SELF MANAGED SUPER FUNDS

A Self Managed Superannuation Fund (SMSF) is essentially a superannuation fund which is controlled by you.

A SMSF can have up to four members, all of whom must be trustees (and all trustees must be members). As members and thus trustees, you make all decisions relating to the operation of the SMSF, including how the SMSF's assets are invested.

While this gives you added responsibility in relation to your superannuation, the majority of the compliance and administrative tasks can be outsourced to your accountant and financial planner, meaning you can enjoy the flexibility and control that a SMSF provides.

The main advantages of having a SMSF include:

- You have greater freedom over how your superannuation benefits are invested. You can decide which assets the SMSF invests in, including direct shares and direct property, unlike a public offer superannuation fund where the investment decisions are made on your behalf.
- You have greater control over the taxation benefits achieved within the fund. You as trustees can structure the Fund's investments to maximise tax effectiveness.
- You have greater control over the management of your superannuation benefits. You can actively participate in the administration of the SMSF, including preparation of all required accounts and record keeping (although some tasks can be outsourced to professionals such as your accountant and financial planner).
- You can reduce administration costs. Most of the costs of running a SMSF are fixed (eg accounting costs, other compliance costs) regardless of the level of assets within the fund. This allows you to achieve economies of scale where you have sufficiently large assets within the fund.
- You can have more certainty in relation to your estate planning arrangements. Many public offer superannuation funds allow you to nominate who you would like to receive your accumulated superannuation benefit on your death, but the ultimate decision is made by the trustee. As trustees of your own SMSF, you can control the distribution of superannuation benefits on the death of a member.

The main disadvantages of having a SMSF include:

- Your obligations and responsibilities as trustees. Superannuation legislation imposes significant administrative and compliance tasks on the trustees of SMSF's, and non-compliance carries severe penalties.
- You may incur extra costs depending on the asset level of the SMSF and the investments chosen. If the SMSF's assets are invested in managed funds, there can be an increase in costs, because in addition to accountant and financial

planner fees for the administration of the SMSF, fund managers charge ongoing fees.

We believe a SMSF is appropriate for you and we therefore recommend you establish a SMSF. Your current level of capital base is sufficiently high to make a SMSF reasonably cost effective, and you have indicated you are comfortable with the responsibilities imposed on trustees of SMSFs.