



## Self Managed Super Funds (SMSF's) – What's all the hype about?

It's a common misconception; that having a super fund with low fees or the one with the best performance will be enough to secure your retirement. Advertising Agencies prey on this topic and we have all seen commercials suggesting that a lower administration fee is the key to your retirement income.

However, since the GFC (Global Financial Crisis) hundreds of thousands of people have become disillusioned with the losses their superannuation funds have suffered in the hands of the so called "experts".

Many people are looking deeper into the options available and a massive shift away from the "managed fund" is occurring today and more and more people consider alternative retirement options such as owning property or shares inside their own Self Managed Super Fund.

We would like to cut through all the hype and give you the simple facts you need to know about SMSF; the benefits, the drawbacks and when you may want to consider running your own SMSF.

SMSF's are regulated by the Australian Taxation Office (ATO) and perform the same role as other super funds: collecting and investing your contributions and making them available to you when you retire. The difference is that as a fund member you're also a trustee who controls how and when to invest your contributions, and also how and when to pay your own benefits.

A SMSF can have up to four members. They will almost always be family or close business associates.

### Responsibilities

As Trustee you are ultimately responsible for running the fund. You need to know the legal requirements and administrative responsibilities.

Each fund needs to be independently audited annually. The audit includes an assessment of the fund's overall compliance with the rules and a financial audit.

It is very important to have a sound relationship with an Accountant that understands SMSF and can provide you the correct support to ensure your fund is compliant.

### Why set up a Self Managed Super Fund?

SMSF have 5 major advantages over their Retail & Industry Super Fund counterparts which can make them a preferable retirement vehicle:

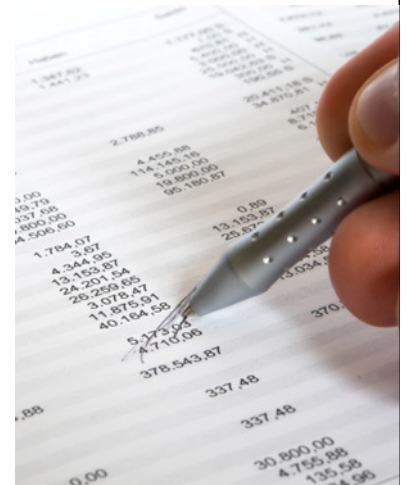
#### 1) SMSF Borrowing (or Leveraging)

In traditional Retail and Industry Super Funds you are expected to provide all the cash to fund your investments, which can significantly limit the growth potential of your Super Fund.

Legislation changes have allowed Self Managed Super Funds to borrow money (gear) internally to purchase investments, that is, you can now grow your wealth faster by using someone else's money. This also gives you the opportunity to access to a wider range of investments (such as direct property, specialist property trusts, equities or shares, and even broader investment products) that may not have been previously achievable with a smaller account balance.

#### 2) Investment Choice

Retail Funds set up by Financial Advisers often have a larger number of investment options (including managed funds and shares), whereas Industry Super Funds tend to have more basic investment options. Both types of accounts have their market and purpose. Most people have little or no input into the establishment of their Super Fund and end up with a default strategy set up by someone else, whether it is their Financial Adviser or Payroll Administrator. While this may seem to work for the majority who do not take an interest in their Super, it can have significant long-term effects on your retirement income





SMSFs allow you to purchase an almost unlimited variety of investments and can be a tool to **minimise tax** on your other investments. For example, you may be able to integrate your share portfolio into the fund. However, you won't be able to access the funds until retirement and access may be affected by changes in legislation; you can also decide when to buy or sell investments and thereby minimise Capital Gains Tax.

Another example is that SMSFs are an excellent way to invest in real estate especially if you are borrowing. For those in a position to do so, this is a more effective way to buy property than traditional negative gearing with greatly reduced personal risk. **The greatest benefit of SMSF's is in having the choice and making investment decisions for yourself**, not somebody who does not know or understand your financial situation. Don't underestimate the power of choice coupled with sound advice and **an annual financial health check**.

Remember that your Super Fund is likely to be your most valuable asset after your home. So taking more responsibility for the health and vitality of your second (if not first) most valuable asset is not only common sense, it is essential in planning for your future, particularly your income and lifestyle post retirement.

### 3) Fees

Retail and Industry Super Funds charge their fees based on your overall account balance, which means larger account balances attract larger fees. In most cases, SMSFs operate differently. After your initial set up costs your fees are based on what it costs to provide ongoing financial accounts and audit of these accounts, and financial support. So for larger account balances you could make significant fee savings by having a SMSF.

### 4) Tax Advantages

When you have your Super in a Retail or Industry Fund you have very little flexibility when it comes to tax. There are a range of tax strategies that are unique to SMSF that can have a big impact on the growth of your account.

There are many other benefits that may have an even greater impact depending on your personal circumstances. SMSF offer much more flexibility in managing your Estate Plans by better matching your insurance needs.

### 5) Achieving Your Retirement Income Goals (Family Wealth Management)

The mental rewards of getting involved in achieving your retirement income goals through a SMSF are very satisfying. Many Retail Fund members have little or no involvement in deciding how their money is being invested which leads to apathy. Many Retail & Industry Super Fund members don't even know how much they have in super, so how do they know if they are on track to achieve their desired retirement income?

Taking control actually gives you a better appreciation and interest in your savings, which often leads to better decisions and ultimately a better retirement.

When you make the decision to take control and get serious about planning your future, there are a number of services available (such as our financial health check service, and income planning calculators) that we regularly provide to our existing clients on an individual basis.

### Recent Legislative changes makes SMSF even easier

The Legislation regulating SMSF has undergone many changes over recent years, the most significant of these changes was the introduction of gearing / borrowing. Before this change, alternative investments such as residential property were not available to SMSF investors unless they were able to accumulate all the cash themselves.

Today, one of the fastest growing industries is in fact the SMSF industry.

### Is SMSF Right for Me?

SMSFs are really for those who want to take control of their savings and have involvement in their investment decisions. You need to be willing to be responsible for your own financial future and security.

There are detailed legal requirements for operating a Self Managed Super Fund that must be adhered to, so you will require good quality accounting advice and support from us.

The good news is that we provide a comprehensive service to SMSF's and therefore can manage your SMSF so it does not take up much of your time. If you wish, we will handle the entire set up and administration for you and ensure you have direct access to investment options such as property and shares so that you do not pay hefty "retail" commissions etc.



Additionally, you may want to consider your investment options, retirement goals, tax management, and insurance planning. Another logical topic for us to discuss is whether gearing will be beneficial and how important your family estate / wealth planning is to you.

Understanding you, your personal circumstances and what you want to achieve is the foundation to a sound financial plan so booking in for our annual Financial Health Check is critical to us understanding your needs and goals. Your circumstances change frequently during the year, so we will meet with you regularly to make sure you are on track and if necessary make adjustments to ensure that you are.

While there are no restrictions on the minimum amount to have before you can invest through a Self Managed Super Fund, talk to us about the minimum threshold that makes it cost effective to setup a SMSF.

**Contact us on 07 3871 0081 to book a meeting to discuss this in further detail**



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