

VINCENTS

Is an SMSF Right for Me?

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Is a Self-Managed Superannuation Fund the right option for me?

Self-Managed Superannuation Funds (SMSF) account for [approximately 25%](#) of the multi trillion dollar superannuation pool in Australia.

Most of us have become used to the idea that we have only limited control over our superannuation. SMSFs, however, provide much more control over where, when, and how you invest, what you pay for and when you pay for it. SMSFs also provide increased flexibility and the ability to instruct the trustees what to invest in.

After becoming a trustee of a SMSF, initially, many people struggle with the concept that superannuation is really your own money, but it is set aside for retirement.

Yes, there are limitations on when you can get your hands on the money, and how the money can be invested by the superannuation fund, but it is still your money.

The real goal is making your superannuation money grow so you can achieve your needs and objectives in retirement.

There is no denying that superannuation can be complicated but the skills to run your own superannuation are no different to running a business, managing an office, or investing outside of superannuation. It can be helpful to have an SMSF advisor to help you structure your superannuation and achieve the best possible outcomes.

Is an SMSF Right for Me?

Disclaimer - While every effort has been made to provide valuable, useful information in this document, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

Advantages

Control

You have complete control over the investments of the fund. You can invest in a wide range of assets, including bank deposits, direct mortgages, direct property, shares, managed funds, and pooled investment trusts. The fund can even purchase commercial property used by the member's business and lease it back to the business at commercial rates. This also provides Asset protection.

Flexibility

A member of an SMSF has the flexibility to commence a pension (subject to the preservation rules) and access as much of the capital of the fund as they wish, tax free, at any time following retirement after age 60.

Security

All the investments are held in your name as trustee or in the name of a trustee company that you control. This means that only you can sign the fund's cheques and authorise the making or selling of investments.

Costs

The cost of managing an SMSF may be less than comparable institutional funds if the capital is large enough.

Investment opportunities

A self-managed superannuation fund gives you control and flexibility to take positions in new floats and potentially enhance the fund's performance as a result.

Under limited circumstances, an SMSF can also borrow to purchase an asset. This can be beneficial to purchase an asset that would otherwise be out of the reach of the trustees thereby creating an opportunity to generate higher returns.

Taxation

An SMSF allows you to take a tax deduction on contributions if you are eligible, which the fund pays tax on at 15%. The effective tax rate can be reduced by targeting franked dividend income. As trustee you will also have control over the timing of the realisation of capital gains on your investments. For assets held for more than 12 months, a discounting of the capital gain applies, meaning tax of 10% is paid on the gain.

Should the fund be in pension phase, there is the opportunity to reduce the effective tax rate on income and capital gains to 0%.

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Investment continuity

The tax rate on investment income within the SMSF, used to support your pension income, reduces to nil once your fund account begins to pay a pension to you. The SMSF allows you to change the characteristics of your fund from an accumulation to a pension fund without the need to sell investments and realise capital gains.

Contributions in specie

You can contribute listed shares, units held in managed funds, fixed-term deposits and "business real property" directly to the fund, instead of cash if you wish. Personal shareholdings can be transferred into the fund without the need to liquidate them.

Estate planning opportunities

Because the fund can continue indefinitely, surviving family members may enjoy tax and social security advantaged income and growth after your death.

Asset protection

In most instances, fund assets are protected upon bankruptcy or litigious attack.

Insurance

A member of an SMSF can take out any number of differing insurance options via an SMSF, with maximum flexibility of cover.

Permanency

The fund continues unless you wish to wind it up.

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Disadvantages

Responsibility

All decisions and responsibilities associated with managing the fund rest with you as trustee.

Costs

The costs and administrative requirements of establishing and maintaining an SMSF include:

- Establishing the superannuation fund, including formulating a trust deed and corporate trustee (if appropriate)
- Preparing and keeping accurate accounting and administrative records, lodging the tax and regulatory return
- Appointing an auditor and ensuring you have an annual audit completed for the fund every year
- Fees to the regulator (ATO) on an annual basis for the privilege of having an SMSF
- Costs of brokerage if you invest your money in listed shares
- Costs of dealing with a real estate agent and solicitors if you purchase property
- Potential costs associated with a financial planner or investment adviser to assist with your investments
- Costs of education if you are an inexperienced investor and you want to make your own investment decisions

These costs also exist when you are a member of an ARPA regulated fund, however due to their size and member base the costs are distributed more widely.

