



Setting up a self-managed super fund – detailed process

Do you want a SMSF?

First you need to decide if a SMSF is right for you. We cannot provide financial advice, but we can give you information about the best structure and tax implications and benefits.

1. The ATO and the SMSF Association both provide clear information about how SMSF's work and the responsibilities of the trustees. We highly recommend you look at both their resources to make an informed decision:
 - 1.1 www.ato.gov.au/Super/Self-managed-super-funds/Thinking-about-self-managed-super
 - 1.2 www.smsfconnect.com (You do have to sign up but it is free)
2. Do you want financial advice to decide on this? If you would like to get financial advice, do so (we can arrange this through SecureInvest who can provide a statement of advice – they would deal with you directly for this).
3. SMSFs need a trustee. Do you want individual trustees or a company trustee? We can assist with providing information about this along with setting it up.

Steps to establish the SMSF

1. We email you a client information form to complete.
2. We complete a verification of identity check.
3. We set up your secure online portal.
4. We upload our Terms of Engagement document (including fees) for you to digitally approve.
5. If you would like a company trustee:
 - 5.1.1.3.1 We upload a "Consent to be a company director" document to digitally approve.
 - 5.1.2.3.2 You apply for a Director ID number. We will give you information about this and can assist.
6. We order the legal establishment documents for the SMSF and Trustee Company and apply for the TFN and ABN.
7. You sign all the legal establishment documentation.
8. Open the bank accounts in the super fund's name: eg *ABC Super Pty Ltd ATF ABC Super Fund*
9. Rollover money from industry funds into your SMSF. We can help with this process. You also need to consider any insurance held by your current super fund such as TPD or life insurance before rolling out of any other funds.
10. We send you forms to sign to set up automatic collection of bank statement information (called a data feed) in our accounting software.
11. Write an Investment Strategy. We can assist with this or do it for you.
12. Start investing.



More information

Financial advice

We are not financial advisers and can only provide you with factual advice and information about SMSFs, and allow you to make your own personal decisions about if this is the right course of action for you. We can't give you advice on what to invest in, but we can certainly help with what is in line with the rules and what isn't, and we are happy to answer lots of questions. Should you wish to obtain financial advice there are licensed financial advisers available who can assist you.

Costs

We don't operate on a time basis as we want our clients to feel free to contact us with any questions they have, as much as they like. Instead, we provide a fixed quote to you. The quote is GST inclusive and will increase by CPI each financial year. The quote is dependent upon the amount of work we do, not the value of your fund. If the fund's activity changes dramatically from the previous year, we will contact you. That way you will know your costs upfront. We will provide full details in the Terms of Engagement we send to you, however the following figures are some approximate costs for you.

Establishment costs

- Establishment of the fund including trust deed and administrative help with investment strategy (if required) \$1980
- Establishment of a corporate trustee \$1430
- Establishment of a bare trust (if required for a property purchase) \$990
- Limited Recourse Borrowing Arrangement (LRBA) (if required for a property purchase) \$2200 *plus* \$1430 for related party lender or \$990 for bank lender
- Starting a pension \$550 per pension, \$1100 for two pensions (this includes limits)

Ongoing annual costs

- Accounting & tax depends upon complexity, but the following is a guideline:
 - Simple: \$1650 maximum
 - Average: \$1650 to \$3300
 - Complex: \$3300 minimum
- Audit (external business) \$580 to \$770
- ATO levy \$259
- Pension limits (after established) \$242 for 1, \$440 for 2
- If a corporate trustee - \$59 ASIC levy and \$259 accounting fees



Software

We have a great online software program that uses data feeds to keep your super fund up to date and you can have access to this also. By using the data feeds, it makes accounting and record keeping for the super fund very easy and straightforward. There is no need to run a separate accounting file like you would for a business. We also have a secure online digital approval program so you can “sign” all your annual financial documents from anywhere in the world and without the need for paperwork or wet signatures. We have a dedicated staff member to provide any assistance you require.

