



## **10 GOOD REASONS TO START A SELF MANAGED SUPER FUND**

Self managed superannuation funds, or DIY funds as they are also known, have for some time now been the growth sector of the superannuation market. Nearly 290,000 funds, over 530,000 members and close to \$140 billion in assets confirm the continuing popularity of self managed super.

So, what is it that makes self managed funds so attractive? Below are 10 good reasons to consider.

Keep in mind that self managed superannuation is not appropriate for everyone. Speak with your financial planner about whether self managed superannuation is the right choice for you.

### **1. Take care of the whole family**

Self managed superannuation enables the whole family to be members of the same fund. Generally that is difficult at best with other types of superannuation funds.

By having family members and their super assets in the one flexible superannuation fund that is purpose built for you and your family, it makes matters so much easier when considering your own needs and key matters such as estate planning

### **2. Control and flexibility**

Almost every aspect of a self managed superannuation fund offers the opportunity for as much control and flexibility as you want or need. This control begins with the fund's all-important Trust Deed that can be drafted to your exact specifications.

As trustee of your own fund, you have maximum flexibility in relation to fund investments, tax strategies and estate planning.

Additionally, if you desire, you can utilise the services of specialist companies that do administration and accounting specifically for self managed funds. This can leave you free to concentrate on specifically tailoring your own investment strategy in conjunction with your financial planner.

### **3. Cost effective**

While cost savings will generally not be a key driver of the the decision to start a self managed fund, there are potential savings compared to public offer superannuation funds. The extent of cost savings depends on the type of investments and size of capital in the fund.

Due to the set-up costs and annual fixed costs associated with self managed funds, it is widely considered uneconomic to commence a DIY fund with assets of less than about \$200,000, unless of course you plan to make significant contributions to the fund.

The cost effectiveness of self managed funds will usually improve as the fund assets increase. As the fund balance increases, a greater proportion of assets may be directed to wholesale funds and direct assets such as shares and property for example.

### **4. Broad investment choice**

Self managed funds offer almost limitless investment choice. Compare that with your ordinary superannuation fund where investment choice is often limited to capital stable, balanced and growth options.

Compared to your ordinary superannuation fund, a self managed fund allows you to invest in direct equities and property, a variety of overseas assets and alternative assets that might even include appropriate levels of artwork or antiques.

Superannuation law does not prescribe the type of assets that a superannuation fund can and can't invest in. Rather, it sets an investment framework that trustees must adhere to in relation to the investment of fund assets. Importantly, however, all investments need to be made in accordance with the fund's documented investment strategy.

## **5. Taxation efficiency**

It is the taxation efficiency of self managed funds that attract many, along with the ability to spread those benefits across family members within the fund. Some of the taxation benefits include

- The ability to use imputation credits from shares paying fully franked dividends to substantially reduce the tax liability of the fund. Importantly, excess imputation credits can be refunded to the fund – a key point for funds with pension members
- A maximum of 10% tax on capital gains earned in the accumulation phase and no tax on capital gains made in the pension phase
- The ability to structure very tax-effective estate planning strategies that can include the payment of pensions upon death to beneficiaries including children.

## **6. Ability to carry out RBL strategies**

Self managed superannuation funds provide a good deal of flexibility when it comes to Reasonable Benefit Limit (RBL) strategies.

Complying income streams can be structured within self managed funds and will often be superior to those offered by financial services providers in terms of the rates of return available.

With certain types of income streams, there is also the chance that the underlying assets may be surrendered upon death (to the fund manager or life company), as opposed to a self managed fund where they may be retained in the fund for the benefit of other family members.

Even if you don't have a RBL problem at retirement, a self managed fund allows you to freely move underlying assets with absolutely no RBL implications – not always possible with an allocated pension purchased from a financial services provider.

## **7. A long term retirement structure**

A self managed superannuation fund has the added advantage that it can also pay a pension from the same fund. Many ordinary superannuation funds do not allow income streams to be paid from the same fund – instead they need to transfer out to another fund that allows a pension to be paid.

The ability to operate the same self managed fund through accumulation and into retirement and beyond really does make self managed funds an attractive long-term financial planning structure.

## **8. Estate planning opportunities**

For specifically tailored estate planning strategies, there are no superannuation funds that can match the flexibility that is possible within a self managed fund. As already mentioned, estate planning is a key component of family needs and self managed funds allow these needs to be specifically addressed.

Whether it be the ability to pay a tax-free lump sum to a spouse, or a tax effective allocated pension to children, self managed funds can provide the tailored flexibility that generally cannot be replicated in other superannuation vehicles.

## **9. Less onerous reporting requirements**

Self managed superannuation funds are subject to less onerous reporting obligations, such as member reporting and annual return deadlines.

Due to the closely held and self-assessing nature of these funds, which are regulated by the Australian Tax Office, they are allowed various concessions through legislation designed specifically for self managed funds.

## **10. Be careful, you might even have fun!**

It is apparent that more and more people actually enjoy being in control as a trustee of their own self managed superannuation fund. Whether you are still working and accumulating super for retirement or you have retired, you have the option of getting as involved as you please.

Some people enjoy getting involved with the day to day administration of the fund and certainly, for some, it can provide an enjoyable extra 'hobby' during their retirement years. The beauty is that the choice is yours.

To find out if a self managed superannuation fund is the right option for you, see your ARW financial planner.