



FACT SHEET

Is a Self-Managed Superannuation Fund the right option for me?

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BRISBANE SYDNEY CANBERRA GOLD COAST

IS A SELF MANAGED SUPERANNUATION FUND THE RIGHT OPTION FOR ME?

As at 30 June 2013, Self Managed Superannuation Funds (SMSF) held the largest proportion of superannuation assets, accounting for 31.3% of the \$1.62 trillion superannuation pool.

Further, the recent review into Australia's superannuation system determined that the SMSF sector is the top of the pile for people who want maximum choice with their superannuation moneys, and who are also prepared to bear the responsibility for their superannuation assets. The review sees this sector as "largely successful and well-functioning".

Most of us have become used to the idea that we have only limited control over our superannuation, however SMSFs provide much more control and say over where, when and how you invest, what you pay for and when you pay for it. SMSFs also provide increased flexibility and the ability to instruct the trustees what to invest in.

After becoming a trustee of a SMSF, initially, many people struggle with the concept that superannuation is really your own money, but it is set aside for retirement.

Yes, there are limitations on when you can get your hands on the money, and how the money can be invested by the superannuation fund, but it is still your money.

The real goal is making your superannuation money grow so you can achieve your needs and objectives in retirement.

There is no denying that superannuation can be complicated but the skills to run your own superannuation are no different to running a business, managing an office or investing outside of superannuation. A lot of it is common sense, and many of you do these kinds of activities every day.

Obviously, Vincents has an interest in the growth of the self managed superannuation industry. As administrators for hundreds of SMSFs we know the benefits our clients have gained by controlling their own financial destiny. We believe it is an option that should be objectively considered.

Before you decide whether or not you should become an SMSF trustee/member, you need to weigh up the pros and cons.

ADVANTAGES

CONTROL

You have complete control over the investments of the fund. You are able to invest in a wide range of assets, including bank deposits, direct mortgages, direct property, shares, managed funds and pooled investment trusts. The fund can even purchase commercial property used by the member's business and lease it back to the business at commercial rates. This also provides Asset protection.

FLEXIBILITY

A member of an SMSF has the flexibility to commence a pension (subject to the preservation rules) and access as much of the capital of the fund as they wish, tax free, at any time following retirement after age 60.

SECURITY

All the investments are held in your name as trustee or in the name of a trustee company that you control. This means that only you can sign the fund's cheques and authorise the making or selling of investments.

COSTS

The cost of managing an SMSF may be less than comparable institutional funds if the capital is large enough.

INVESTMENT OPPORTUNITIES

Because you have control and flexibility you are able to take positions in new floats and potentially enhance the fund's performance as a result.

Under limited circumstances, an SMSF can also borrow to purchase an asset. This can be beneficial to purchase an asset that would otherwise be out of the reach of the trustees thereby creating an opportunity to generate higher returns.

TAXATION

An SMSF allows you to take a tax deduction on contributions if you are eligible, which the fund pays tax on at 15%. The effective tax rate can be reduced by targeting franked dividend income. As trustee you will also have control over the timing of the realisation of capital gains on your investments. For assets held for more than 12 months, a discounting of the capital gain applies, meaning tax of 10% is paid on the gain.

Should the fund be in pension phase, there is the opportunity to reduce the effective tax rate on income and capital gains to 0%.

INVESTMENT CONTINUITY

The tax rate on investment income within the SMSF, used to support your pension income, reduces to nil once your fund account begins to pay a pension to you. The SMSF allows you to change the characteristics of your fund from an accumulation to a pension fund without the need to sell investments and realise capital gains.

CONTRIBUTIONS IN SPECIE

You are able to contribute listed shares, units held in managed funds, fixed-term deposits and "business real property" directly to the fund, instead of cash if you wish. Personal shareholdings can be transferred into the fund without the need to liquidate them.

ESTATE PLANNING OPPORTUNITIES

Because the fund can continue indefinitely, surviving family members may enjoy tax and social security advantaged income and growth after your death.

ASSET PROTECTION

In most instances, fund assets are protected upon bankruptcy or litigious attack.

INSURANCE

A member of an SMSF has the ability to take out any number of differing insurance options via an SMSF, with maximum flexibility of cover.

PERMANENCY

The fund continues unless you wish to wind it up.

DISADVANTAGES

RESPONSIBILITY

All decisions and responsibilities associated with managing the fund rest with you as trustee.

