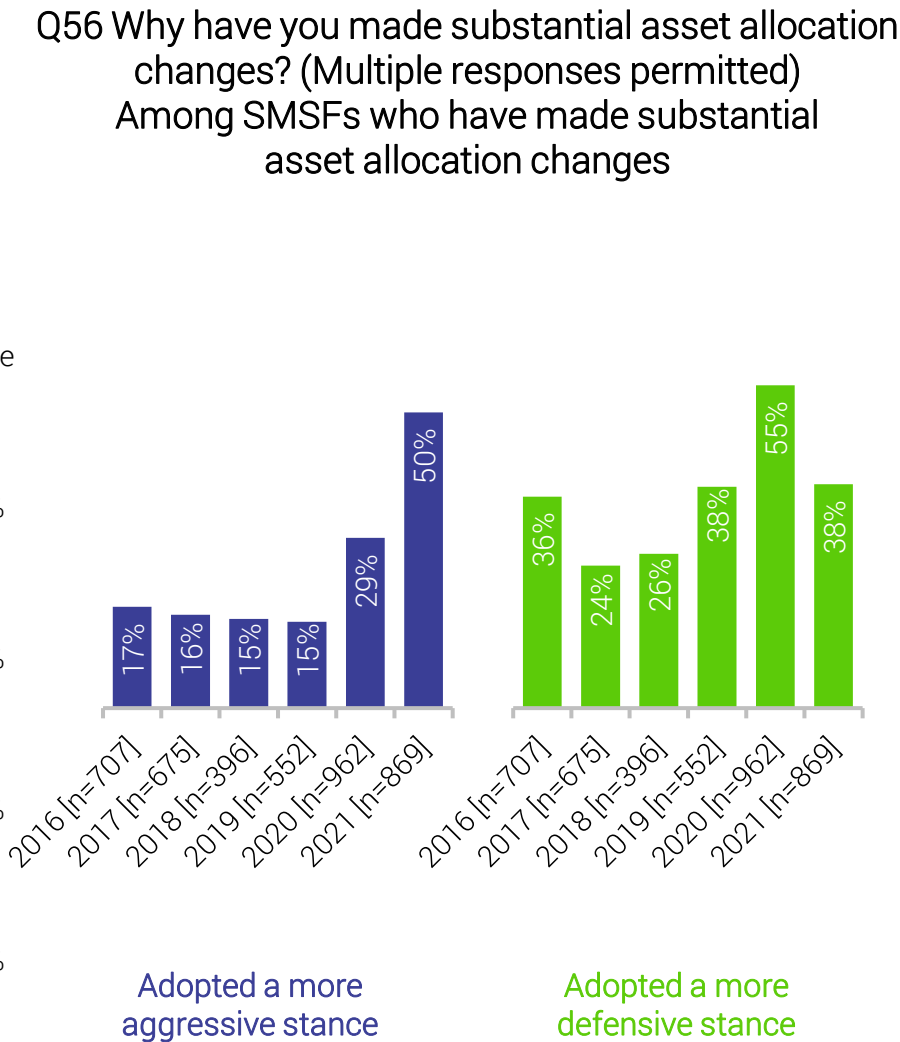
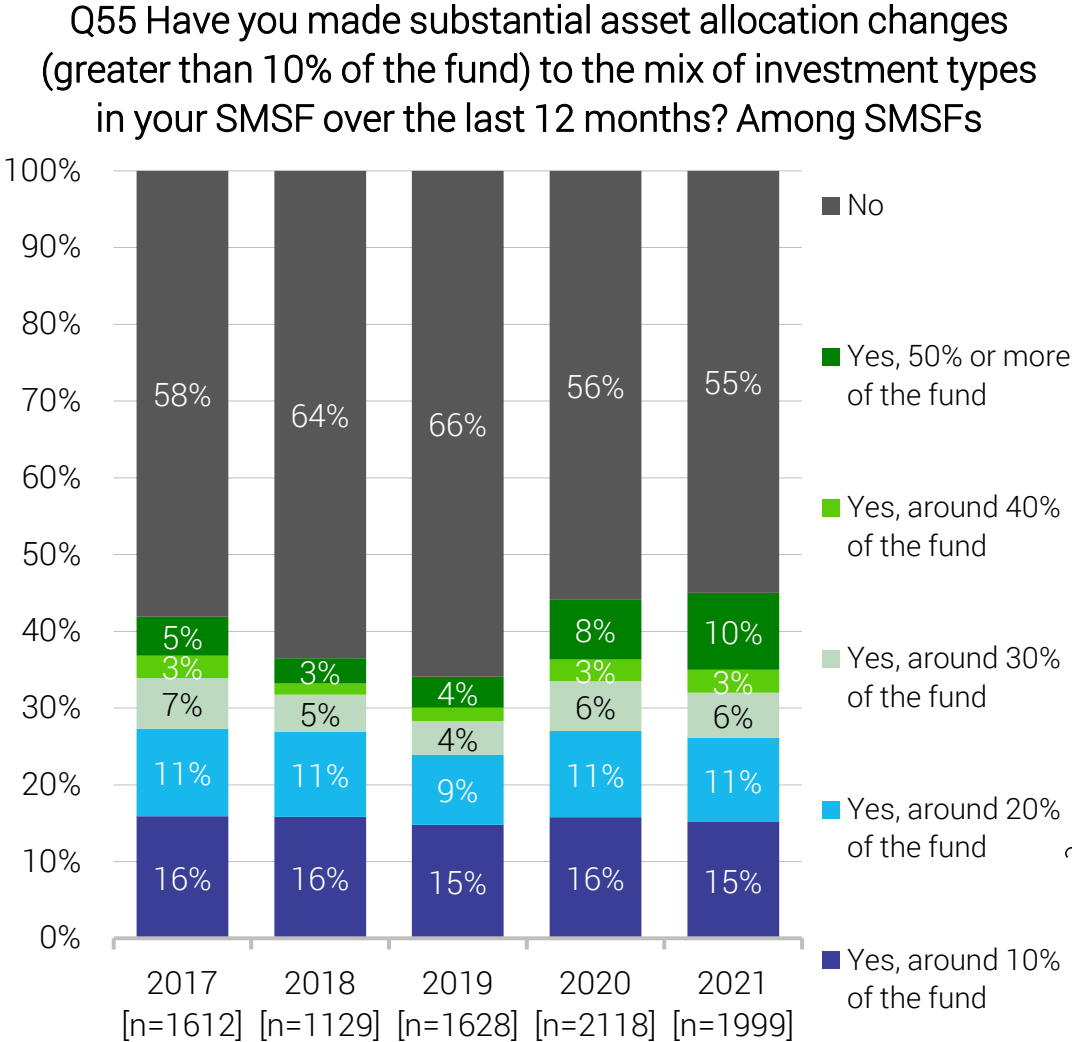


