

# Reasons to Start a Self Managed Superannuation Fund

Self managed superannuation funds (SMSFs) continue to grow in popularity. Superannuation is one of the largest investments we make over a lifetime, so it is important to consider the range of fund options available in order to reach your long term financial goals.

Self managed super funds are not right for everyone and you should talk to your financial planner about whether a self managed superannuation fund is right for you and your circumstances.

There are many reasons to start your own self managed superannuation fund:

## **Super specifically tailored for your family**

Self managed superannuation enables up to four family members to be in the same fund. Each member becomes a trustee of the fund and must understand the associated legal duties and responsibilities.

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

## **Control and flexibility**

A self managed superannuation fund offers the opportunity for as much control and flexibility as you might want or need.

Trustees can choose investments, tax strategies and estate planning, specifically tailoring their own strategy in conjunction with their financial planner.

With control comes responsibility. Careful planning and management of a SMSF requires financial experience and skills so you are more likely to make sound investment decisions.

## **Broad investment choice**

Self managed funds offer almost limitless investment choice as part of a specific and tailored investment strategy to help you reach your goals. Most ordinary superannuation funds have limited choice such as capital stable, balanced and growth options.

Compared to your ordinary superannuation fund, a self managed fund allows you to make more sophisticated investments 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 a framework that trustees must adhere to in relation to the investment of fund assets. Remember, all investment must be made in accordance with the fund's documented investment strategy.

## Cost effective

Do you know what fees you are paying for your current superannuation fund? While cost savings may not be a key driver to start a self managed fund, there are potential savings compared to public offer superannuation funds – particularly if you calculate the current fees paid by all potential members (up to four) of a SMSF.

The extent of cost savings depends on the type of investments and size of capital in 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.

If you decide to establish a SMSF, you will need to pay annual fees for professional advisers to assist with the management and annual audit of your fund. You should also take into account the cost of premiums for separate life insurance, income protection and total and permanent disability cover.

## Taxation efficiency

The taxation efficiency of self managed funds holds great appeal, along with the ability to spread those benefits across family members within the fund. Through strategic planning or internal structuring, tax can be significantly reduced. 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 tax effective estate planning strategies such as the payment of pensions upon death.

## Pension planning

A self managed superannuation fund can pay a pension from the same fund on retirement. Some “public” 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.

## 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.

Your Will does not necessarily control your superannuation benefits. With a SMSF you can specify and protect your estate planning wishes and ensure exceptional tax efficiency for beneficiaries on the death of a member.

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