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Self Managed Super Funds

YOUR SELF MANAGED SUPER FUND (SMSF)

ARE YOU READY TO TAKE CONTROL?

Lack of knowledge is the number one reason why individuals don't have a Self Managed Super Fund. If you're considering an SMSF but don't know where to start, you will benefit from a mentor to guide you in the right direction. Read on to learn more about the benefits of an SMSF and whether an SMSF is right for you.

Growth of SMSFs – a good news story

With 28% of all super held in SMSFs, do-it-yourself super has become a popular choice for people who want to control their super fund's investment strategy and choose what they invest in. Today, SMSFs have a total of \$739.7B in assets (as at 31st December 2019), operating expenses are declining despite greater regulation, and SMSFs are often outperforming the large funds ¹.

SMSFs in Australia invest in three main classes:

- 29% direct shares
- 24% cash and term deposits
- 9% direct property (as at 30 June 2017).

Rather than relying on someone else to make investment decisions (like in a pooled fund) you are responsible for, and the trustee of, your own fund. The advantages of a SMSF are clear: transparency, flexibility and control, as well as potential tax and cost benefits:

Benefit 1. Transparency

- Unlike many retail or industry funds, you can see the ins and outs of your investments and track their performance. The more you can see and know, the more you will become engaged in your super to maximise your super strategy and ultimately your retirement funds.

Benefit 2. Flexibility

- You have the flexibility to suggest to the trustee alterations to the fund's investment strategy to meet the personal circumstances of fund members or changing economic conditions or legislation. In light of superannuation changes announced by the federal government effective 1 July 2014, it is even more important to have flexibility to change your fund to maximise the benefits and minimise unnecessary tax.

- You can have your personal super and pension fund within the same trust deed. When you wish to begin your pension, monies in your superannuation fund will be rolled across into a pension fund which generally pays no tax on income or capital growth.

Benefit 3. Control

- You can become significantly involved in your fund's operation and in implementing your investment strategy.
- Your SMSF lets you tailor your own investment strategy and access many different superannuation fund managers and direct securities, such as shares, under the umbrella of a single trust deed.
 - This means you can invest in a broad spread of products and reduce your costs through substantial economies of scale, such as:
 - listed securities
 - managed investments
 - cash, securities and term deposits
 - direct and listed property
 - business real property
 - international equities
 - collectables and exotic assets (subject to restrictions)
 - life insurance policies
 - instalment warrants
- You can look out for your family using efficient estate planning opportunities: trustees and members can ensure they have the final say in the distribution of death benefits via the SMSF trust deed.

¹ ATO: Self- managed superannuation funds: A statistical overview 2010-2017

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Benefit 4. Tax breaks and reduced costs

- Like all super funds, SMSFs attract a reduced tax rate of 15%, up until the account-based pension fund that is tax-free (subject to balance transfer cap rules).
- You may be able to transfer existing assets into a more tax-effective environment.
- SMSFs provide access to investment gearing opportunities, borrowing to purchase investment property assets under what is known as a Limited Recourse Borrowing Arrangement (LRBA).
- SMSFs generally offer one-off fixed establishment costs and lower ongoing fees than most sole provider and master funds which are particularly beneficial if you have a fund with substantial assets.

Who suits an SMSF?

An SMSF should be established with at least \$500,000 for its income to offset the annual administration fees. The other important ingredients are time and expertise: to have control over your retirement wealth, you'll need to spend time investigating investments, building expertise, and engaging consultants where you need them.

Legislative requirements – what's involved?

An SMSF is a trust established to accumulate superannuation benefits for its members. It is governed by superannuation legislation and is regulated by and must report to the Australian Taxation Office (ATO).

SMSF trusts have certain guidelines to follow:

- may have four or less members
- each member of the fund is a trustee or a director of a corporate trustee
- no member of the fund is employed by another member of the fund, unless those members are related
- no trustee of the fund receives remuneration for his or her services as a trustee.

