IS A SELF MANAGED SUPER FUND FOR ME?

WHAT IS A SMSF?

SMSF is a super fund managed by its members

THE SMSF BASICS

A self managed super fund (SMSF) is an alternative to large super funds, such as retail or industry funds. These large funds can have thousands of members but they are generally not the managers or trustees of the fund – so they are not responsible for managing the fund's investments or compliance with superannuation law.

SMSFs are an increasingly popular way to save for retirement. They are the super of choice for more than 1.1 million Australians in 598,000 SMSFs.
This makes self managed super the largest and fastest growing type of superannuation in Australia – but there are a few things you should consider before deciding if it is right for you.

1. Source: ATO, Correct as at June 2021

If you are considering setting up a SMSF, there are some basic rules you need to know:

- A SMSF can have up to six members.
- No member can be an employee of another, unless they are related.
- The fund can have individual trustees or a corporate trustee. Each member must be a trustee of the fund (or in the case of a corporate trustee, a director of the corporate trustee).
- No trustee (or director of a corporate trustee) can be paid for services performed in relation to the fund, except in limited circumstances.
- A SMSF must be run for the sole purpose of funding the retirement needs of its members, or providing a benefit to their dependants if a member dies before retirement (you'll hear this referred to as a sole purpose test).
- As a trustee (or director of a corporate trustee), you must act in accordance with the funds trust deed as well as superannuation, tax, corporation and other laws.

WANT MORE CONTROL OF YOUR SUPER?

Some of the reasons a SMSF may suit you include:

1 GREATER CONTROL

For many people, the key benefit of a SMSF is control. You control how your fund is run and you decide how to invest your superannuation money
You also have the ability to design your fund so that it better meets your specific needs.
For example, by tailoring the rules of your fund a SMSF can provide greater estate planning certainty and flexibility.

2 INVESTMENT CHOICE

You decide your SMSF's investment strategy and choose investments to suit the needs of the fund's members. With a SMSF, you can select from a wider range of investments, including:

- Direct Shares
- Residential or business property
- Cash and term deposits
- Specialist funds
- Gold bullion

3 COSTS

The cost of setting up and running a SMSF vary depending on, among other things, your circumstances, super balance, investment strategy and how you choose to manage your fund. So, your costs could be lower or higher than the fees you would pay in a large super fund.

However, the general rule is that the bigger your total super balance – across all members of the fund – the more cost effective it becomes to run a SMSF and lower costs could mean more money at retirement.

"GREATER CONTROL OVER INVESTMENTS IS THE NUMBER ONE REASON CITED BY TRUSTEES WHO DECIDE TO SET UP A SMSF, FOLLOWED BY THE ABILITY TO CHOOSE SPECIFIC STOCKS TO INVESTS IN."*

*Source: Investment Trends, 2012

4 TRANSPARENCY

You can monitor and control all of your fund's transactions, which will give you a clearer picture of your funds running expenses. With a SMSF, you have greater visibility of the assets your super is invested in and how they are performing at any given time.