Capital gain expectations among SMSFs have seen large swings throughout 2020 but have begun to stabilise at an elevated level. The bullish sentiment is also reflected in their dividend yield expectations for the next 12 months

SMSFs' stock market and dividend yield expectations for the next 12 months vs All Ordinaries Index
Among SMSFs

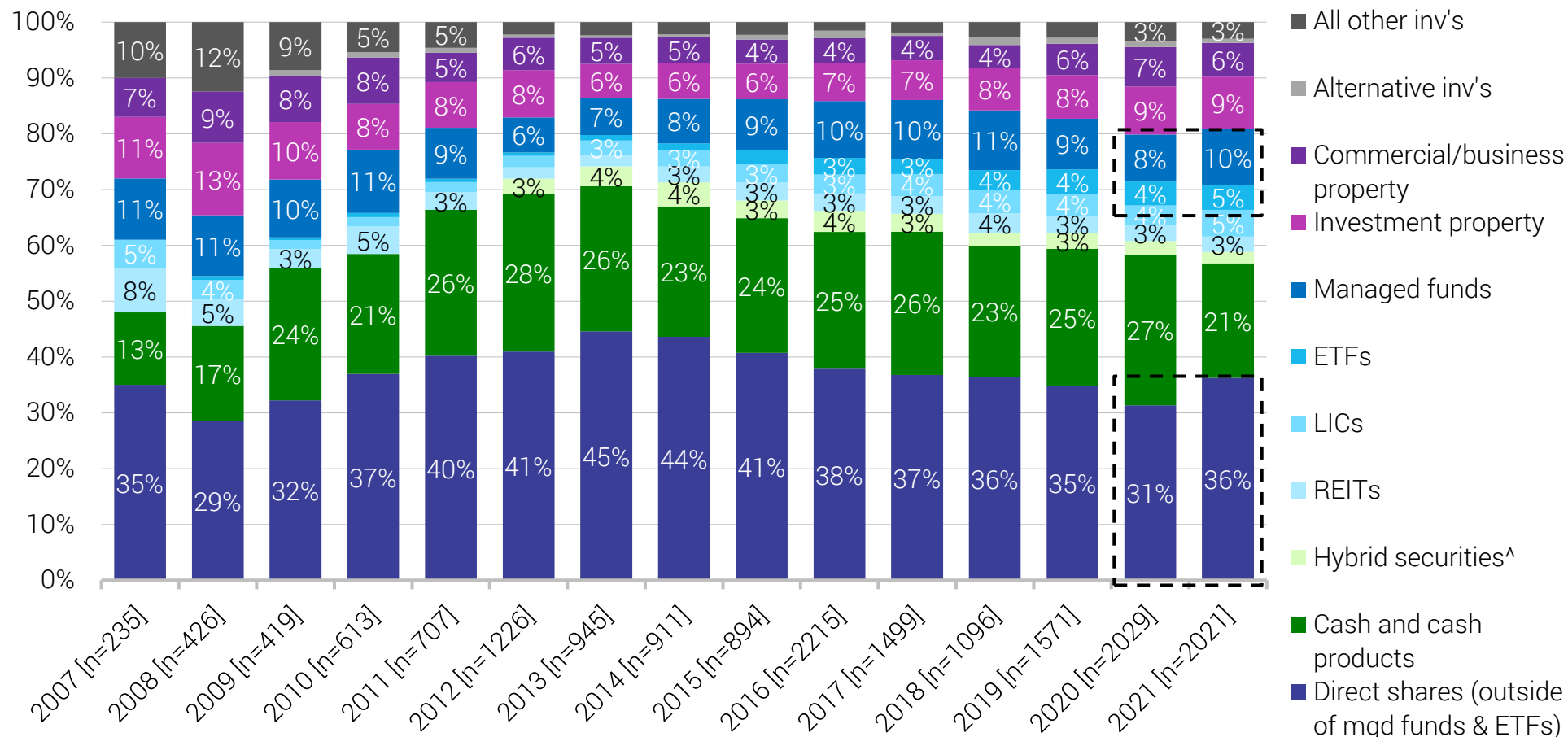


SMSFs have continued to make substantial changes to their asset allocation throughout COVID-19. In contrast to a year ago, the proportion who adopted an aggressive stance is greater than those adopting a defensive stance



The positive outlook has supported a surge in allocation to direct shares. Managed funds and ETFs also claim a large and growing share of SMSF portfolios