COSTS

The costs and administrative requirements of establishing and maintaining an SMSF include:

- Establishing the superannuation fund, including formulating a trust deed and corporate trustee (if appropriate);
- Preparing and keeping accurate accounting and administrative records, lodging the tax and regulatory return;
- Appointing an auditor and ensuring you have an annual audit completed for the fund every year;
- Fees to the regulator (ATO) on an annual basis for the privilege of having an SMSF;
- Costs of brokerage if you invest your money in listed shares;
- Costs of dealing with a real estate agent and solicitors if you purchase property;
- Potential costs associated with a financial planner or investment adviser to assist with your investments; and
- Costs of education if you are an inexperienced investor and you want to make your own investment decisions.

The reality is however is that these costs are also born by you as a member of an APRA regulated fund, however due to their size and member base, the costs are more spread.

COMPLEXITY

Putting in place additional structures, such as an SMSF, will be more complex to administer and will involve additional ongoing costs, such as tax returns, audits and possibility actuary reports.

However, this is where experienced SMSF administrators such as Vincents can assist and take most of that burden from you.

PENALTIES FOR NON-COMPLIANCE

There are serious taxation consequences for non-complying superannuation funds. Generally, the fund's total assets – less any member's contributions for which no tax deduction has been claimed – will be subject to tax at the highest marginal rate. In addition, any income in a year in which a fund is non-complying will be taxed at the highest marginal rate. Up to half of fund assets could be lost.

TIME COMMITMENT

To run an SMSF effectively, you should consider whether they have enough time and the appropriate skills and financial experience, or the willingness to learn, to make the best investment decisions for the fund and to meet all of the obligations as an SMSF trustee. Of course, you can outsource some or all of these tasks, but ultimately, as trustee, you will be responsible for the running of the fund.

NO ACCESS TO COMPENSATION

Unlike the large superannuation funds regulated by the Australian Prudential Regulation Authority (APRA), SMSF members do not have access to the compensation arrangements under the *Superannuation Industry (Supervision) Act 1993* in the event of theft or fraud.

OTHER RISKS

There may be risks, for example:

- a lack of access to the Superannuation Complaints Tribunal to resolve SMSF complaints between the trustees/members;
- using individual trustees as opposed to a corporate trustee; and
- a breakdown in the relationship of fund members, especially in circumstances where the membership structure of the SMSF is unusual.

OTHER FACTORS TO CONSIDER

THE NEED TO DEVELOP AND IMPLEMENT AN INVESTMENT STRATEGY

Developing and implementing an appropriate investment strategy is a serious responsibility for SMSF trustees. The trustee will ultimately remain responsible for the fund's investment strategy even if they seek advice.

It is important that as a potential SMSF trustee, you understand:

- the benefits associated with asset diversification and investing across a number of asset classes (e.g. shares, property) in a long-term investment strategy, such as improving the risk and return profile of an SMSF fund;
- there are some restrictions on SMSF investments and, as part of their obligations, trustees are prohibited from entering into certain transactions; and
- they should conduct a regular review of the SMSF's investment strategy to ensure that the investment strategy continues to reflect the purpose and circumstances of the fund and its members

RESPONSIBILITIES AND OBLIGATIONS FOR SMSF TRUSTEES RUNNING AN SMSF

SMSF trustees need to comply with a number of obligations under the superannuation and taxation laws, as well as the trust deed.

There may be various consequences if an SMSF trustee fails to comply with their obligations. Even if one trustee is less actively involved, all trustees are equally liable for the fund's compliance with the superannuation and tax laws.

As a trustee, you will be required to sign a declaration stating that you understand the responsibilities and obligations, of acting as trustee. These include:

- ensure that the SMSF is managed in compliance with the relevant laws;
- maintain the fund for the sole purpose of providing retirement benefits to SMSF members;
- accept contributions and pay benefits to members in accordance with superannuation and taxation laws and the SMSF trust deed;
- value the fund's assets at market value for the purposes of preparing financial accounts and statements;
- have the financial accounts for the SMSF audited each year by an approved SMSF auditor; and
- meet the reporting and administration obligations imposed by the ATO.

INSURANCE

SMSFs do not come with insurance by default. When you join an SMSF, you should consider whether it is appropriate to take out separate life insurance. In most cases, Income Protection, Life and some Total and Permanent Disability (TPD) insurance is tax deductible to the Fund also.

