MONEY SOLUTIONS

Self Managed Super Funds (SMSF)

Self Managed Super Funds (SMSFs) are an effective way for those with a large and diverse portfolio of assets to take control of their super. As the name suggests, you will manage the fund. But be warned, it is only cost effective for those with portfolios larger than $200,000 and have the time to manage it effectively.

You will have to make sure the following steps are completed:

- ❑ Establish a trust deed and appoint trustees.
- ❑ Obtain a Tax File Number.
- ❑ Apply for an ABN and register for GST, if applicable.
- ❑ Elect to be regulated.
- ❑ Set an investment strategy.
- ❑ Establish the contribution level.
- ❑ Decide what benefits to pay and when.
- ❑ Set up a separate bank account.
- ❑ Decide how to wind up the Fund.

In an SMSF:

- There are less than five (5) members.
- You have a Trust Deed.
- Each individual member is also a trustee of the fund.
- No member of the fund is also an employee of another member (unless they are related).
- Trustees need to conduct regular meeting and reviews of fund documents
- It is registered with, and regulated by, the Australian Taxation Office.

Advantages

- You have more control in deciding how your superannuation savings are invested.
- You have control, know how your fund is managed and what investments are held.
- Administration costs could be low if you choose low cost investments.
- If the SMSF owns any insurance cover you have arranged, the SMSF pays the cost and claims this as a tax deduction, making your insurance more tax effective.

Disadvantages

- You need the time and skills to be able to manage the fund effectively.
- An SMSF can cost up to $5,000 a year to run. Costs include accounting, auditing, financial advice and fund management fees.
- It is estimated that you need around $200,000 savings to make an SMSF cost effective.
- You are legally responsible for making sure your fund complies with all the rules, regulations and legislation, even if you get professional advice.
- When selecting your investment strategy, you need to consider the risks involved, the relative returns, level of diversification, liquidity of the investments and the ability of the fund to meet its current and future liabilities.
- Experience shows SMSF insurance is generally more expensive and harder to get than in larger public offer funds.
- Unlike APRA regulated Super Funds, no compensation is provided for theft or fraud of fund assets.

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