



## Setting up an SMSF – What do you need to consider?

Setting up an SMSF can be complicated. Not getting it right can materially affect your financial situation and retirement plans.

An SMSF can be referred to as a bucket into which you put your retirement savings. We help you to ensure that 'bucket' remains compliant with the rules, but what you do with the money inside the bucket is up to you. You can get professional advice from investment advisers and stockbrokers along the way.

A self-managed super fund is a private super fund which follows all the same rules as larger super funds plus some additional requirements. All members of the fund must be trustees or directors of the trustee company which ensures that the fund is managed and controlled by the same people who have their retirement savings in the fund. The fund must be run for retirement purposes. You cannot get a benefit from the fund until retirement or a condition of release is met.

Essentially running an SMSF is similar to running a private company. You have a bank account just for that entity, an ABN and a TFN, and you prepare accounts each year and lodge a tax return. There are lots of requirements, such as ensuring you keep the assets of the SMSF separate from yourself. There are rules about what you can and can't do with the money. We can help with all of this. Our role in the process is to help keep you compliant by giving you answers to any questions you might have.

You need to ensure all assets of the fund are kept separate from your personal assets and that you don't get a personal benefit from any assets. Getting a benefit from super fund assets also applies to your relatives. For example, if the fund owns a property, then you cannot rent that to a child or other relative. It must be rented to an unrelated third party at market rates.

### Low balances

You must ensure you have an appropriate superannuation balance before considering an SMSF. While a low balance can be a red flag, it is not always a barrier to entry. Establishing an SMSF with a small balance may not be in your best interests. This is because SMSFs tend to be more cost efficient with larger balances. Therefore, before rolling over your superannuation balance to an SMSF, you should establish and justify that by doing so you are likely to end up in a better position in retirement.



## Motivation

You must also understand your motivation for establishing an SMSF. The most common motivation SMSF trustees indicate is control. Control of an SMSF allows individuals to have a wide range of investment choice, flexibility, and engagement with their superannuation. However, superannuation law is complex, and you need to ensure your ambitions are allowed under the law and will be able to be achieved in an SMSF.

## Costs and time

SMSFs incur a wide range of costs in establishment and the day to day running of the fund. Ensure you are across the estimated establishment, accounting and audit costs that will be incurred by your SMSF. Speak with your advisers so you are across all other incidental costs, which unlike large super funds generally occur with fixed rates rather than as a proportion of your balance.

SMSFs also require dedicated attention from trustees which will take time out of your daily life to manage. Understanding your legislated responsibilities and obligations before establishing an SMSF is important.

## Establishment process

Once you have decided that an SMSF is right for you, the process of establishing the fund can commence. A Specialist SMSF adviser such as us is the best person to help you with this process, which generally involves choosing a trustee structure, selecting a trust deed, completing the ATO registration, opening a unique fund bank account, getting an electronic service address and arranging for rollovers to the fund to occur.

## Property investment

It is also common for SMSF trustees to be motivated by investing in property when establishing an SMSF. You should be sure that any investment in property, particularly when gearing is involved, is appropriate for your circumstances. Holding properties in an SMSF can also require some complex structures to ensure the law is being followed and specialist advice may be needed before making an investment choice. A lack of diversification, low balances and inappropriate property investments can have a detrimental impact on your retirement savings.

## How can we help?

If you are considering an SMSF, you are welcome to call to arrange a time to meet so that we can discuss your particular requirements and circumstances in more detail.

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