Complexity

Putting in place additional structures, such as an SMSF, will be more complex to administer and will involve additional ongoing costs, such as tax returns, audits, and possibility actuary reports.

However, this is where experienced SMSF administrators such as Vincents can assist and take most of that burden from you.

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Penalties for non-compliance

There are serious taxation consequences for non-complying superannuation funds. Generally, the

fund's total assets – less any member's contributions for which no tax deduction has been claimed – will be subject to tax at the highest marginal rate. In addition, any income in a year in which a fund is noncomplying will be taxed at the highest marginal rate.

Time commitment

To run an SMSF effectively, you should consider whether you have enough time and the appropriate skills and financial experience, or the willingness to learn, to make the best investment decisions for the fund and to meet all the obligations as an SMSF trustee. Of course, you can outsource some or all these tasks, but ultimately, as trustee, you will be responsible for the running of the fund.

No access to compensation

Unlike the large superannuation funds regulated by the Australian Prudential Regulation Authority (APRA), SMSF members do not have access to the compensation arrangements under the Superannuation Industry (Supervision) Act 1993 in the event of theft or fraud.

Other risks

There may be risks, for example:

- a lack of access to the Superannuation Complaints Tribunal to resolve SMSF complaints between the trustees/members; using individual trustees as opposed to a corporate trustee
- a breakdown in the relationship of fund members, especially in circumstances where the membership structure of the SMSF is unusual

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Other factors to consider

The need to develop and implement an investment strategy

Developing and implementing an appropriate investment strategy is a serious responsibility for SMSF trustees. The trustee will ultimately remain responsible for the fund's investment strategy even if they seek advice.

It is important that as a potential SMSF trustee, you understand:

- the benefits associated with asset diversification and investing across several asset classes (e.g., shares, property) in a long-term investment strategy, such as improving the risk and return profile of an SMSF fund
- there are some restrictions on SMSF investments and, as part of their obligations, trustees are prohibited from entering certain transactions
- they should conduct a regular review of the SMSF's investment strategy to ensure that the investment strategy continues to reflect the purpose and circumstances of the fund and its members

Responsibilities and obligations for SMSF trustees running an SMSF

SMSF trustees need to comply with several obligations under the superannuation and taxation laws, as well as the trust deed.

There may be various consequences if an SMSF trustee fails to comply with their obligations. Even if one trustee is less actively involved, all trustees are equally liable for the fund's compliance with the superannuation and tax laws.

As a trustee, you will be required to sign a declaration stating that you understand the responsibilities and obligations of acting as trustee. These include:

- ensure that the SMSF is managed in compliance with the relevant laws
- maintain the fund for the sole purpose of providing retirement benefits to SMSF members
- accept contributions and pay benefits to members in accordance with superannuation and taxation laws and the SMSF trust deed
- value the fund's assets at market value for the purposes of preparing financial accounts and statements
- have the financial accounts for the SMSF audited each year by an approved SMSF auditor and
- meet the reporting and administration obligations imposed by the ATO.

Insurance

SMSFs do not come with insurance by default. When you join an SMSF, you should consider whether it is appropriate to take out separate life insurance. In most cases, Income Protection, Life and some Total and Permanent Disability (TPD) insurance is tax deductible to the Fund also.

Legislative change

The taxation and superannuation laws and policies that apply to SMSFs may be subject to continual change, including changes to legislation, and regulatory policies and standards.

Exiting the Fund

Should you decide to wind up the SMSF, you need to be aware that there will be costs associated with this, although the administration of these should not be much more than the normal annual costs. Exit fees may apply to the fund's investments, however.

Why Vincents?

Our firm

We are an Australian accounting and advisory firm, supported by a dedicated team of over 230 experts. With a comprehensive range of services, we prioritise providing exceptional client service, ensuring our clients are at the centre of everything we do.

We are committed to helping you make the right choices to grow your super and secure your financial future. Our SMSF and superannuation advisors are experts across estate planning, death benefits, family law, planning and tax administration, and SMSF structuring.

We are committed to understanding and helping you achieve your financial and retirement goals. Our collaborative approach draws upon our team's real world experience to deliver you clear and detailed advice.