The fund's trustees are required to prepare a trust deed as well as an investment strategy. The investment strategy must reflect the purpose and circumstances of the fund and take into account:

- how to maximise member returns while considering risk
- appropriate diversification in a long term investment strategy
- the ability of the fund to pay benefits as members reach retirement, and other costs incurred by the super fund
- insurance needs such as life insurance, disability insurance, property insurance, etc.

All investment decisions must be made in accordance with the fund's documented investment strategy and trustees should seek investment advice or appoint an investment advisor as necessary. Trustees must also have their funds externally audited annually and file a tax return from their fund to the ATO.

Needless to say, most SMSF trustees use experts in drafting trust deeds, lodging annual tax returns, creating investment strategies and having their funds audited.

How Burrell can help – making complex simple

We encourage our clients to get engaged and adopt a superannuation structure and platform which provides transparency, flexibility and control. The more engaged you are, the more successful your super strategy will be in giving you the retirement income you want.

At Burrell, we make simple the perceptible complexities of SMSFs. We offer a complete service including a trust deed and administration service, a comprehensive portfolio management service, a research team to provide updates on the latest superannuation developments, and experienced superannuation advisors who listen to trustees, provide insights and help manage your investment decisions. We can even manage your SMSF on the trustees' behalf, as per an agreed strategy, via our Individually Managed Portfolio (IMP) service.

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Investing for yourself doesn't have to mean by yourself.

Burrell's 'Super' advisors can help you set up and stay engaged in a manageable, transparent, flexible and rewarding SMSF investment strategy. Anticlockwise from L: Alanna Fraser, Robert Chan, Alicia Kendall, Eric Harrison, Mari Ashted, Angus Traves, Shanny Lai and, Chris Burrell.

But first, we will work with you to determine if an SMSF is right for you and guide you through the steps to get set up. Generally, an SMSF separates the four different functions of:

- trusteeship
- administration
- insurance and
- funds management.

Burrell will work with your accountant and/or an SMSF administrator at set up and year end. We can work with your existing advisors be they accountants, lawyers or insurers to attend to each area, or we can draw from a panel of our own preferred super experts. This flexibility means we can build a SMSF service team that best meets your fund's own personal situation and requirements.

To get set up, specific steps include:

- create a trust deed
- apply for TFN and ABN
- establish compliance and audit
- determine corporate or individual trustees
- register with ASIC and the ATO
- attend to property and borrowing documents
- attend to application forms, Product Disclosure Statements, beneficiary forms

- determine investment and insurance strategies
- rollover existing super, considering costs and insurance
- make contributions
- establish pension accounts, if applicable.

Ongoing management of the SMSF's investment strategy is made easy by our Premium Portfolio Service (PPS). PPS provides a complete solution to support your SMSF's investment activities: a client-focused PPS administration team to handle the administration and paperwork, a skilled personal investment advisor to guide and support the trustees, valuable research to inform you, and super-smart technology to capture it all and enable the trustees to make better investment decisions.

Importantly, you can count on Burrell's review, advice and recommendations to be in your best interests. As a private firm, we are less susceptible to conflicts from product providers and are free to provide superannuation solutions that suit your needs, not ours.

Understanding the cost

While the costs of running your superannuation are important to understand, they do not necessarily have the greatest impact on achieving your retirement goals. As a rule of thumb, the annual costs of administering a superannuation fund with the essential attributes of flexibility, transparency and control, should not exceed 1-2% of your assets.

There are set-up and ongoing fixed costs associated with SMSFs along with asset purchase costs, like brokerage. Depending on the circumstances, a fund can be set up for as little as \$1,100. And unlike retail or industry funds, you will know exactly how much you will pay for your SMSF, before you get started.

Get started

Talk to one of our super experts for an obligation-free conversation about your super. We'd love to help you make the seemingly complex, simple.

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General Advice Disclaimer

This document contains general information only and doesn't take into account your personal objectives, financial situation or needs. You should consider the appropriateness of the information in this document with regard to your objectives, situation and needs. You should obtain financial advice tailored to your circumstances. Contact us if you would like to speak to a qualified financial adviser

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