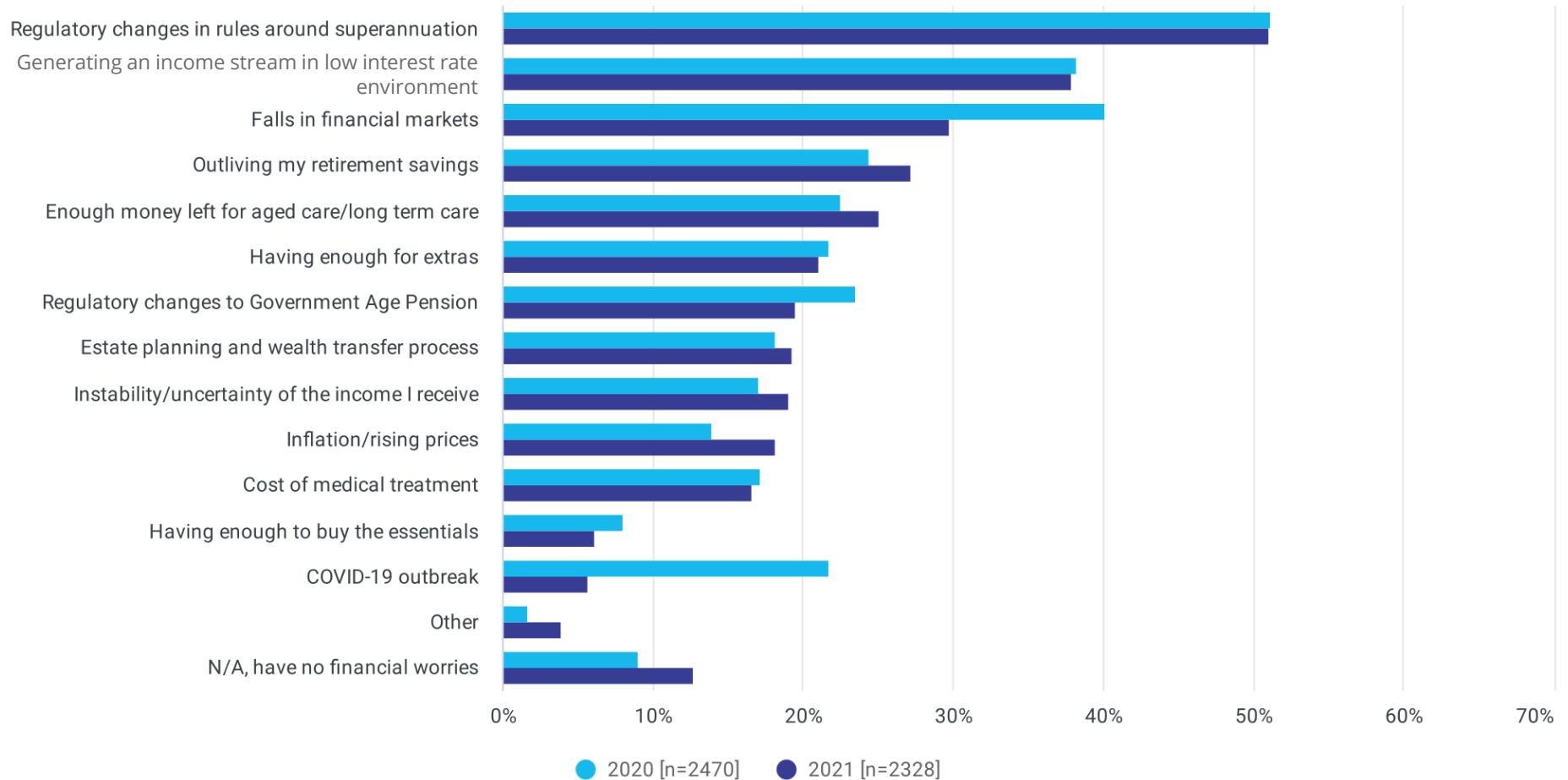
Q53 Roughly how much does your SMSF have invested in each type of asset?
Dollar weighted averages among SMSFs



^New option added

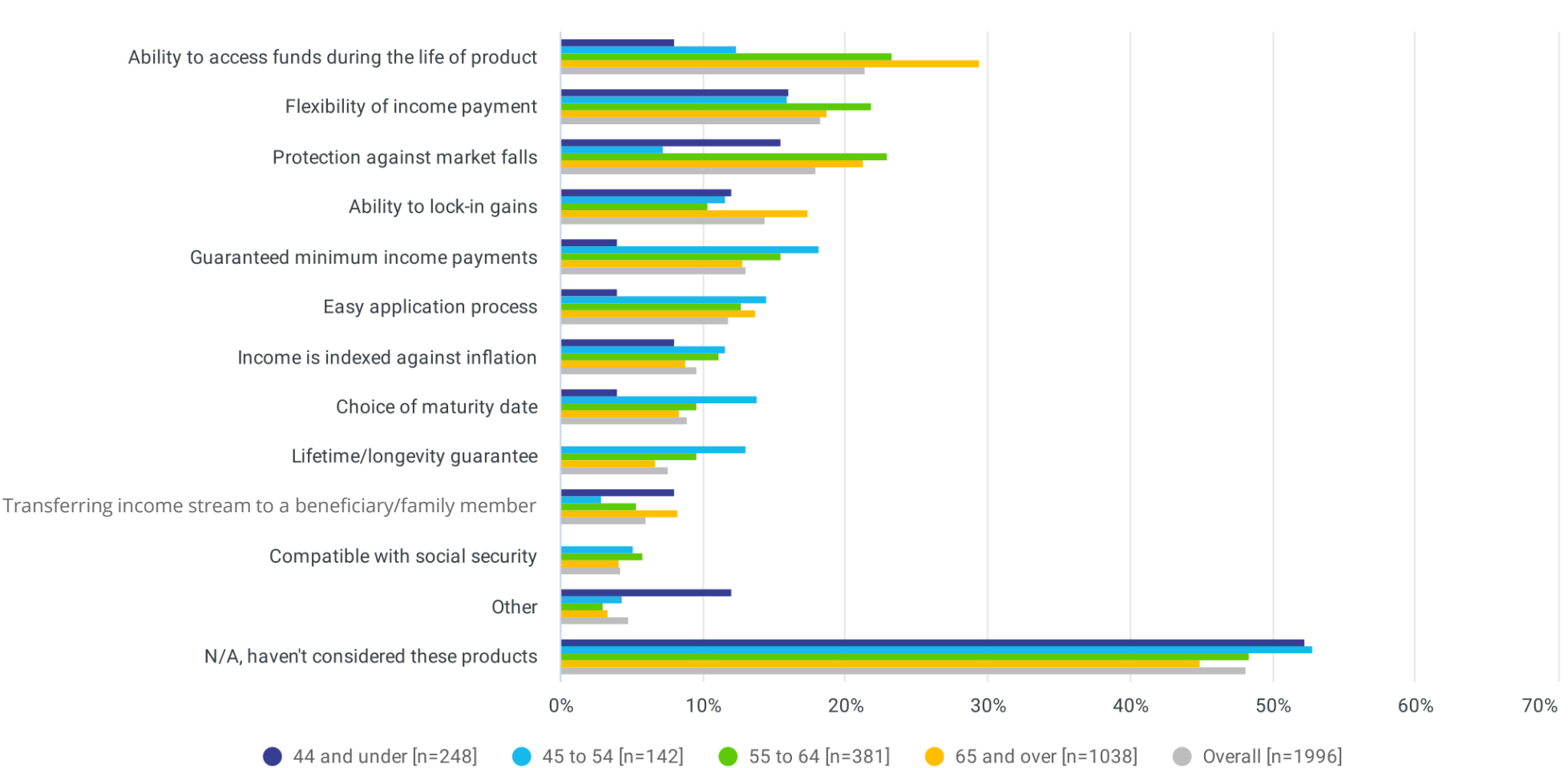
Generating income in the low interest rate environment remains one of the largest retirement concerns for SMSFs