5 TAX CONTROL

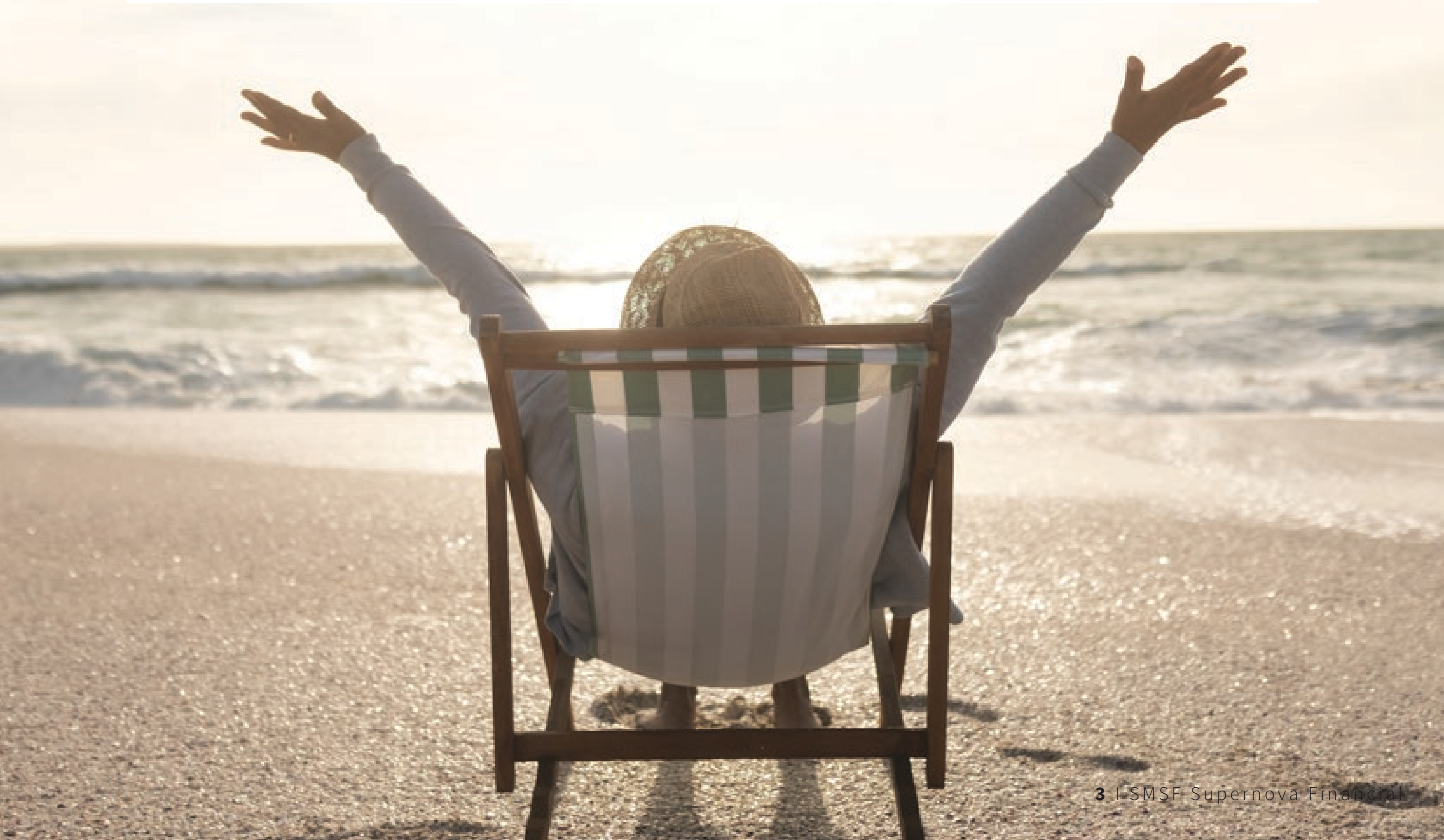
A SMSF can also give you greater control over the tax on your superannuation.
For example, you may have more control over timing of tax events such as when capital gains or losses are realised. You may also be able to transfer certain assets into your super fund (an 'in specie' transfer') where investment income will be concessionally taxed.

6 ESTATE PLANNING

A SMSF can provide more flexibility to plan for when you are not around, by specifying who you want to leave your money to, and in what form (for example a pension, lump sum or both).

7 POOL YOUR FAMILY SUPER

With a SMSF you can pool your super with family or other members of the fund. You could consolidate your super for potential cost savings or to purchase a higher value asset, like an investment property.



WHAT IS INVOLVED?

As a trustee, you are ultimately responsible for all actions of your super fund.

Being a SMSF trustee comes with a number of responsibilities. The good news is you are in the driver's seat – which means you decide how much help you would like from specialists, such as your financial adviser, and a professional administration service.

MANAGING A SMSF

Here are some of the steps involved in managing a SMSF:

Setting up the investment strategy

Preparing and regularly reviewing your investment strategy. It's like a mini business plan that guides your fund's investment decisions.

Considering insurance

Under Superannuation law, you are required to consider the life insurance needs of your funds members as part of your SMSF's investment strategy.

Making & monitoring investments

Involves managing and investing the fund's as-sets in accordance with the fund's investment strategy.

