



## The Smarter SMSF Podcast – Transcript

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Speaker 1: Welcome to the Smarter SMSF Podcast, the show where we discuss the latest insights, ideas, and strategies with self-managed super funds, all designed to help make smarter decisions and equip you to be at the top of your game. Now, here's your host, Aaron Dunn.

Aaron Dunn: Hey there folks. Aaron Dunn here from Smarter SMSF, and a happy new financial year to you, as we launch into an exciting year ahead when it comes to the self-managed super fund sector. For some of you, it might be quite daunting when we think about the fact that we have reporting obligations that now need to be considered on an ongoing basis.

Aaron Dunn: Many of you were feverishly putting together the transfer balance account reporting when it came to the last week or so, as we led up to the 30th of June, and its due date. On top of that, we of course had lodgments around the annual return being extended right through to the 2nd of July, which of course incorporated some important decisions - in particular, when we think about CGT relief as well.

Aaron Dunn: For us, at Smarter SMSF, this week we've seen the launch of our Future of SMSF survey, and this for us is an enormous project, and something that we haven't done since 2015, when we of course were looking at that time, at a range of topics across the implications of technology, we have of course seen things like licensing and the changes and transition of accounting practices in many instances, around the removal of the accountant's exemption and what that stuff actually means.

Aaron Dunn: In the backdrop of what we're seeing today, what I wanted to talk about in this week's podcast is why change within the SMSF sector is really important, and really tying that back to why we're encouraging you to participate in this year's Future of SMSF. Because it gives us a real opportunity to help shape what we are saying as a smarter SMSF future.

Aaron Dunn: When we think about what has really occurred over the past few years, we think about reform, we think in respect to the legislative shift that we've seen, that we haven't really had to deal with for the best part of a decade. For many of us, the implications of this in our business have been really dramatic, insofar that not only did we need to get ourselves and our staff up to speed in what those changes actually mean, and implement that successfully across our client base, but we also need to reflect upon as we move into this year ahead, and subsequent years, what that actually means inside our practice, around the service delivery.

Aaron Dunn: The reforms are one part, but then we need to think about what impact that actually has on our processes, and the way in which technology might actually play a role in that as well. Of course, the technology piece is one really critical part of our Future of SMSF survey, because we see the technology, so cloud based technology, being a true enabler for us to be able to manage on an ongoing basis, the expectations that not only we're seeing our clients ask of us, but also now in terms of what the regulation is requiring us to manage as well.

Aaron Dunn: When we think about why change is going to be so critical in this SMSF space, it's not just what we're seeing from a reforms point of view and the technology as I said, but we also need to contemplate what else we're seeing around that is having influence on the SMSF sector.

Aaron Dunn: We only need to look at at the moment at the Royal Commission and the implications it has had in respect to the quality of advice, as it relates to self-managed super funds. We've seen ASIC publish their report in respect to that quality of advice, where they see the current issues when it comes to the SMSF sector, and in many instances, it is still a pocket of the sector when we think about the issues around one-stop shops when it comes to property investment.

Aaron Dunn: And whilst we've seen historically a change around or I guess not a change as much, but ASIC really defending the fact that property within an SMSF is a financial product, and we've only got to go back to the ParkTrent days of a couple of years ago where ASIC won a variety of cases that really confirmed that that was the case.

Aaron Dunn: There is then this also overarching issue of there are practices out there that still openly and advocate for this, but go through a process of actually providing advice and doing that (super) switching, but still in essence getting the same outcome as what some of those property developers were doing in the first instance.

Aaron Dunn: This is where best practice will come in and really where ASIC has targeting in their own right, this quality of advice process, and that in itself means that we're going to have to take real leadership positions in the industry to stamp out that and really for those that aren't looking to comply with what is in the best interests of our clients, that we see the full force of the law obviously look to apply there.

Aaron Dunn: And I'm not saying that all issues of property investing and so forth is the wrong answer. There are clearly elements where it is appropriate, but it's making sure that the outcomes that are being provided and the process that they've gone through clearly demonstrate that there has been the quality of advice provided for that client through that process, and that's where really ASIC has come up and identified where in many instances, in terms of what they've assessed, that the SMSF advice was insufficient in that way.

Aaron Dunn: I think there have been some very clear headlines in that, but broadly speaking as well, some pockets of the SMSF sector still are doing very well and we should also openly acknowledge that, but quite clearly that doesn't enable the same level of click rate as it would when you see headlines such as "9 out of 10 SMSFs are getting non-compliant advice".

Aaron Dunn: The quality of advice through the Royal Commission is certainly something that we need to keep focus on. The Productivity Commission as well has certainly raised the spectrum of the efficiency inside the SMSF sector, and raised again this topic of, well, what type of balance do we need within an SMSF to justify the ongoing costs in respect to this?

Aaron Dunn: Again, we see a headline figure here of \$1 million dollars coming in, and it seems to have jumped quite dramatically when we look at it from an efficiency point of view, but in many instances, we need to push back, and we're seeing organisations like the SMSF Association go out and advocate quite strongly, as they should, in respect to the efficiency or the cost as being only but one factor, and looking at historical data there (to help determine an appropriate framing of entry points into the sector).

Aaron Dunn: Whilst yes, we have limitations in terms of how we can assess those decisions, isn't really the own true representation as to the decisions why individuals will move into an SMSF. This is why I also see the ongoing reporting that we're seeing out of the cloud technology now that we can get collaboratively through Class with their benchmark report and BGL with their Simple Fund 360 software, and this (SMSF Association) Think Tank, if we can put this data together through our industry body to try and unpack and debunk some of these misconceptions that actually sit there in the marketplace.

