



## **SMSFs..... strong and getting stronger**

The rapid growth of SMSFs in Australia has been phenomenal. According to Rainmaker, a super research group, in 2003, there were just over 260,000 SMSFs, holding about \$108 billion in assets, or one-fifth of the superannuation pool. Fast forward ten years, and in November 2013 there were 503,320 funds, representing almost one million individual trustee-members, holding \$496 billion, or nearly one-third of all superannuation money in Australia.



As at November 2013, SMSFs represent the largest single segment of the Australian super pool.

### **Why Australian's are choosing SMSFs:**

Put simply, Australians are choosing to take control of their investments and be more involved in planning for their retirement.

SMSFs offer 4 major advantages:

1. More control over investments
2. Greater investment flexibility
3. Potential tax advantages and lower fees than industry and retail funds
4. On average, better performance than industry and retail funds

### **What are the requirements for establishing an SMSF?**

To establish an SMSF, the fund must meet the following conditions:

- have fewer than 5 members
- each individual trustee of the fund must also be a member of the fund
- each member of the fund must be a trustee of the fund
- no fund member can be an employee of another fund member, unless they are related, and
- no trustee of the fund can receive remuneration for their services as a trustee.



## Is an SMSF right for you?

Australia's financial services regulator ASIC<sup>1</sup>, has highlighted some questions you should ask yourself before deciding whether to adopt a self-managed super fund.

- **Will you save money or waste it?** You need to ensure you have enough funds to warrant the fees associated with a self-managed fund.
- **Will you lose valued benefits?** Non SMSF Super funds usually offer some form of life and disability insurance. If you set up a self-managed super fund you will have to arrange your insurances as they are not automatically applied.
- **Will your self-managed fund outperform your current fund?** A self-managed fund is not a 'set-and-forget' option. You must be actively involved and seek advice where required.
- **What if something goes wrong?** Self-managed super fund members do not have access to any special compensation schemes in the event of something going wrong i.e. fraud or fines for non-compliance.
- **Do you know enough?** Do you know all your legal and tax responsibilities? Are you on top of the investment market? Do you know the tax implications?

It is important to note that as trustee of your fund, you are ultimately responsible for all aspects of that fund. Whilst you can seek advice from professionals, you must still take responsibility for decisions made and actions taken.

### Self-Managed, does not necessarily mean DIY

It is important to note that SMSFs are often more sophisticated funds, with more involved members. That said, it is imperative that members seek advice along the way. A Self-Managed Superannuation Fund can afford you with great flexibility and control, but can also benefit greatly from professional advice.

If you would like to know more about SMSFs or discuss whether an SMSF strategy may be appropriate for your superannuation needs, please contact the office to arrange an appointment with your adviser.

#### Sources:

SMSFs: taking control of retirement destinies – AFT - PUBLISHED: 26 NOV 2013

<sup>1</sup>ASIC's 'Super Decisions' brochure dated 2011 available at [moneysmart.gov.au](http://moneysmart.gov.au).

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