Q10 Which of the following worry you with regards to your retirement? (Multiple responses permitted)
Among SMSFs



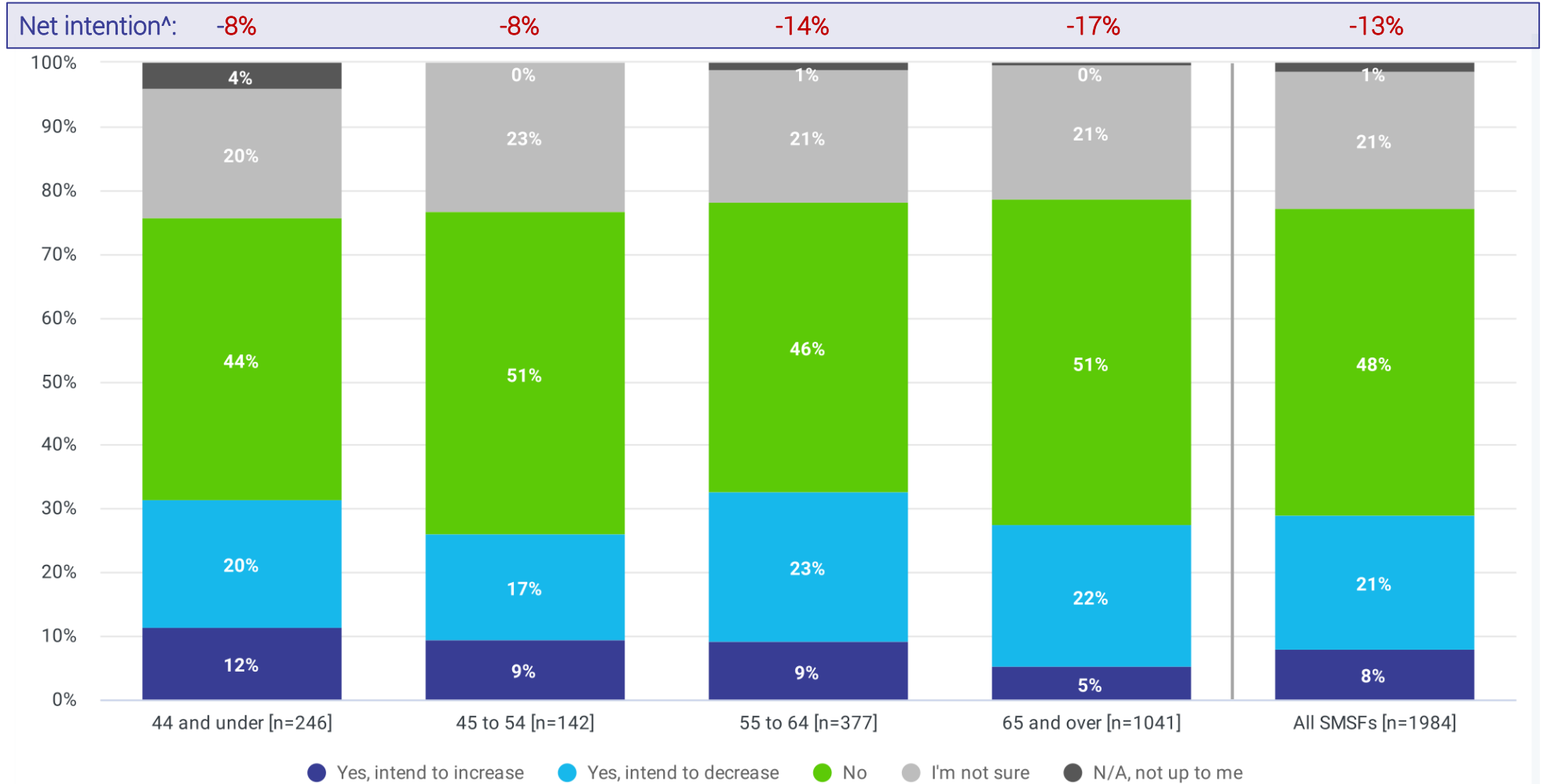
When evaluating retirement income products, the top features sought by SMSFs are accessibility, flexibility of income payments and protection against market falls

Q63 Which features do you prioritise when selecting a retirement-oriented product?
(Multiple responses permitted) By Age. Among SMSFs



Looking at the next 12 months, SMSFs on a net basis intend to further decrease their allocation to cash. This intention is strongest amongst older trustees

