

SELF MANAGED SUPER FUNDS: TRUSTEE OPTIONS

Choosing the type of trustee for a Self Managed Superannuation Fund (SMSF) is a fundamental decision that must be made at the time a fund is established.

The choice is between a corporate trustee, where each member of the fund is a director of the trustee company or individual trustees. We have summarised the key issues concerning these options below.

- If you have an existing family company, that company can act as trustee, keeping in mind, however, that all members of the superannuation fund must be directors of the family company. Furthermore, where an existing family company is used it is essential that the fund assets be maintained separately from other assets that the company might have, for example, business assets (see section 52 of SIS). Alternatively, a special purpose superannuation trustee company can be established. The average cost of establishing such a company is about \$1,000.
- A corporate trustee simplifies the process in the event of death or departure of a trustee. Fund investments remain in the name of the company. Therefore, there is no need for the administrative process of changing the names of investments, bank account and other fund documents, as would be the case for individual trustees.
- There are additional costs associated with a corporate trustee. In addition to the cost of setting up a company, there is also the cost and extra administration associated with lodging an annual company return. ASIC also needs to be advised when directors' details are changed.
- There are no costs associated with individual trustees acting as trustee of a self managed superannuation fund.
- Individual trustees are not burdened with complying with the rules of ASIC.
- As mentioned above there are administrative obligations in relation to changing the name of the fund's investments and documents if a member of the fund leaves or dies.
- If members leave the fund so that only one member remains, the trustee structure will then need changing in order to comply with the definition of a single member self managed fund. This is not so for a corporate structure, where the existing trust structure can remain intact with the sole remaining member being able to be the sole director of the trustee company.