

Self Managed Superannuation Fund

Deciding to set up an SMSF is an important decision that you should consider very carefully. The following information outlines some of the benefits and consideration of SMSF's.

Benefits

Control

- Trustees have complete control over the fund and it's investments (within the legislative framework)

Investment Choice/Strategies

- The key benefit of SMSFs has always been investment control, and the much wider investment choice (such as direct shares, direct property, hedge funds, art work etc) that trustees have compared to commercial super funds. However, the real benefit is not just in "choice", but in the ability to have more sophisticated investment strategies working for you.

Total Wealth Management

- SMSF may provide you with a range of options in terms of Estate Planning and benefits payments.

Tax Efficiency

- SMSF are treated for tax purposes exactly the same as other superannuation funds. This means they receive the highest concessional tax rate of 15%.

Costs

- Trustees of SMSFs also have greater ability to manage the fees paid by the fund. By selecting and managing your investments carefully, you can keep the fees you pay at a minimum.

Ability to borrow money

- The use of Limited Recourse Loans allows SMSF Trustees to gear investments via super. Shares, property and any assets that can ordinarily be purchased by a super fund can form part of a gearing strategy. This effectively enables Trustees to increase the value of the assets in super and access certain types of assets such as property that they may not be able to purchase in full. Any assets that are held until pension mode prior to disposal can enjoy the benefit of zero capital gains tax payable on the capital gain.

Consolidation

- You have the ability to have up to four members in a SMSF. You are therefore able to combine your superannuation benefits into one strategy to reduce ongoing costs and increase the potential for compounding capital growth.

Estate planning

- SMSFs provide estate planning opportunities where there is more than one member in the fund. A member of a self managed super fund is able to have a Non-lapsing Binding Nomination which allows them to specify how their benefits are to be distributed on their death. This allows the control of the fund passes to the appropriate person(s) to ensure the deceased member's wishes are best served.

Asset Protection for business

- As a general rule individual's superannuation assets are protected from creditors in the event of bankruptcy. Superannuation assets held via a SMSF are no exception. An SMSF can hold real property such as the business premises that are used in a members business that are under an arm's length commercial lease arrangement, this means that the SMSF may provide safer vehicles with which the small business owner can hold these business assets.

Considerations

Responsibility

- As the trustee, you are ultimately responsible for the fund. You need to have a good understanding of the rules and regulations for operating an SMSF. It is also important that you keep up to date with the latest developments in investment markets and legislation. Financial management Solutions can help you successfully manage your fund.

Administration

- The administrative requirements for running an SMSF can be time intensive so you need to ensure that the management of an SMSF will fit in with your current lifestyle. Financial Management Solutions can assist you with the administration tasks of a SMSF.

Suitability

- SMSF's are not suited to everyone so it's important that you understand the risks as well as the benefits. Your financial adviser will be able to help you decide if an SMSF suits your circumstances.

Costs

- If you are considering setting up an SMSF, you will need to investigate the associated setup costs and then ongoing accounting, brokerage and adviser fees. You will need a sufficient account balance to make it cost effective in the long run. A fund balance of approximately \$300,000 - \$400,000 is advisable before considering a SMSF.

Estate planning

- SMSF funds must have at least 2 members or a corporate trustee. Problems can arise when a member dies leaving the fund with only one members if binding nominations are not in place.