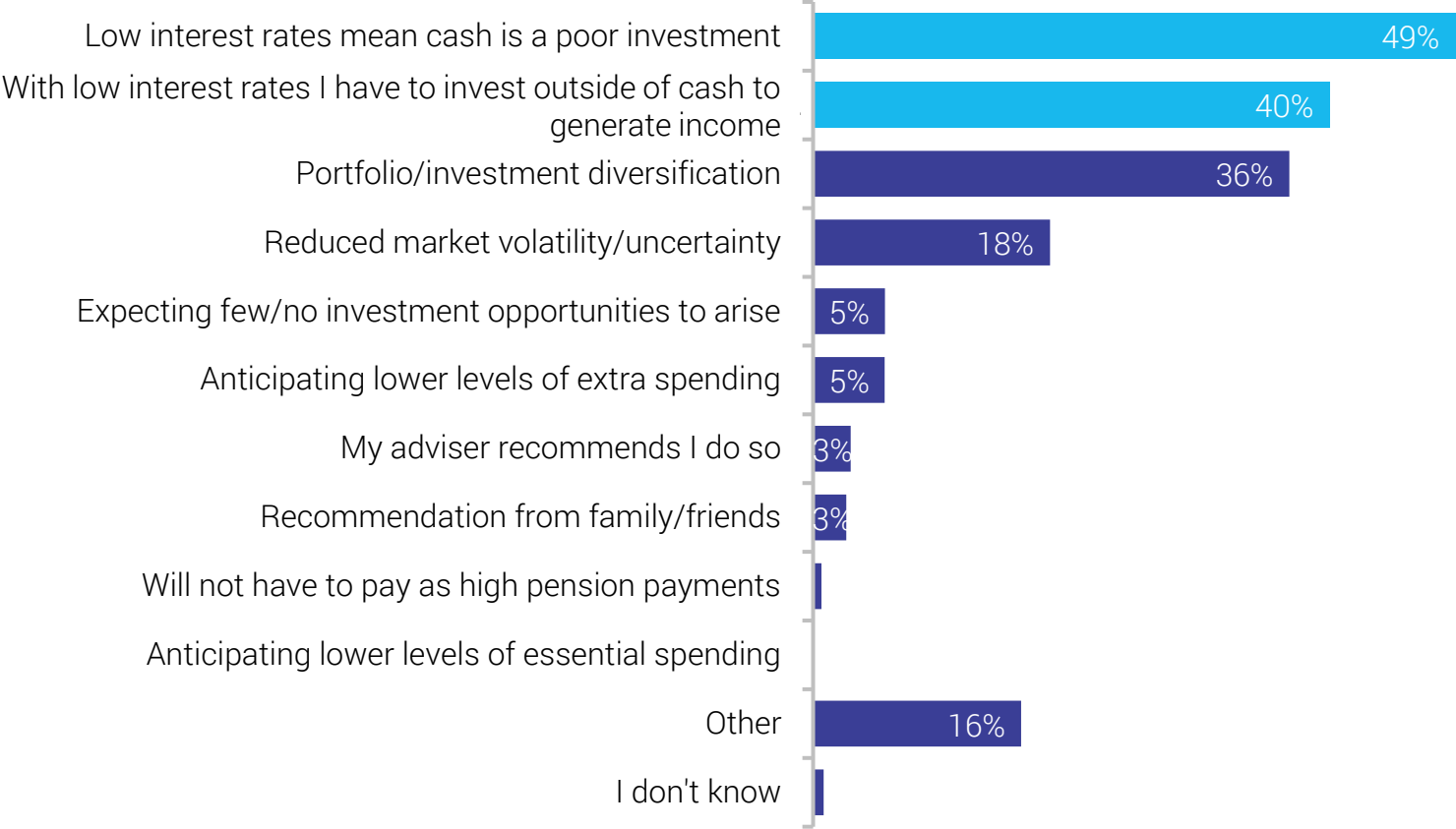
Q67 Do you intend to change the allocation to cash in your SMSF in the next year?
By Age. Among SMSFs



^Net intention= % of intend to increase minus % of intend to decrease

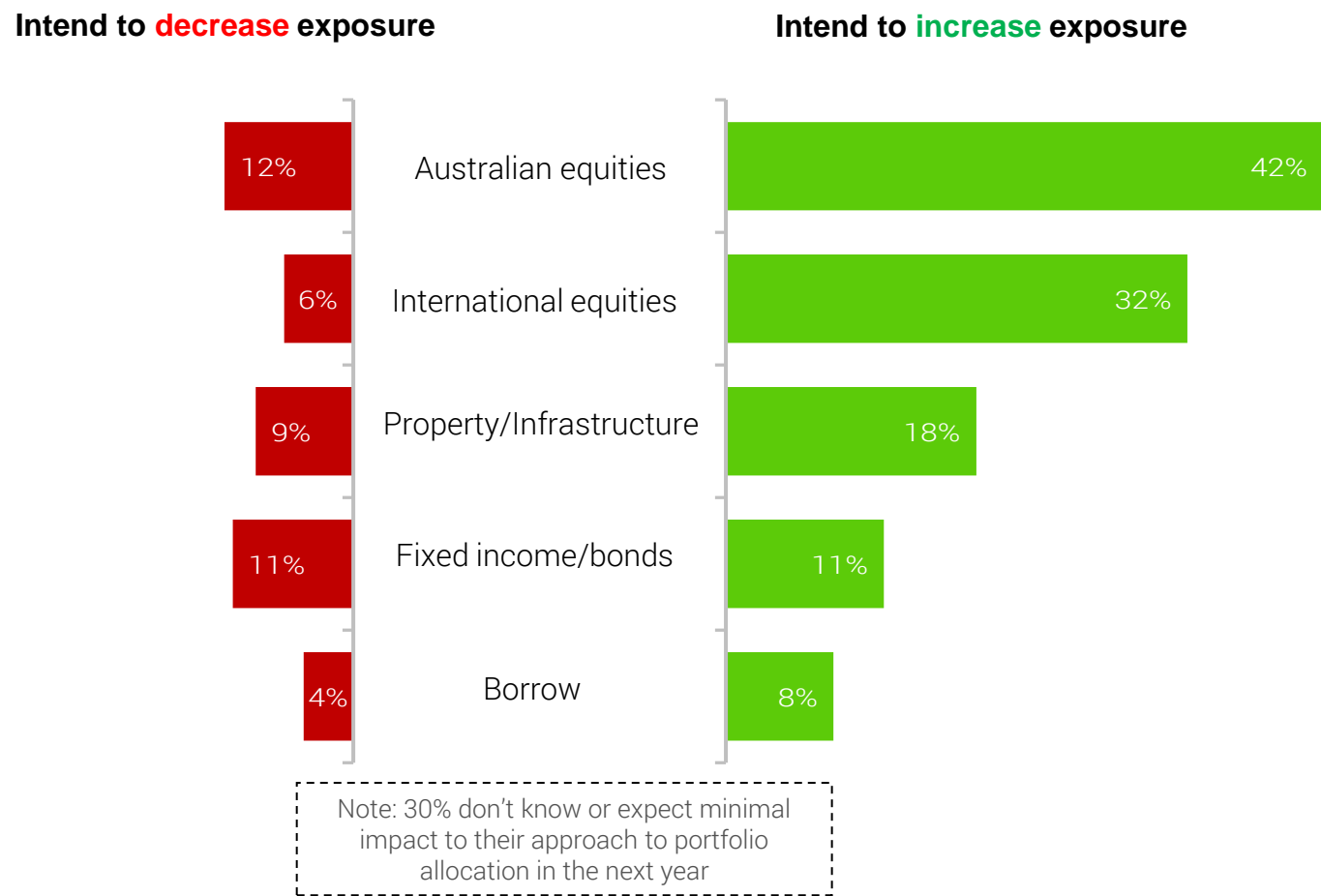
The low interest rate environment is fueling intentions to decrease allocation to cash