Rollovers

If you are looking at rolling over funds into the SMSF, keep in mind that this can take some time. The law has changed in this area recently and there are a lot more compliance requirements that the larger funds must satisfy before they will pay out rollovers to SMSFs. This is to protect against fraud and people trying to access their super early, however it has increased the time that the larger funds take to pay rollovers across to SMSFs. You should allow conservatively 6-8 weeks to get money rolled across.

Insurance

Please double check your insurance arrangements as your existing superannuation may include insurance which will cease upon rolling your balances out into your SMSF. You can take similar insurance out in your SMSF, or you may not be concerned about having any insurance. If you wish to keep the cover in your existing super funds you can consider leaving a token amount in the existing fund and just roll out the balance above this to keep your insurance valid, but you should check the particular funds eligibility rules in case there are contribution requirements. Alternatively, you can contact an insurance broker to arrange cover within your SMSF, however we suggest you arrange your new cover prior to ceasing your old cover to avoid any lapses in cover. Please discuss this with us further if insurance interests you and we can refer you on for advice in this area.

Investment Strategy

Upon establishment you must also create an investment strategy which must be regularly reviewed. Your investment strategy must be in writing and needs to consider:

- Diversification (investing in a range of assets and asset classes).
- The liquidity of the fund’s assets (how easily they can be converted to cash to meet fund expenses).
- The fund’s ability to pay benefits (when members retire) and other costs it incurs.
- The members’ needs and circumstances (for example, their age and retirement needs).
- Whether to hold insurance in your SMSF.



Estate planning

Your super is a non-estate asset which means it isn't covered by your wills. You can prepare various documents to help direct where your super should go which can be binding or non-binding. Lawyers can help prepare these documents and proformas for these also come with most super fund establishment trust deed packages which you can complete yourselves. You also need to consider the control of the super fund if you become mentally incapacitated or pass away. Enduring powers of attorney (medical) can help in this instance. Again, a lawyer's advice and assistance are required.

Property investment

It is also common for SMSF trustees to be motivated by investing in property when establishing an SMSF. Here are the steps relating to buying a property in the fund:

1. The SMSF and its trustee MUST exist before you can sign a contract.
2. The deposit should ideally be paid through the super fund bank accounts – if you do not have a bank account yet or any funds in it then you will have to pay these via a personal contribution and you will *not* be able to later take these funds back out of the super fund.
3. You will need a bare trust and a trustee of the bare trust. The trustee will be yourselves as individuals. The bare trust is simply called 'the bare trust'. This entity does not do a tax return. It simply holds the title to the property until the loan is paid. The bare trust deed can be obtained via us or from the bank. We suggest the bank if it is cheaper as the banks are more comfortable with that.
4. The bare trust must legally be established between contract date and settlement date, however some banks require it to be created as the same date as the contract.
5. Leases are in the name of the super fund as landlord as for practical purposes it owns the property. The bare trust is behind the scenes so to speak.
6. You will need insurance on the property.
7. You will need to consider cash flow issues and ensure the fund has a cash buffer.
8. You will need to consider life insurance and TPD insurance within the fund to at least cover the loan
9. You will need to consider income protection insurance outside the fund if the fund is reliant on your efforts to run a business to pay rent on the premises.



Important questions for the banks

1. One of the first things you do should be to get to the bank and see if you can arrange the finance as if they require the bare trust to be dated the same date as the contract then you will need the arrangements made with the bank before you sign the contract!
2. Ensure you ask the bank the following:
 - 2.1 Do you prepare the bare trust? How much?
 - 2.2 Do you require a legal sign off from a financial planner or lawyer?
 - 2.3 And all the usual questions about interest rates etc.

How can we help?

If you have decided that setting up an SMSF is the right thing for you, then the next step is simply to reply and let us know that you wish to proceed, and we will go ahead with gathering the information we need to order the documents for you.