

# TAX TALKS

Australia's Tax News Podcast - The Podcast for Australian Tax Professionals

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## 2 | Why Not To Offshore SMSF Work

Whether to offshore SMSF work or not sounds like a simple straight forward question. But it isn't. The answer – whether it is a yes or a no – has wide-ranging consequences affecting everything we do – internal processes, software, technology and of course HR. If we stay, how do we compete with other SMSF providers who offshore? And if we go, how do we actually do it?

Here is Chloe Ward of [Intello](#) explaining why Intello decided to keep all SMSF work in Australia. And is doing well with this approach.

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### # 1 Innovation Becomes Mandatory

Conducting all work in Australia, rather than offshoring to lower wage countries, has the challenge of higher wage costs, higher rent and other overheads. To ensure fees remain competitive under this higher cost structure, innovation becomes important.

Accountants tend to look for ways of leveraging smaller, higher costs teams and build more scalable systems that are not primarily dependent on a large pool of low wage workers. Technology must enable this innovation however it also needs to incorporate system design and human resource elements (i.e. PEOPLE).

By way of comparison, we see a typical ratio of 1 offshore accountant to 100 SMSFs whereas within our business, the average ratio is 1 Australian accountant to 300 SMSFs.

In addition, the focus of many offshore providers is all about processing. For businesses that embrace automation, manual processing becomes less and less relevant. By adopting and leveraging Class for example, our business Intello has reduced manual data entry and processing by 80%.

### # 2 Focus On Adding Value

The most common justification for going offshore we hear is that it is “cheap”. Based on our experience, pricing is a hygiene factor only. When you dig deeper it turns out that it is not about being cheap. It's all about providing *value*.

Because of the (perceived?) higher cost structure of an entirely Australian based SMSF administration partner, the focus needs to be on providing value rather than a cheaply priced compliance only solution.

For example, value adds for an SMSF administration partner may include:

- Access to high quality SMSF technical expertise and solution at no additional cost
- Comprehensive online reporting across your clients
- Being able to speak to the accountant who actually does the work
- Solutions focused on helping grow your advice business

The above list is not exhaustive. But it demonstrates that accountants and advisers can deliver value in different ways – not simply the lowest cost solution. Another interesting aspect of this argument is who within the service chain benefits financially? Is it the outsourcing provider via potentially lower costs, the accountant or adviser in the middle or the client at the end of the chain?

A cynic would say that the outsourcing provider profits more via lower wage costs – not the accountant / adviser or their client.

### **# 3 Walking In Your Clients' Shoes**

Many Australian accountants and advisers have their own SMSF. This gives them a deeper connection with the SMSFs they work on. Contrast this to an outsource team working offshore. An SMSF for them is simply an impossibility. They will never have their own SMSF, hence never walk in their clients' shoes.

This extends to the investment portfolio itself. It's a world away for an accountant in India, Sri Lanka or the Philippines regardless of their qualifications and training.

Being empathetic towards the names of the screen results in a higher care factor and higher quality service. Andrew from Happy Valley in Adelaide and his fund is not just another SMSF file to be worked through. He is a real person. He could be me, or one of my relatives.

### **# 4 Less Friction**

Providing the SMSF work out of Australia is simply easier. If there are any issues, the accountant working on the job (or their direct supervisor) is only a local or national phone call away. No issues with time zones, language barriers or having your instructions misinterpreted. Conducting the entirety of your SMSF work in Australia is simply quicker and easier when it comes to delivery.

Less friction. Better results.

### **# 5 Better Data Security**

Many trustees and advisers prefer all SMSF data to remain in Australia and only Australian based team members accessing it. Although an offshore outsource provider will give reams of information and documents on their data security policies, outsourcing adds another layer of complexity. Especially when there is a breach of data security.

The power of cloud technology overall is a good thing. The flipside however, is that it adds security issues. Dealing with breaches regarding data offshore is significantly more complex than having all data in Australia.

Many business – including Intello – store their data in Australia for compliance and operational reasons.

### **# 6 Clients Prefer Onshore**

More and more large practices handling 2,000 SMSFs or more do offshore. So do smaller regional and suburban accounting practices. And neither tend to notify their clients or referral partners.

Our recent survey of trustees found that the overwhelming majority of them are uncomfortable with their personal financing records being processed and stored offshore.

Overall 84% of respondents were extremely or very likely to switch accountants or advisers if they started sending their personal financial information offshore. They stated that they'd rather keep their personal financial data in Australia than pay lower fees and go offshore.

Advisers and accountants need to decide what is better for them and their clients: Outsource and offshore or stay in Australia and innovate.

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