Q69 Why do you intend to decrease your allocation to cash in your SMSF in the next year? (Multiple responses permitted) Among SMSFs who intend to decrease their allocation to cash in the next 12 months [n=374]



SMSFs are most often looking to increase their allocation to domestic and international equities over the next year

Q100 With the current low interest rate environment, what do you expect to do differently with your portfolio in the next year? (Multiple repsonses permitted) Among SMSFs

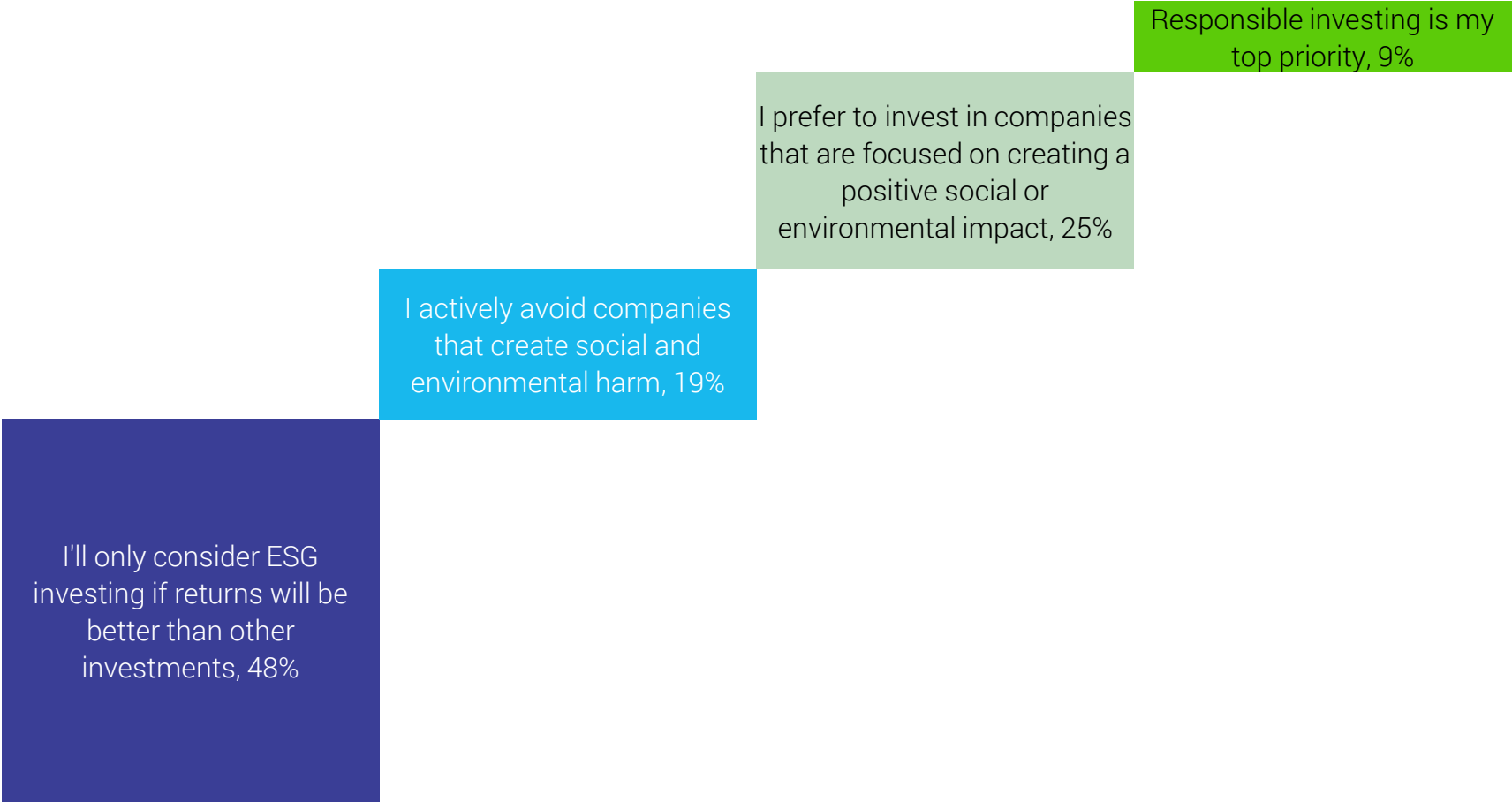


ESG investing - SMSFs are keen to make a positive impact through their portfolio



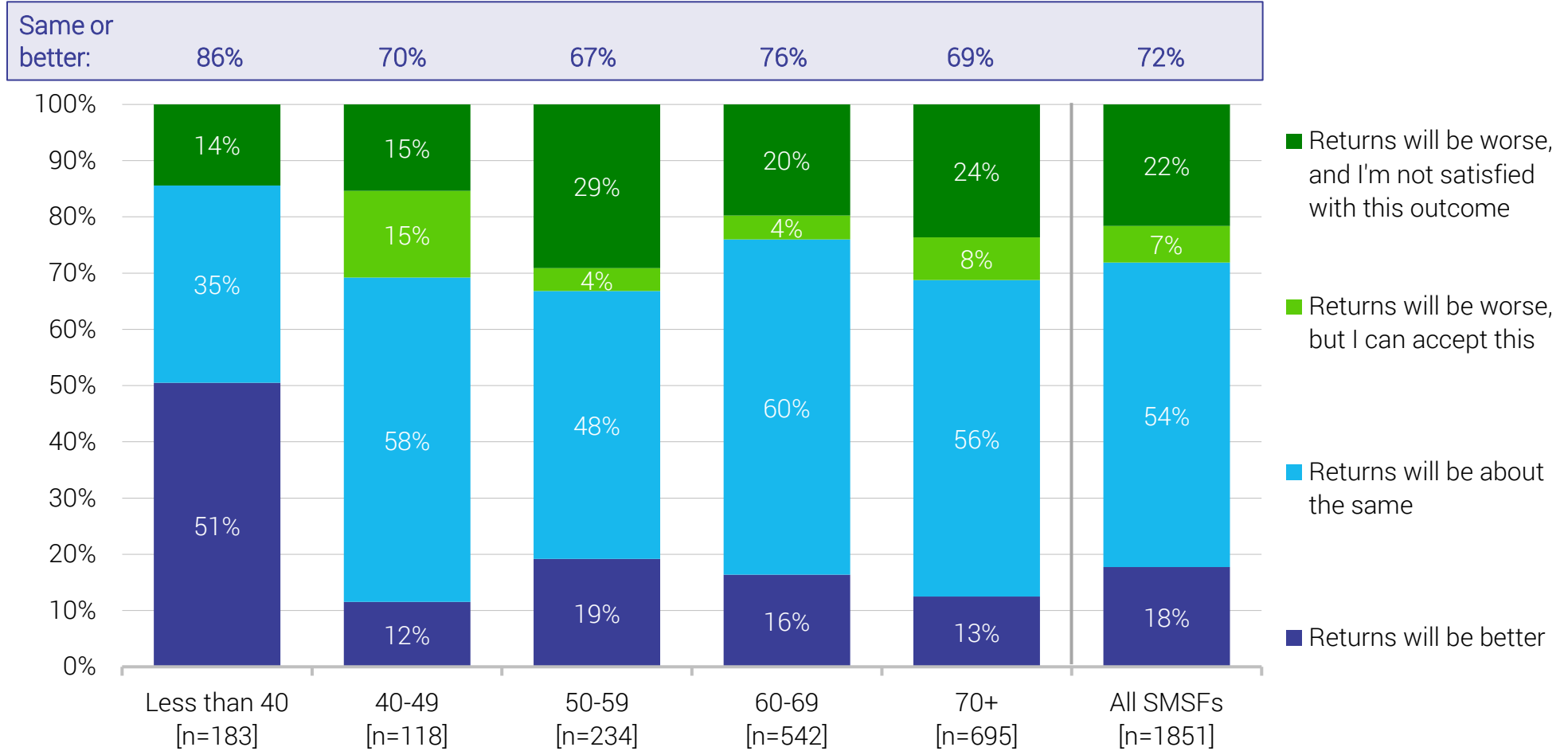
More than half of SMSFs would consider ESG investing even if returns are not better than other investments

Q98 Which of the following statements best describes your attitude towards ESG investing?
Among SMSFs [n=1860]