Our locations

Our experts provide accounting and advisory services nationwide. We operate from offices in:

- Brisbane
- Sydney
- Canberra
- Adelaide
- Gold Coast
- Melbourne
- Sunshine Coast

Service Offering

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Ongoing administration

Following establishment of the Fund, we attend to the following:

- Liaising directly with your financial advisor to limit your involvement in the account preparation
- Transactional data entry, ensuring the correct income allocation is attributable to the members
- Preparation of annual Trustee Financial Statements
- Annual Member Benefit Statements preparation
- Preparation and lodgement of the Income and Regulatory Return
- Investment Strategy review and realignment
- Business &/or Instalment Activity Statement preparation and lodgement
- Australian Taxation Office Pay as You Go Registration / Cancellation
- Preparation of Pay as You Go reconciliation and PAYG Payment Summary
- Pension Actuarial Certification
- Pension Rebate and Deduction Calculation
- Full compliance review
- Independent Audit
- Benefit Payment Documentation
- Full strategy review
- Trust Deed review

Ongoing administration – What does it really mean?

Following receipt of your financial records at year end, Vincents records the details of all purchases, sales, distributions, contributions, and other transactions, either manually or via electronic means, whichever is the most cost effective for your Fund.

Annual Trustee Financial Statements

The Financial Statements are prepared annually or upon wind-up of the Fund. This report includes the Operating Statement, Statement of Financial Position, associated notes to the financial statements and a Detailed Operating Statement are produced in duplicate - a copy is kept on file at Vincents whilst the Trustees receive a bound set for their records.

Annual Member Benefit Statement

The Member Benefit Statement forms part of the Financial Statements and are prepared for members of the Fund, detailing their income allocation, share of tax, and a listing of all direct member transactions during the year.

Income and Regulatory Return Preparation and Lodgement

Vincents prepares the annual return, containing the income tax and regulatory return and processes lodgement once approved by the Trustees.

Investment Strategy review

As part of our process, we undertake a review of the current investment strategy compared with the actual investments held by the Fund at the end of the financial year. Should this highlight a conflict between the two, the Trustees are requested to re-align their strategy. This is facilitated directly with the Trustees or via their financial advisor.

Compliance and strategy review

Once the financials have been prepared, they are reviewed by one of our experienced Superannuation Managers to ensure that the Fund is fully compliant with all aspects of the Superannuation Industry Supervision Act and associated Regulations

Independent Audit

Vincents facilitates the audit (as prescribed by legislation) of the Fund prior to lodging of the annual return. We engage specialist, external independent auditors, via a tender process to undertake the audit on your behalf. Whilst you may use an auditor of your choice, using our auditor makes the audit process completely seamless.

Strategy review

A full strategic review of the Fund occurs, whereby all planning opportunities are brought to your attention that is relevant to the specific circumstances of the Fund and/or its members.

Our team

Vincents' Superannuation Advisory have the skills and experience to support clients in managing their SMSFs in each of the accumulation, retirement, and estate planning phases.

Our experts have extensive experience in all areas of superannuation, working with trustees, employers, and members. We can help you make the right choices to grow your super and secure your financial future.

Our dedicated team can provide direct access to high quality practical advice across all relevant superannuation areas including all aspects of your retirement and estate planning needs. Our expertise enables us to help you achieve your goals while ensuring the best after tax outcome available.



Mailene Wheeler

Director – Superannuation Advisory

Your Vincents SMSF team will be headed up by Mailene Wheeler. Mailene is a director in Superannuation Advisory and specialises in all aspects of SMSF. She has twenty years' experience, and her expertise includes taxation and administration of SMSFs, retirement planning, contribution strategies, limited recourse borrowing arrangements and reviewing investment structures to ensure legislative compliance. Mailene joined Vincents in 2017 as the manager of Superannuation Advisory and was appointed as associate director of the team in 2019 and director in 2020.



Brett Griffiths

Director – Superannuation Advisory

Brett specialises in all aspects of superannuation compliance but specifically Self-Managed Superannuation Funds. He utilises his twenty-five years of superannuation experience to develop strategies and structures to achieve the best outcome for his clients. Brett's experience includes Self-Managed Superannuation Funds, Retirement Savings Accounts, Public Offer Superannuation Funds, and investment products, as well as an understanding of investment advisory firms. This experience means he is well placed to understand the intricacies of superannuation compliance, and what it takes to help clients to achieve their desired financial outcomes.