Aaron Dunn: When we look at the topic of pricing and efficiency inside our Future of SMSF report this year, this will again help us to determine where we need to be heading within the industry to determine what practices are changing, and where the efficiency focus needs to be, without actually losing sight as to what the expectations of our clients are as well.

Aaron Dunn: We understand that costs will continue to rise in the sector. Technology itself means that many of the practices are having to shift from what was say an annual subscription into a more user paid process, based on the number of funds that you may have, and that in itself presents a range of challenges inside the business to cost that on an ongoing basis.

Aaron Dunn: ASIC's revised funding model has also presented some challenges. If we think about for those auditors in the industry, not only are you confronting the issues of Treasury and around the fact that for potential good compliance, we're going to see a shift to a tri-annual audit, but on top of that, we're now seeing through this revised funding model, an increase in not only the application to become an approved auditor, but the ongoing requirement that is part of the continuation of you to be an ASIC approved auditor each and every year. Plus of course, the requirement that you have to pay when you leave the audit profession as an ASIC approved auditor.

Aaron Dunn: All these things really start to get us thinking about where the future of the SMSF industry is heading. We overlay that with the demographic shift. We're seeing more and more, these younger individuals move into the SMSF sector. Therefore, when we think about the way in which we engage with those type of clients, as opposed to clients that you've had for 10, 15, and 20 years, as SMSF clients, where you've predominately continued to do what you've done each and every year.

Aaron Dunn: It's this dynamic that we're seeing is also again, fundamentally shifting the way in which you have to provide value to your client. And then also how you're going to attract that specific type of client within the marketplace today, and what is

becoming more and more competitive as we've got more tools available to us, to engage with our superannuation clients.

Aaron Dunn: Again, part of what we're trying to investigate and explore here within our Future of SMSF report, is to get us thinking about what is it that our specialist businesses are doing differently, say to those in general practice today? And how therefore, do you need to respond to the specific changes? Whether it be reform, whether it be from a technology point of view, whether it is around your staffing requirement, whether you need to offshore or bring back from offshore, the way in which you do your work.

Aaron Dunn: This will help you to start to understand whether you need to niche down further, when it comes to your SMSF business model, or whether you actually broaden the scope of the work that you're doing. Again, going back to contemplating whether advice may actually form part of what you're doing to be able to service your SMSF clients in the future.

Aaron Dunn: We are doing some work at the moment around this licensing piece, and in particular, trying to help out accountants who don't have licencing but clearly continue to have conversations in some way, shape, or form, with their clients around events that occur. Whether it be the establishment of a fund through to the commencement of a pension, or how benefits are to be taken each and every year.

Aaron Dunn: Again, this is a response that we need to contemplate as to how we're going to be discussing with our clients each and every year the requirements to meet the needs of what they have as we move along to their different stages in life.

Aaron Dunn: Again, I encourage you to take part, because it is all of these elements that we see as being really vital in the future of the SMSF industry. That's why in the survey, we make many of these questions that we provide you anonymous, because we do want to probe. We do want to ask you a bit about what you're doing in your practice. We're not looking down to profitability, we're looking at revenue. We're looking at where you see opportunities in your business, where your challenges are, and what you're doing to actually change and respond in this environment.

Aaron Dunn: One of the big themes, having spoken to people, having surveyed people throughout the last 12 months, working through reforms, is change management. As it stands right now appears to be a real critical issue inside practices. It is coming very fast, as a tsunami, that if you don't fundamentally look at the way in which your business model is operating, not only will you find it more and more difficult to be able to succeed in the future, but your relevance as to what you're doing will become more and more difficult, and you put your client ultimately at risk where you don't or you're not prepared to actually make some of those changes.

Aaron Dunn: That's why we do make it probing and we have had some people comment to us that the content of the survey may be somewhat intrusive, but again, that's why we make it anonymous and we don't provide any apology for doing so. Because

if we can't ask the questions and if you're not prepared to respond, then we don't get the actual real change that we want inside the industry, to advance our industry further.

Aaron Dunn: And again, that we don't become a football within not only the superannuation sector, as more and more parts of the sector, again, continue to compete for this growing pie that is a already couple of trillion dollars in the superannuation sector.

Aaron Dunn: That's it today. Thank you for joining me in this week's podcast. Again, it is very much around our focus with the Future of SMSF survey. We are pushing now around 100 participants already, so thank you very much for all of those of you that have contributed your time. It would take you, if you haven't already, about 15 minutes to put your information together and to complete this, and of course, we have put together some wonderful benefits to encourage participation as well.

Aaron Dunn: Not only including you getting a free copy of the final report, but also we've put together a \$500 Visa card for one lucky winner. Also, we're putting together an opportunity for me to come and visit you and have a discussion about your SMSF business, valued at \$2500. So, to really start to to help you get on your way, or if you're on your way, where you might need to continue when it comes to the direction of your business.

Aaron Dunn: And finally, we'll be putting for those that participate, the opportunity for some pre-release into access to some of the events that we'll be running later this year, around the insights that we gain for you to again, step forward into a brighter future when it comes to your SMSF business.

Aaron Dunn: Thank you once again. If you want to find out more, <https://smartersmsf.com/futureofsmsf>. Thank you again for joining me and I look forward to you being a part of next week's Smarter SMSF Podcast. Take care and bye for now.

Speaker 1: Thanks for joining us today on the Smarter SMSF Podcast. That was a smart move. If you want to find out more about today's topic, you can add a comment either on our website, SmarterSMSF.com, via our Facebook page, or using our Twitter handle, @SmarterSMSF.