SMS002 Understanding SMSF Trustees

Subject outline

SMS002 Understanding SMSF Trustees

Section 1 — General information

1.1   Administrative details

Duration	Credit points	Level
One study period (12 weeks)	6	AQF8

1.2   Core or elective subject

This is a core subject for the Graduate Certificate in Self Managed Superannuation Funds.

1.3   Delivery mode

This subject is delivered online.

1.4   Prerequisites

There are no prerequisites for this subject. However please review the 'Assumed knowledge' section below to understand the prior knowledge Kaplan advises you should hold before enrolling in this subject.

1.5   Assumed knowledge

Whilst there are no prerequisites for this subject, Kaplan assumes that students have completed or are currently studying SMS001 SMSF Best Practice with SMS002 Understanding SMSF Trustees.

1.6   Course transition subject equivalence

Students may not be required to complete this subject if they have transitioned from a SIA/Finsia/Kaplan course and have completed the following subjects:

• there are no equivalences for this subject.

1.7 Work integrated learning

There are no placements, internships or work experience requirements associated with undertaking this subject.

1.8 Other resource requirements

Students do not require access to specialist facilities and/or equipment to undertake this subject.

Section 2 — Academic details

2.1   Subject overview

The subject focuses on developing advisers' knowledge and skills in behavioural finance and how this affects the decision-making process of self managed super fund (SMSF) trustees. Students examine the central tenets from the field of behavioural finance, particularly those findings that provide insights into psychological influences in investment decision-making. The assessments provide students an opportunity to apply their learnings via conceptual and case-study based short- and long-answer questions, which also cover application to their personal professional practice with SMSFs.

2.2   Subject learning outcomes

On successful completion of this subject, students should be able to:

1. Evaluate the application of behavioural finance to the interaction and engagement with SMSF trustees.
2. Explain factors resulting in measurable, systemic biases in investment decisions including the difference between collective and individual decision making processes.
3. Analyse the impact of behaviour biases on SMSF fund investment strategies
4. Develop a methodology for mentoring and guiding SMSF trustees.

2.3   Topic learning outcomes

Topic 1: Origins of behavioural finance

On successful completion of this topic, students should be able to:

• summarise the origins of behavioural finance and illustrate behaviour that can be identified to help consider the SMSF industry and the behaviour of trustees
• develop an understanding of the common risks of behavioural finance and the institutional background within which behavioural traits are exploited
• understand the concepts of herding behaviour, prospect theory, bounded rationality and arbitrage.

Topic 2: Traditional and behavioural finance

On successful completion of this topic, students should be able to:

• distinguish between traditional and behavioural finance
• understand the concepts of emotional bias and cognitive errors and how they have a real influence over the SMSF portfolio and performance over time
• define and understand investor behaviour
• understand why investors are neither rational (in the economic sense), nor do they make consistent and independent decisions.

Topic 3: Emotional decision making

On successful completion of this topic, students should be able to:
- define emotional decision making and understand how it applies to SMSFs
- understand the theory behind ethical issues in the marketplace
- understand neuroeconomics theory and its application to SMSFs.

Topic 4: Personality traits

On successful completion of this topic, students should be able to:
- understand how behavioural traits are likely to impact SMSF invest returns
- understand how investor sentiment and under and over-reaction affect asset pricing
- identify a number of behavioural personality traits that affect investment behaviour.

Topic 5: Risk perception and risk tolerance

On successful completion of this topic, students should be able to:
- have an understanding of the underlying theory of risk
- understand and distinguish between the appropriateness of annuity investing; and the relative merit of the growth versus value styles of investing
- describe behavioural finance in the context of corporate finance decision making.

Topic 6: Behavioural portfolio theory

On successful completion of this topic, students should be able to:
- identify the client segments that may benefit from the small business CGT concessions when disposing of business assets
- discuss the small business CGT concessions that may be available to business owners selling their business
- outline the basic eligibility requirements for the small business CGT concessions
- explain the specific eligibility requirements for each of the small business CGT concessions
- determine the division of advice between financial advisers, tax agents and accountants when providing advice in relation to the small business CGT concessions.

Topic 7: Advising the behavioural investor

On successful completion of this topic, students should be able to:
- explain factors resulting in measurable, systemic biases in investment decisions including difference between collective and individual decision-making processes.

Topic 8: Financial therapy

On successful completion of this topic, students should be able to:

• evaluate the application of behavioural finance to the interaction and engagement with SMSF trustees
• explain factors resulting in measurable, systemic biases in investment decisions including difference between collective and individual decision making processes
• analyse impact of behaviour biases on SMSF fund investment strategies
• develop a methodology for mentoring and guiding SMSF trustees.

Topic 9: SMSF trustee coaching and observational awareness

On successful completion of this topic, students should be able to:

• evaluate the application of behavioural finance to the interaction and engagement with SMSF trustees.
• explain factors resulting in measurable, systemic biases in investment decisions including difference between collective and individual decision making processes
• analyse impact of behaviour biases on SMSF fund investment strategies
• develop a methodology for mentoring and guiding SMSF trustees.

2.4   Assessment schedule

Assessment	Description	Week	Topics	Weighting	Subject learning outcomes assessed
Assignment 1	Short and long answer questions	Week 6	1–4	40%	LO1–LO4
Assignment 2	Short and long answer questions	Week 12	5–9	60%	LO1–LO4

Please refer to our website <www.kaplanprofessional.edu.au> to review student policies relating to your assessment, including the Kaplan *Assessment Policy* and *Academic Integrity and Conduct Policy*.

2.5   Prescribed text

Baker, HK & Ricciardi, V (eds.) 2014, *Investor behavior: the psychology of financial planning and investing*, John Wiley & Sons, Hoboken, NJ.

2.6   Study plan

Week(s)	Topic name	Study load in hours
1	Topic 1: Origins of behavioural finance	10 hours
2	Topic 2: Traditional and behavioural finance	10 hours
3	Topic 3: Emotional decision making	10 hours
4	Topic 4: Personality traits	10 hours
5	Topic 5: Risk perception and risk tolerance	10 hours
6	Topic 6: Behavioural portfolio theory **Assignment 1 (Weighting: 40%)**	10 hours
7	Topic 7: Advising the behavioural investor	10 hours
8	Topic 8: Financial therapy	10 hours
9	Topic 9: SMSF trustee coaching and observational awareness	10 hours
10–12	Work on assignment **Assignment 2 (Weighting: 60%)**	30 hours
Total minimum study load		**120 hours**

Additional study hours (if required), dependent on knowledge and personal commitments	20 hours
Total study load, including additional study hours	**140 hours**