Most SMSF investors believe responsible investments will offer similar or superior long-term returns than non-ESG alternatives, with younger trustees the most optimistic

Q100 Compared to non-ESG investing, how do you believe investing responsibly will impact your portfolio returns in the long run? By Age. Among SMSFs

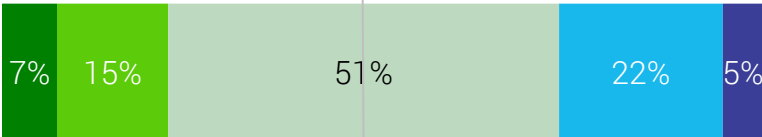


In relation specifically to managed funds or ETFs, SMSFs tend to agree it is easy to find products suitable for their ESG investing needs. Perceptions of lower returns can hamper uptake

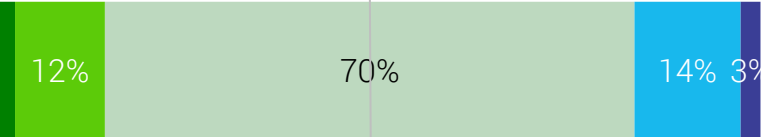
Q101 Do you agree/disagree with these statements about ESG investments (through products like managed funds or ETFs)? Among SMSFs [n=1864]

Strongly disagree Disagree Neutral Agree Strongly agree

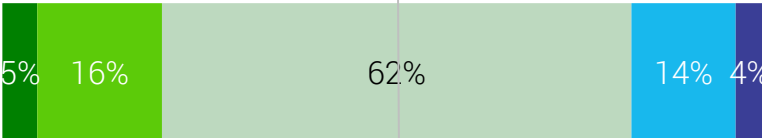
It's easy to find investment products that satisfy my ESG needs



ESG products have higher fees than an equivalent non-ESG product



Existing ESG investments in the market are not closely aligned with my values and principles