LEGISLATIVE CHANGE

The taxation and superannuation laws and policies that apply to SMSFs may be subject to continual change, including changes to legislation, and regulatory policies and standards.

EXITING THE FUND

Should you decide to wind up the SMSF, you need to be aware that there will be costs associated with this, although the administration of these should not be much more than the normal annual costs. Exit fees may apply to the fund's investments however.

WHY VINCENTS CHARTERED ACCOUNTANTS?

OUR FIRM

Established for over 25 years, Vincents Chartered Accountants is an Australian firm of accounting experts and business advisors specialising in audit & assurance, corporate advisory, financial advisory, forensic accounting, accounting technology, insolvency & reconstruction and taxation & business solutions.

We have won 17 of the prestigious BRW Clients Choice awards since 2007 including in the categories of:

- Australia's Best Professional Services Firm (Revenue \$50 million)
- Australia's Best Accounting Firm (Revenue \$50 million)

We provide a flexible framework through which we can deliver a quality service to the Fund's trustees.

We have the necessary resources and people (approx. 165 professional staff across our four offices to service your accounting needs as and when required).

As a Vincents' client you can expect:

- access to superior skills and experience;
- open and direct communication; and
- cost-effective, time-efficient delivery of services.

Vincents invest considerable resources to ensure the Firm and staff has access to the industry's leading technologies and IT know-how.

OUR LOCATIONS

Vincents has offices in Brisbane, Sydney, Canberra and the Gold Coast. Our taxation and business solutions specialists are equipped to handle any national or international personal or business engagement.

OUR PEOPLE

Vincents uniquely focuses on maintaining solid teams of diverse and highly skilled experts. We work hard to develop professional staff with strong personal qualities and a dedicated work ethic. In addition to their primary specialisations, our staff also possess a high degree of skill flexibility. This enables us to mobilise the best possible team in response to your organisation's specific needs.

SERVICE OFFERING

Vincents Chartered Accountants is an independent Australian company providing specialist SMSF services to individuals, investment advisers, financial planners, stockbrokers and accountants.

With all processing performed in Australia, we are one of Queensland's largest SMSF administrators attending to the various requirements of over 400 Funds.

We deliver our services through a variety of channels - direct to fund trustees or via financial advisers and other accountants.

ONGOING ADMINISTRATION

Following establishment of the Fund, Vincents attends to the following:

- Liaising directly with your financial advisor so as to limit your involvement in the account preparation
- Transactional data entry, ensuring the correct income allocation is attributable to the members
- Preparation of annual Trustee Financial Statements
- Annual Member Benefit Statements preparation
- Preparation and lodgement of the Income and Regulatory Return
- Investment Strategy review and realignment
- Business &/or Instalment Activity Statement preparation and lodgement
- Australian Taxation Office Pay as You Go Registration / Cancellation
- Preparation of Pay as You Go reconciliation and PAYG Payment Summary
- Pension Actuarial Certification
- Pension Rebate and Deduction Calculation
- Full compliance review
- Independent Audit
- Benefit Payment Documentation
- Full strategy review
- Trust Deed review

ONGOING ADMINISTRATION – WHAT DOES IT REALLY MEAN?

Following receipt of your financial records at year end, Vincents records the details of all purchases, sales, distributions, contributions and other transactions, either manually or via electronic means, whichever is the most cost effective for your Fund.

Annual Trustee Financial Statements

The Financial Statements are prepared annually or upon wind-up of the Fund. This report includes the Operating Statement, Statement of Financial Position, associated notes to the financial statements and a Detailed Operating Statement are produced in duplicate - a copy is kept on file at Vincents whilst the Trustees receive a bound set for their records.

Annual Member Benefit Statement

The Member Benefit Statement forms part of the Financial Statements and are prepared for members of the Fund, detailing their income allocation, share of tax, and a listing of all direct member transactions during the year.

Income and Regulatory Return Preparation and Lodgement

Vincents prepares the annual return, containing the income tax and regulatory return and processes lodgement once approved by the Trustees.

Investment Strategy review

As part of our process, we undertake a review of the current investment strategy compared with the actual investments held by the Fund at the end of the financial year. Should this highlight a conflict between the two, the Trustees are requested to re-align their strategy. This is facilitated directly with the Trustees or via their financial advisor.

