

Is a Self Managed Super Fund right for you?

Deciding to take control over your superannuation by commencing a Self Managed Superannuation Fund (SMSF) allows you to take control of one of your largest assets. Given that superannuation is generally the largest source of your retirement income, it is very important to take the following into consideration before deciding to do it yourself:

- The day-to-day running of the fund requires a serious time commitment, particularly the focus on the fund's ongoing administration and compliance.
- As Trustee you must ensure that all transactions are permitted under the legislation.
- There are strict rules regarding who can be a member of an SMSF and what kind of investments the fund can hold. You are required to set up the fund in a manner that provides long term retirement benefits. The fund cannot invest in assets that provide an immediate benefit to members or relatives.
- Using an SMSF does not guarantee that you will have more retirement savings. In fact, if you don't understand your role and responsibility as a Trustee, you can be penalised and may lose some of your super savings.

If you are not confident about your ability to manage your own super, an SMSF may not be your best option.

Reasons for commencing a Self Managed Superannuation Fund (SMSF) may include the following:

Control of investments	<ul style="list-style-type: none"> • This alone is not a strong reason to start an SMSF. The cost of running a fund is significant, and many platforms or retail super accounts can provide you with a high degree of control over your investments. In many cases a similar amount of control can be achieved without the additional costs and responsibility of running an SMSF.
Borrowing money through your SMSF to purchase an asset such as direct property	<ul style="list-style-type: none"> • This could be a good reason to start an SMSF, provided you have obtained advice from a financial planner and in this process it has been determined that this is a suitable strategy for you. • Obviously, if you have had experience in direct property investment and gearing in the past, you will have a better understanding of this strategy. • When determining the investment strategy of an SMSF, you should make sure that you have a spread of different investments. The property should not be the only investment.
I can save money by not paying fees to fund managers	<ul style="list-style-type: none"> • Investing always comes with some cost. • A retail fund or investment platform will charge administration and investment management fees to manage your superannuation account. • Investing in an SMSF also comes at a cost. There are establishment, administration and auditing costs. If you choose to invest in managed funds within the SMSF, you will be subject to investment management fees. • Cost is definitely a consideration, but should not be the sole reason for starting an SMSF. In fact, most experts agree that an SMSF is not viable unless you have a balance of at least \$200,000, as many of the costs of an SMSF are fixed, regardless of the fund balance.
My existing superannuation fund has a narrow range of investment options	<ul style="list-style-type: none"> • Through an SMSF you can invest in a range of investments that you could not access through your employer, personal or industry fund. An example is property that is used for business purposes.

I can do a better job than a fund manager	<ul style="list-style-type: none"> • While many SMSF investors do a good job managing their savings on their own, you have to remember that you are comparing yourself to fund managers that have global resources in research and administration.
An SMSF can help boost my retirement savings	<ul style="list-style-type: none"> • The structure of your superannuation savings alone will not boost your final retirement nest egg. • Building your savings will come down to compulsory superannuation contributions and extra savings that are managed carefully.
I have a business and enjoy running my own finances	<ul style="list-style-type: none"> • As a small business owner, you may have experience with legal structures, taxation affairs, and the day to day management of an asset. • On its own, this is not a strong reason to commence an SMSF, but this background may make it easier for you to manage this structure.
I understand what is involved with running a fund	<ul style="list-style-type: none"> • You will work with professionals along the way, but it is expected that you will understand your roles and responsibilities as a Trustee. You cannot delegate liability to another party if something goes wrong. • You are responsible for ensuring that the Trust Deed allows you to do all you require, that all investments are in line with the fund's investment strategy of the fund, that all contributions and pension payments are allowable under the law, and that all members of the SMSF are legal.
I have specific estate planning requirements	<ul style="list-style-type: none"> • How your super assets are passed on once you die is important to you. SMSFs can provide more estate planning options in this situation.

An SMSF is only appropriate for people who have the time and expertise to manage their super affairs carefully. Before starting an SMSF, you should consider whether any of these goals and objectives can be achieved either within your existing superannuation fund, or in another superannuation vehicle.



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