

Review of SMSF investor knowledge and overconfidence on compliance patterns of Self-Managed Super Funds in Australia

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Abstract

With the rapid growth of self-managed superannuation funds in Australia over the last 10 or more years the need for quality advice to help investors manage their retirement savings becomes more and more relevant.

This paper will review a recent empirical study of SMSF investor behaviour in terms of the determined level of knowledge and over-confidence of the SMSF trustees as two distinct variables as to whether these variables influence compliance behaviour of the trustees of these SMSF funds.

The empirical evidence has shown that there is a correlation between declining trustee knowledge and an increased probability of seeking advice but that there is also a subset of investors who not being knowledgeable about SMSF obligations do not seek advice. The investors in this latter group exhibit over-confidence in their abilities to manage the fund despite less compliance to their legal obligations.

The study also reviewed whether or not differing levels of compliance were associated with different types of investors or other variables affecting the trustees of these SMSFs.

The paper will then review what action can be taken to improve this level of compliance of SMSFs.

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