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Setting Up A Self-Managed Superfund (SMSF)

Before you start an SMSF, it is important to weigh up the benefits and requirements.

SMSF benefits

SMSFs can offer a number of features and benefits generally not available with other super options.

- More investment control - you can establish your own investment strategy and directly control where and how your super is invested.
- More investment choice - you can select from a wider range of investments including all listed shares, some unlisted shares, residential and business property, and collectables such as artwork, stamps and coins.
- One fund for the family - you can set up a fund for yourself and up to three other people and consolidate your super balances. This could enable you to invest in assets of higher value than if you set up a fund with fewer members, achieve greater estate planning flexibility and reduce fund costs.
- Borrow to make larger investments - your SMSF could make a larger investment in assets such as shares and property by using cash in your fund and borrow the rest.
- Tax savings - with SMSFs you can take greater control over the timing of tax events such as starting a pension without triggering capital gains tax when your superannuation assets move into pension phase. You also have the option of transferring assets that you own into your SMSF.
- Greater estate planning certainty and flexibility - you can nominate who you would like to receive your super when you pass away without having to meet some of the constraints that apply to other super arrangements.

The key requirements

When you set up an SMSF, the trustee(s) will be responsible for meeting a range of legal and other obligations. Some of the key responsibilities include:

- holding assets for the sole purpose of providing benefits for your members upon their retirement or your members' beneficiaries if they die
- developing, implementing and reviewing an investment strategy for your fund yearly
- keeping your super assets separate from your personal or business assets and assets of employers who contribute to your fund.

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- preparing and keeping proper records, including financial statements, tax returns, audits, actuarial certificates (where applicable) and minutes of trustee meetings and decisions
- not lending money or providing financial assistance to members and their relatives using fund assets
- not borrowing money except in limited circumstances, such as to purchase investments using specific arrangements that provide some protection for the fund and its members
- not releasing money to a member unless they have met certain conditions.

Other Things to Consider

- Decide which trust structure to use for your fund– a SMSF can either have a company act as trustee or the members can act as the trustees.
- Appoint your trustees– All trustees and directors need to sign a declaration stating they consent to act as a trustee and that they understand their duties and responsibilities of becoming a trustee or director.
- Make sure all the members are eligible to be trustees– only people who are not disqualified are permitted to act as the trustee of an SMSF. A disqualified person includes someone who is an undischarged bankrupt, has been disqualified by a regulator (eg the ATO) or subject to civil penalty under the super laws, or convicted of a crime involving dishonesty. A disqualified company includes companies that are insolvent or under administration.
- Create your trust and trust deed– A super fund is a special kind of trust. A trust is an arrangement where a person or company (the trustee) holds assets (trust property) in trust for the benefit of others (the beneficiaries). The trust deed is a legal document that sets out the rules for establishing and operating your fund – things like the fund's objectives, who can be a member and how benefits are paid. You will need someone who is legally qualified to do this for you.
- Record each member's tax file number– You'll need to request each member provide their TFN when establishing the fund.
- Open a bank account for your fund– To be legally established, your fund needs to hold assets. You need to open a bank account in your fund's name to manage the fund's operations and accept contributions and any rollovers of super benefits.
- Prepare your investment strategy– This should provide a framework for making investment decisions. It should be in writing so you can prove your investment decisions comply with it and the super laws.

Information provided in this document is general in nature and does not constitute financial advice. Individuals must not rely on this information to make a financial or investment decision. Before making any decision, we recommend you consult a financial planner to take into account your particular investment objectives, financial situation and individual needs.

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