

## Self-Managed Superannuation Fund - DIY

### What is a Self-Managed Superannuation Fund (SMSF)?

An SMSF has less than five members, each individual trustee of the fund is a fund member, each member of the fund is a trustee, no member of the fund is an employee of another member of the fund unless those members are related. The requirement that all members be trustees ensures that each member is fully involved in the decision making process.

### Set up Procedure (Estimated Set up Cost from \$1,000)

- Trust deed.
- Appoint a trustee.
- Elect to become a regulated fund.
- Register for a TFN.
- Register for an ABN.
- Register for GST (if applicable).

### Advantages

- Asset protected in Super fund.
- Lower tax rate of 15% on income and contributions.
- Retirement planning - payment of pensions.
- Capital gains tax discounts.
- Imputation credits offset tax liability.
- Control over investments.
- A better vehicle than the traditional Testamentary Trust in respect to Deceased estates.
- Can purchase Business real estate property through a trust (conditions apply).
- Can purchase Residential real estate property through a trust or as tenants in common / joint tenancy (conditions apply).

### Disadvantages

- Cost of establishing, maintaining and compliance.
- Trustee responsibilities and duties.
- Audit certificate required.
- Contribution surcharge.
- Funds locked until retirement age.
- Government legislation may change in the future.
- Cannot borrow.
- Restriction on type of investments it can hold.

### Compliance Requirements

- ABN registration.
- Tax File Number application.
- GST registration (if applicable).
- BAS monthly or quarterly (if applicable).
- Tax Return - yearly.
- Financial statements - Balance Sheet, Investment Strategy, Profit and Loss, and members' Investment Accounts.
- Yearly audit by and approved Auditor.

### General Comments

Self-Managed Superannuation Funds are becoming increasingly popular. It provides the members with control over where to invest their retirement savings.

It is a particularly good tax planning tool when acquiring Business real estate property and many Business owners use this vehicle to assist in purchasing their own Business premises.

It has the lowest tax rate available and is a great tax planning vehicle whilst maintaining control.

At retirement, the income earned by the Superfund is tax free and the allocated pension paid by the Superfund is taxed concessionaly giving tremendous tax planning benefits to the recipients.

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