

## What is a *Self Managed Super Fund*?

A Self Managed Super Fund (SMSF) is a fund designed to hold and distribute retirement benefits for its members. These funds are controlled by their members, and may have no more than four members.

### Why use an SMSF?

SMSFs currently hold 31.1% of all money invested in super by Australians\*. The main attractions of SMSFs are that you have control over where your super money is invested, and they can help you create additional tax efficiencies and save on administration fees.

### What is the trustee's role?

The trustee is responsible for establishing the trust deed, setting and maintaining the fund's investment strategy, finalising reporting obligations, lodging APRA and tax returns, payment of levies and taxes, and compliance with APRA and Taxation Office laws and regulations.

Trustees who are found to be in breach of these duties can be fined and, in extreme cases, gaoled.

With an SMSF, there can be individual member trustees or a company acting as trustee. For individual member trustees, every member must be a trustee and all trustees must be members.

Where there is a company acting as trustee, all company directors must be members and all members must be directors.

### How does an SMSF work?

An SMSF works much the same as a normal retail superannuation fund. It accepts contributions from members, and invests and manages those contributions and subsequent earnings.

It is responsible for paying tax and making payments to members who are retired (i.e. lump sums and pension payments).

There are also administration and accounting tasks which need to be completed to ensure all members' records are correct, the correct taxes are paid, and the fund remains compliant with all relevant laws and regulations.



Importantly, under new rules from 1 July 2007, SMSFs are now easier to run, with less reporting and compliance, and simpler administration.

### In which assets can an SMSF invest?

An SMSF can invest in any assets allowed for by the fund's investment strategy. These usually include:

- Managed funds, shares and property
- Cash and fixed interest
- Business real property.

### What can't an SMSF do?

There are restrictions on what SMSFs are allowed to do. There are some types of assets in which an SMSF cannot invest and/or are limited on how much of the fund can be invested in them. Loans to members or relatives are not allowed.

The fund must be run to meet the sole purpose of providing retirement benefits for members.

\* As at 30 September 2011, APRA report 'Quarterly Superannuation Performance'

An SMSF which contravenes the regulations risks being declared non-complying and losing its concessional tax status. The result is all contributions and earnings being taxed at 46.5% instead of at up to 15%.

### Does an SMSF have additional tax advantages that other super funds can't give you?

Yes. As well as the usual tax advantages enjoyed by all super funds, an SMSF may also provide you with the opportunity to create additional tax efficiencies through the use of sophisticated strategies.

### Who can be in your SMSF?

The fund can include relatives such as your spouse, children and/or parents (up to a total of four members).

The main benefit is that fixed costs are shared by more members, thus creating additional cost savings.

### What are the costs of running an SMSF?

An SMSF may have to pay fees for investments (e.g. brokerage), trustee services, accounting, administration and audits.

In general terms, an SMSF can be cheaper than a retail fund if the fund has more than \$200,000 invested.

### Is an SMSF right for you?

It could be if you and/or your spouse have at least \$200,000 to transfer into an SMSF... and you think the advantages of such a fund outweigh the disadvantages (as shown below).

PROS	CONS
<ul style="list-style-type: none"> <li>▶ You have control over how and where your money is invested</li> <li>▶ There can be fee savings if you have more than \$200,000 invested</li> <li>▶ SMSFs offer the potential to use tax saving strategies not possible in other types of funds</li> <li>▶ SMSFs can purchase your business real property</li> <li>▶ SMSFs can give you certainty for your estate planning</li> </ul>	<ul style="list-style-type: none"> <li>▶ You have to make sure your fund complies with the regulations</li> <li>▶ You have to administer the fund</li> <li>▶ As a trustee of the fund, you are open to personal litigation if the fund is not run properly</li> <li>▶ You are responsible for the fund's investment strategy</li> </ul>

## Who is Australian Unity Personal Financial Services?

We specialise in providing professional strategic advice to help you improve your current financial position and ultimately achieve your long term lifestyle goals.

Importantly, our initial advice isn't a 'set and forget' service. Instead we offer you regular financial mentoring and ongoing guidance – in all aspects of your personal finances – to set you, and keep you, on the path to financial wellbeing.

Our team of experienced financial professionals can provide you with a detailed and totally tailored blueprint for financial success in any or all of the following areas:

- Financial advice
- Retirement planning
- Superannuation
- Wealth creation
- Investments
- Home loans

- Commercial loans
- Equipment finance
- Personal estate planning
- Personal risk insurance
- Investment loans
- Car finance
- Business estate planning
- Business risk insurance.

Australian Unity has a proud 170 year heritage of helping Australians create secure financial futures. This pedigree and experience, combined with our corporate strength and leading edge strategic advice capability, means we are uniquely placed to offer you high quality personal financial services... each finely tuned to your particular needs to ensure you achieve your vision of a secure financial future.

After all, your financial wellbeing is at the heart of everything we do.

**MoneyInsights**<sup>®</sup>  
with Australian Unity Personal Financial Services

Australian Unity Personal Financial Services is committed to providing Australians with a genuine understanding of their investment options. This is achieved via our comprehensive investor education program called Money Insights.

*Because knowledge is the first step to creating a secure financial future.*

The information in this document is general advice only and does not take into account the objectives, financial situation or needs of any particular person. You should obtain financial advice that addresses your specific objectives, financial situation and needs before making investment decisions. Whilst every care has been taken in the preparation of this information, Australian Unity Personal Financial Services Ltd does not guarantee the accuracy or completeness of the information. Any taxation position described is a general statement and should only be used as a guide. It does not constitute tax advice and is based on current laws and their interpretations. Australian Unity Personal Financial Services Ltd ABN 26 098 725 145, AFS Licence No. 234459, 114 Albert Road, South Melbourne, VIC 3205. This document produced in Feb 2012. © Copyright 2012.



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