



SELF MANAGED SUPERANNUATION – IS IT FOR ME?

The growth in the number of Self Managed Superannuation Funds over recent years has prompted the Australian Tax Office to review the law and practices relating to these entities. Two recent tax reform reviews – Henry Review & Cooper Review – have both made submissions which will again change some of the way these entities operate.

A Self Managed Superannuation Fund (SMSF) is a special trust set up for the Sole Purpose of accumulating wealth for Retirement. The trustees and the members must be the same, and there should be no more than 4 members. The Trustee can be a corporation, or individuals. If a corporation, then all the members must be directors of the corporate trustee.

The purpose of setting up an SMSF is to for the trustee/member to gain control over their retirement savings. Recent events in the global and local economies have meant that many of the retail super funds reported low and negative earnings. This prompted many people to take their retirement planning into their own hands.

Considering the level of regulation of these entities, the decision to setup your own Fund should not be taken lightly. Questions to ask yourself:

Do I understand my statutory responsibilities in being the Trustee of an SMSF?

Do I have enough time to monitor the Fund's investment activities?

Do I have enough funds to make my own fund cost effective?

What can the Fund invest in?

What professional advisors do I need to assist me?

The best place to start to find answers to these questions is to make an appointment with a professional who understands the administration side of superannuation funds. This firm is happy to demystify the administration side of running your own fund, and also to give you a broad overview of types of investments which can be held within the SMSF structure.

This information is general in nature. Clients should obtain professional advice in relation to their particular situation before implementing any of the strategies described.

Once you understand the commitment involved, and decide to proceed, we can arrange for the setup of the Fund, and all the relevant documentation to be attended to.

By this time you will have decided what investments you will use your superannuation for, and should be able to proceed with the initial research into the chosen investments. At this time, you may wish to enlist the services of a Financial Advisor.

An SMSF can provide you with a viable return on investment provided that you keep your investment strategies simple. The more complex the arrangement, the higher the fees for management and administration will be.

An SMSF can also be a significant asset to your business...

Contributions to the Fund can be used to reduce your personal, or company's taxable income. Concessional contributions made to the fund are taxed at 15%, which is substantially lower than the highest taxable rate for individuals and the 30% tax rate of companies.

Holding your business commercial property within the fund, will also assist with asset protection strategies, as well as estate planning and exit strategies.

The life of a SMSF is broadly described as the accumulation phase, then the pension phase.

During the accumulation phase, funds are generated and concessionally taxed in order to accumulate wealth for retirement. Once retirement is reached, the decision as to whether to withdraw a lump sum entitlement or turn the fund into a Pension Fund is taken. This decision is made in the light of current tax rules for individuals as well as superannuation.

If you would like to know more about Self Managed Superannuation, compile your list of questions, and make an appointment to discuss them with us.

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