



AN INTRODUCTION TO SELF MANAGED SUPER FUNDS

A Self Managed Superannuation Fund is a vehicle designed to provide retirement benefits to Members of that Fund. It may also be an efficient tax structure that offers significant benefits to investors.

Self Managed Super is about being in control of your own superannuation and retirement savings. But being in control does not necessarily mean that you have to become an expert in superannuation and taxes, Adrian Raftery Wawrzyniak (“ARW”) will do the technical and administrative work for you. However, what it does mean is that your superannuation fund is designed specially for you and your family. You will make all the right decisions to suit your Fund’s needs with expert help from us!

What is a self managed super fund?

A superannuation fund is a special type of trust. This trust is created by segregating the legal ownership from equitable ownership. The legal ownership of the Trust property is held by individuals or a corporation known as the Trustee. In a self-managed fund, the members will be the Trustees. The equitable ownership is held by the beneficiaries, commonly known as the members. The maximum number of members that you can have in a self managed fund is four. Further, the Fund being a trust, it must also have “Trust property”. The Trust property is in the form of your superannuation benefit in the fund. Finally the Fund must have a Trust deed. This is a legal document which sets out the rules and regulations for the operation of the fund.

Your entitlement in the fund

Within the Fund, you will have your own personal account that accumulates contributions and investment returns from which fees, charges and taxes are deducted. Your contributions are invested by the trustees. All investments must comply with the Fund's investment strategy. The value of your entitlement is not guaranteed and will rise and fall in accordance with movements in underlying investment markets.

Your retirement benefit is the value of your accumulation account at any time and becomes payable, generally on retirement (subject to superannuation laws), on death, total and permanent disablement or on attaining the age 65. It is also available for transfer at your request to another regulated Superannuation Fund.

Your retirement benefit may be paid as a lump sum or as a pension.

Who can establish a Self Managed Super Fund?

In recent times an increasing number of people have been setting up their own Self-Managed Superannuation Funds. Broadly, there are no legal limits as to who can establish a Self-Managed Super Fund, although there are restrictions as to who may contribute and who can act as Trustee.

- The employer
- An employee
- A self-employed person
- A self-funded retiree
- A person who has received a redundancy payout

Who needs a Self Managed Super Fund?

- Self employed professionals
- Principals of their own business
- Shareholders/directors of a private company
- Senior executives

A Self Managed Superannuation Fund is handy for someone who would like to amalgamate all their superannuation benefits into one account. This will occur by rolling over all your existing superannuation entitlements into your own

self managed fund.

Further, a Self Managed Superannuation Fund is also suitable for a retiree who wishes to draw an income stream in retirement and yet retain control of his or her investments.

Advantages of a Self Managed Super Fund

The four main advantages of operating a Self Managed Fund are:

1. You stay in control of your retirement savings. For example, you as trustee, make the decisions about investments of the Fund. You also decide who will be Fund Administrator and how much you will pay.
2. A Self-Managed Fund offers greater flexibility of investments in the Fund. The choice of investments in a Self Managed Fund is far greater than what is available in a master fund. For example, in a Self Managed Fund you can buy a property of your choice (guidelines apply). You could buy your business premises and lease it back to your business.

The four broad categories of investments that you can hold in a Self Managed Fund are:

- Cash
 - Fixed Interest Securities
 - Property
 - Equities
3. By managing your own investments you can maximise the return on your retirement savings. This can be achieved by utilising the wide range of investment options available to you as Trustee. The returns offered by some of the master funds may not be in line with your expectations, and further diversity is the possible solution.
4. The administration costs of your fund can be lower than the cost of being in a master fund. In a Self Managed Fund, you generally pay for the amount of time spent on your Fund. In master funds, the fee is generally charged as a percentage of Fund assets as your Fund grows you end up paying more for the same level of service.

What can be done through a Self Managed Super Fund?

- The Trustees of a Self Managed Fund may invest in property, shares, cash, fixed interest securities, managed funds, property trusts and syndicates, mezzanine finance, debentures and more.
- The Trustees of a Self Managed Fund may purchase shares that are listed on the stock exchange from the members. They may also purchase the premises from which the employer is operating its business.
- The Trustees may purchase a property from an arms-length person and lease it back to the employer at a commercial rate of rent. There is also provision for other items to be leased back to the employer or to the member, however, this will be assessed and authorised on an individual basis.

What can't be done through a Self Managed Super Fund?

- A Self Managed Fund cannot borrow money except in very limited circumstances.
- A Fund cannot invest more than 5% of its assets by way of loans or investments in a sponsoring employer, a member or anyone associated with a member or the employer.
- A Fund cannot invest more than 5% of its assets in a related Unit Trust.
- A Fund cannot acquire an asset from a person or entity that is related to the members, unless the assets so acquired are listed securities or a real business property.

The Next Step ...

Your first consideration is to decide if you wish to establish a Self Managed Super Fund for yourself, and possibly include family members. In consultation with your Adviser, you may decide to proceed in this direction. Excellent! You will need to complete the appropriate application form, a copy of which can be requested from ARW.

Once the application form is completed and lodged, ARW then takes over and arranges the installation of your Fund. In doing so, it provides the following:

Set up the Fund's Trust Deed
Structure and benefit design for your Fund
Ensure the Fund complies with member/trustee rules
Ensure all members join correctly
Set up the funds cash management facility

Prepare and lodge tax file number application forms
Arrange transfer of existing assets from other Superannuation Funds
Formulate and implement an investment strategy for the Fund.
Arrange with the Australian Taxation Office for your Fund to elect to become a regulated fund.

Once your Fund is established, ARW will make arrangements to deliver its comprehensive administration, accounting, compliance and reporting services.

Please note:

The advice contained herein is general securities advice only.

It has not been prepared taking into account your particular investment objectives, financial situation and needs.

You should assess whether the advice is appropriate to your individual investment objectives, financial situation and particular needs.

You should do this before making an investment decision based on the general securities advice. You can either make the assessment yourself or seek the help of a professional adviser.

I am happy to discuss the matter in more detail and can assist you to determine whether it is in fact suitable to your current situation, objectives and needs.