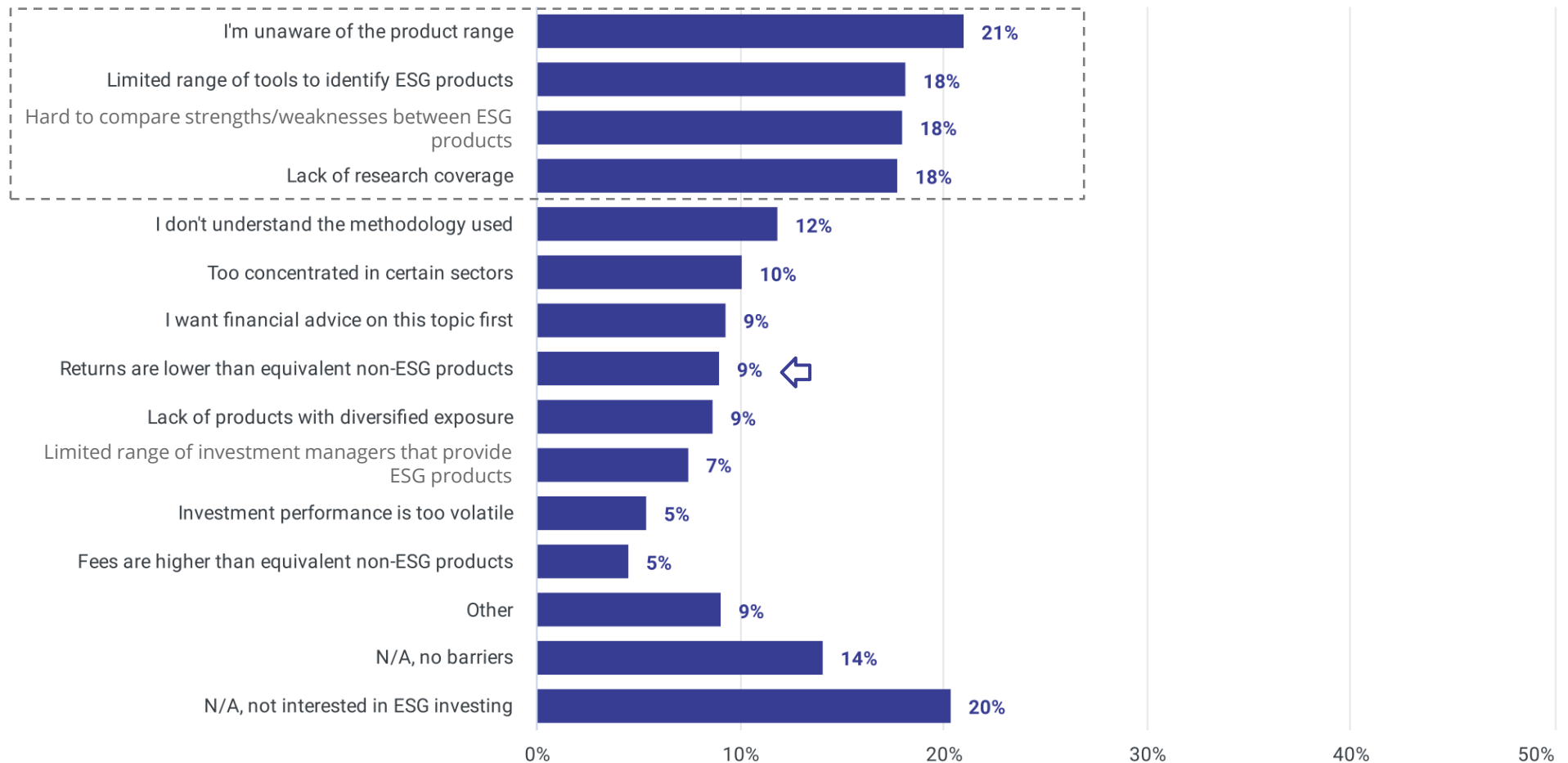


I can accept potential lower returns if the fund generates a positive social/environmental outcome



More than concerns on performance, the key barriers to responsible investing among SMSFs are low awareness of product, limited product comparison tools and lack of research coverage – a clear opportunity for product issuers and service providers

Q102 What stops you from investing in ESG products more extensively? (Multiple responses permitted)
Among SMSFs [n=1875]



Recap of key themes

1. SMSF establishment continued to grow through COVID-19

- The total number of SMSFs continues to grow steadily in the 12 months to March 2021
- 22,663 SMSFs established in the year to March 2021, up from 22,071 in the year to March 2020

2. More SMSFs are warming up to financial advice

- More SMSF are “validators” – open to receiving financial advice (56%, up from 49% in 2020)
- In growing numbers, SMSFs recognise their need for advice, particularly around pension & contribution strategies, and inheritance & estate planning
- The pandemic has prompted many advisers to accelerate the digitisation of their advice firm and increase engagement with their clients

3. The low cash rate environment is driving appetite for equities – domestic and offshore

- Amid the Covid disruption, SMSF allocation to direct shares, ETFs and managed funds surged
- The trend looks set to continue as SMSFs intend to reduce their allocation to cash and increase their exposure to domestic and international equities

4. SMSFs are keen to make a positive impact through their portfolio

- More than one in two SMSF trustees would consider ESG investing even if returns are not better than other investments
- Providers can capitalise on this opportunity by raising product awareness, providing comparison tools and adequate research coverage

About Investment Trends

Investment Trends is a specialist financial services market research organisation providing business insights and decision support information to many of the world's leading financial services organisations. We combine analytical rigour and strategic thinking with the most advanced market research and statistical techniques to help our clients gain competitive advantage. As a company we aim to improve the lives of millions of investors by making the whole financial services industry better.

Our research coverage spans eight countries across Australia, Asia, Europe and the US.

Our clients include industry regulators, leading local and global banks, investment platforms, leverage trading providers, fund managers, superannuation and pension funds, product issuers and manufacturers and financial planning software providers.

Our work is focused on helping clients answer three fundamental questions:

1. How does the market currently work?
2. How is the market evolving?
3. How do I improve business outcomes:
 - Acquire more customers
 - Retain more existing customers
 - Increase revenue per customer
 - Prioritise technology and process investments



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