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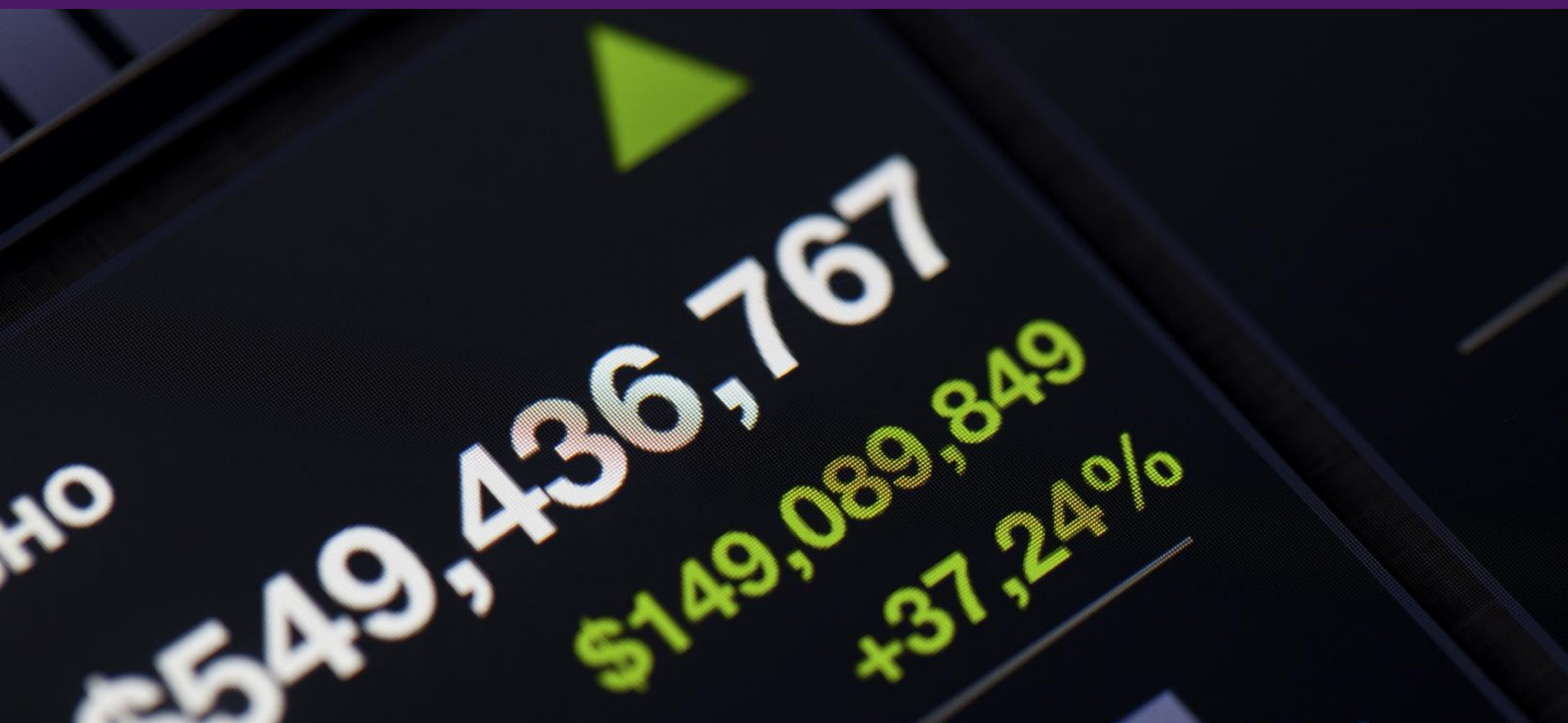
What is Self-Managed Super?



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What is a SMSF?

SMSF's are trusts that are used by an increasing number of everyday Australians for the purpose of managing the financial affairs of their superannuation contributions and the related investments. The core purpose of a SMSF is to provide benefits to a member when they cease employment, reach a prescribed age or at their death.

There are some restrictions on people being a member of a SMSF but generally;

- A SMSF is limited to no more than 4 members
- Each member must be a trustee – either an individual or director in a corporate trustee
- Cannot be an employee of another member unless related
- "Control" over the SMSF through its daily management, must be in Australia

For these reasons SMSF are well suited to "family" arrangements and in particular those operating a business together.

What does it mean to be a Trustee?

The requirement for each member to be a trustee places equal responsibility on each person to ensure the SMSF is operating in accordance with the TRUST DEED and statutory law

A minor can be a member of the SMSF with their parent or guardian as their 'acting trustee'.

Each trustee will be responsible for management of the SMSF including the receipt of contributions, investment of funds, payment of expenses and arranging for preparations of audited financial statements and income tax returns.

What registrations are required for a SMSF?

To establish a SMSF you will need to;

- Identify all members of the fund and provide personal details for each to the ATO.
- In applying to the ATO to start-up your SMSF, you will request for it to be a "Regulated Fund" and also obtain an Australian Business Number and Tax File Number.
- The SMSF will require a bank account.
- If the SMSF has a corporate trustee it may need to be established through the Australian Securities and Investments Commission.
- In some cases it may be appropriate to register for Goods and Services Tax (GST)

How does a SMSF accumulate benefits for members?

The SMSF trustees will be responsible for its financial management and reporting and require them to;

- Accept allowable contributions into the fund
- Invest in allowable forms of investments provided under statutory law and the trust deed.
- In limited circumstance, borrowing funds for the acquisition of assets for the SMSF.

Costs incurred in operating the SMSF will be payable and the resulting annual taxable profit will be taxed (currently at 15%).Trustees that are able to maximise the annual return on the SMSF assets through income earned and/or capital appreciation are likely to provide the nest result for their members.

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Are there rules for…contributions, benefits and investing?

It is important that trustees of SMSF understand the rules relating to contributions and investments.

As your advisor, we can instruct you on what amounts and types of contributions can be received by your SMSF and how they can be invested.

Be wary of contributing large amounts and personal assets into your SMSF as these may not be allowed.

If you are intending to transfer (rollover) benefits you have in another fund, to your SMSF, you will need to contact that fund to request this.

Who is best suited to operate a SMSF?

Operating a SMSF is not for everyone as it is both an onerous and sometimes time consuming role. Additionally, a fund that is not managed well or does not have sufficient funds, being managed can be a more costly exercise than if you retained your assets in a non-SMSF.

To find out whether you are suited to running a SMSF, go to our questionnaire by following the link:

http://www.pinnacleas.com.au/smsf/