Compliance and strategy review

Once the financials have been prepared, they are reviewed by one of our experienced Superannuation Managers to ensure that the Fund is fully compliant with all aspects of the Superannuation Industry Supervision Act and associated Regulations

Independent Audit

Vincents facilitates the audit (as prescribed by legislation) of the Fund prior to lodging of the annual return. We engage specialist, external independent auditors, via a tender process, to undertake the audit on your behalf. Whilst you may use an auditor of your choice, using our auditor makes the audit process completely seamless to the client.

Strategy review

A full strategic review of the Fund occurs, whereby all planning opportunities are brought to your attention that is relevant to the specific circumstances of the Fund and/or its members.

FEES (all amounts are quoted exclusive of gst)

- Establishment of a new Self Managed Superannuation Fund, including Trust Deed, minutes, resolutions, declarations, Tax File Number and Australian Business Number application, preparation and lodgement, plus additional documentation - **\$1,100**.
- Establishment of a Custodian Trust to enable the SMSF to borrow to acquire an asset is **\$1,500**
- Establishment of a new special purpose SMSF Corporate Trustee and/or Custodian Trust Trustee, including Constitution, minutes, Australian Securities & Investment Commission application, preparation and lodgement, plus additional documentation - **\$1,000** per entity.
- In terms of the ongoing administration services, all of our work is performed on a time basis, meaning the more transactions and therefore work involved, the more it will cost. As a guide, a Fund with term deposit type investments will be around \$1,400 whereas a Fund that trades shares may be more like \$5,000 or potentially more depending on the quality of information provided. **Our average fee is \$2,350**.
- The annual audit of the fund is currently **\$500** in addition to the ongoing administration service fee, should you choose to use the Vincents Audit and Assurance Services to undertake this work. This includes liaising with them and the provision of full workpapers to them.
- Other costs and services, such as actuarial certificates, new member applications, Trust Deed updates if and when required, pension establishment documentation, segregation of fund assets etc, will be charged on an as required basis, and fully discussed with you prior to undertaking any of the above works.
- In terms of corporate trustee, the review and advice in relation to the ASIC annual review is \$150 for each company that Vincents is not the registered office and \$200 for each company that Vincents is the registered office.
- We are happy to provide an indicative cost of work prior to commencing individual assignments. It is our normal practice to render fee accounts at the finalisation of the annual financial statements, or upon completion of any special works we are engaged for.

Personal details

Name: Brett Griffiths
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 32 Turbot Street
 Brisbane QLD 4000
Occupation: Certified Practising Accountant
Position: Director, Vincents Chartered Accountants



Education

Post Graduate: Professional Certificate in Self Managed Superannuation – University of Adelaide
 SMSF Specialist Advisor [™] - SPAA (SMSF Professional' Association of Australia)
Tertiary: Bachelor of Business (Accountancy) –Queensland University of Technology

Memberships and appointments

CPA Australia – Member
 Registered Tax Agent
 SPAA – Member
 SPAA Queensland State Chapter Committee - Appointment

Employment history

1 July 2011 – current: Vincents Chartered Accountants
 Director, Superannuation Consulting
6 July 2009 – current: Vincents Chartered Accountants
 Manager, Superannuation Consulting
2000 – 2009 Managed Financial Services
 Manager – SMSF Accounting and Support Function
 SMSF Senior Accountant
2002 – 2007 Financial Services Institute of Australasia
 Part time Lecturer
1998 – 2000 Power Tynan
 Accountant, specialising in self managed superannuation

Employment profile

General

Brett specialises in all aspects of superannuation compliance including retirement savings accounts, large retail public offer superannuation funds and more specifically Self Managed Superannuation Funds.

His expertise includes consulting in respect of retirement planning, contribution strategies and reviewing investment structures to ensure legislative compliance.

Disclaimer and important information

The information contained within this document is factual information only. It is based on the interpretation of the laws applicable to self-managed superannuation funds and other information available at the time of publication, being 22 August 2012.

It does not consider your personal circumstances and you should not rely upon this document as the sole means of decision making. This document is not a substitute for seeking professional advice.

While all care has been taken in the preparation of the contents of this document, no director, employee or their representatives of Vincents Chartered Accountants or associated entities gives any warranty of accuracy or reliability nor accept any liability in any other law, including by reason of negligence for any errors or omissions contained herein, to the extent permitted by law.