

## DIY funds miss out on savings

**Bianca Hartge-Hazelman**

Financial planners and accountants are shipping do-it-yourself superannuation fund processing offshore, but not all are passing on the savings to their clients.

Companies in India, Malaysia and Vietnam can turn around work for accounting firms overnight.

Cheaper labour means accounting firms then charge advisers of DIY funds as little as \$800 to perform basic work. By the time the client gets the bill, some financial planners and accountants have ramped it up to \$2400 for a basic service and up to \$5000 for more complex work.

Self-managed super fund administrator AR Group, which is part owned by AXA's Multiport, provides low-cost compliance services to more than 120 companies. It outsources all its data-entry work to qualified accountants in Malaysia.

"Not all advisers we deal with will mark up their price but some will put a margin on top to cover their management time," AR Group managing director Bruce Coombes said. In most cases, trustees of DIY funds cannot access the cheaper services directly because of commercial arrangements with planners and accountants, which allow them to control administration fees and potentially sell other investment and advice services.

The Institute of Chartered Accountants said it was not opposed to offshore outsourcing, but wanted to know if planners were passing on the benefits of cheaper fees. "I think that if any accounting firm were undertaking these arrangements then they should be disclosed," ICA head of superannuation Liz Westover said.

Service providers such as AR Group said planners and advisers were legally required to disclose their margins and, if they benefited from outsourcing services, the mark-up rate.

Ms Westover said there were benefits in keeping the work closer to home. "The advantage of keeping things entirely in-house is you gain a very intimate knowledge of the transactions taking place so you can very quickly identify issues, around things like excess superannuation contributions," she said. "This is not to say that these issues won't be identified by companies that outsource, but they are more likely to be picked up in a more timely fashion."

Investment banks and financial services organisations have been slow to embrace offshoring but AR Group, which has outsourced administration work for the past seven years, said others were following its lead.

The ICA agrees. "A lot more firms are looking closely at it," Ms Westover said. "I have seen a number of accounting firms outsourcing administration work for DIY funds, mainly around bringing accounts to a draft financial-statement stage."

SMSF Academy director Aaron Dunn said: "Australian accounting firms are paying companies in India, Malaysia and Vietnam significantly less to process their reports. All the work can be done overnight and the labour can be around \$35 per hour compared to \$80-\$150."

*Shorten rethinks super slug, page 5 ■  
Accountants hold on, page 37 ■*

SBA 004