Administration

Looking after all the paperwork and record-keeping for your SMSF, such as agendas, minutes, asset titles, contributions and pensions, the annual financial and member statements and other statutory reporting.

Compliance

As a trustee you are responsible for ensuring your SMSF complies with the fund's trust deed and super and other laws.

Tax & Annual Audit

Preparing your fund's annual return and other reporting payments for the ATO.
Arranging your fund's independent audit each year.

THINGS TO CONSIDER

While a SMSF can provide you with greater control, flexibility and transparency of your super, SMSFs are not for everyone.
Managing your own retirement savings is a major financial decision and there are some important things to consider before deciding if it is right for you.

COST

Do you have enough super savings for an SMSF to be a cost effective option?

You generally need to have a reasonable amount of super, or be looking to build up your super quite quickly, to justify the costs of a SMSF. Everyone has a different view of 'how much' money is enough to start a SMSF, but as a guide the ATO suggests a minimum of $200,000 (that is, if the total balance of all members in the fund equates to $200,000 or more) to be cost effective.

You need to be aware of the set-up costs and ongoing expenses involved in running a SMSF, and wind up costs – many of which are unavoidable as they involve mandatory administration and compliance requirements. The amount of administration work you decide to outsource to SMSF specialists is also a factor.

It is worth comparing the cost of a SMSF to your existing super arrangements, including the cost of any insurance held within your super.

There are initial start-up costs as well as ongoing costs. Please speak to your financial adviser for current costs.

INVESTMENT EXPERTISE

Are your prepared to accept the additional responsibility of the ongoing trustee obligations to satisfy administration and compliance requirements?

You need to be comfortable making investment decisions around when, where and how to invest. Your SMSF will require an investment strategy, setting out the fund's investment objectives and outlining how you plan to achieve them.
It also needs to consider the life insurance needs of the fund's members.

When making investments, you'll need to ensure they comply with your investment strategy, the fund's trust deed and super laws.

If you prefer, your financial adviser can help you with your investment strategy, and many trustees still retain the services of a financial adviser.

TIME

Do you have time to dedicate to managing your fund and ensuring it's ongoing compliance with relevant laws?

How much time this takes will depend on your circumstances and the extent to which you plan to get help from SMSF specialists.

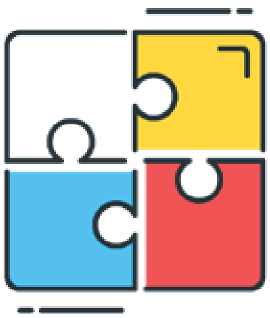
So, if you choose to do everything yourself, you'll need to allocate time for the day to day running of your fund, not just your investments and also keeping all of your compliance paperwork in check and staying on top of changes to super laws.

HELP AND SUPPORT

Do you feel confident setting and managing your own investment strategy and making investment decisions?

You will need to think about what tasks you would like assistance with – whether that's help with the administration and compliance paperwork, managing your investment strategy or perhaps advice on setting up a transition to retirement strategy.

Remember to consider these costs when deciding if a SMSF is a cost effective option for you.



RESPONSIBILITY

Will you need some help to fulfil your trustee obligations?

Many people who have a SMSF report a great sense of satisfaction in managing their own retirement savings but being a trustee of your own fund is a big responsibility.

The laws governing SMSFs are complex and can change – you need to ensure you stay on top of regulation changes and compliance.
There are financial and civil penalties for potential contraventions for trustees of SMSFs.

LIVING OVERSEAS

Do you intend to move, or travel extensively overseas?

This may impact your ability to have a SMSF. The SMSF must be established in Australia (you only need to meet that test once).

However, you should also consider that the management of your SMSF must also be located in Australia and contributions restrictions may apply.

If you intend to move or travel extensively overseas, you should consider speaking to a financial adviser to check whether a SMSF is an option for you.

"Having a Self Managed Super Fund can give you greater control over your financial future.
Being in the driver's seat means you make all decisions and can get your super working for you."

Deciding to manage your own super is a big decision and there are some important things to consider. If you would like some help deciding if a SMSF is right for you, contact your financial adviser.

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