



Self Managed Super Funds

SELF MANAGED SUPER FUNDS 'SMSF'

SMSF's are the fastest growing sector in the \$1.4trillion superannuation industry, accounting for 31.1% of the superannuation market.

The popularity and growth in the SMSF's sector is highly driven by the level of flexibility it provides and in particular, the range of investment options compared to industry and retail superannuation funds.



SMSF – The Facts

- ✓ A SMSF allows you to have 4 members in the one superannuation structure.
- ✓ Allows you and your partner to consolidate your superannuation under the one structure.
- ✓ Suitable for clients with combined super assets of \$250,000+.
- ✓ Not restricted for clients with combined super assets of less than \$250,000.
- ✓ Greater access to a range of investment options compared to industry and retail super funds. These include:
 - Cash Management Accounts
 - Term Deposits
 - Direct Australian Equities
 - Direct International Equities
 - Index Traded Funds
 - Foreign Exchange
 - Residential Property (Australian)
 - Residential Property (overseas such as USA property)
 - Commercial Property to lease back to your business
 - Alternative Assets such as Gold & Silver Bullion or Arts.
- ✓ Greater transparency and understanding of where your super assets are invested.
- ✓ Ability to invest in residential property that allows you to borrow via a Bare Trust structure.
- ✓ Business owners can purchase their commercial premises via their SMSF.
- ✓ Flexibility to convert superannuation from accumulation to pension for any member.
- ✓ Consolidation of administration and adviser fee charges as fees are charged to the one entity, being the SMSF.

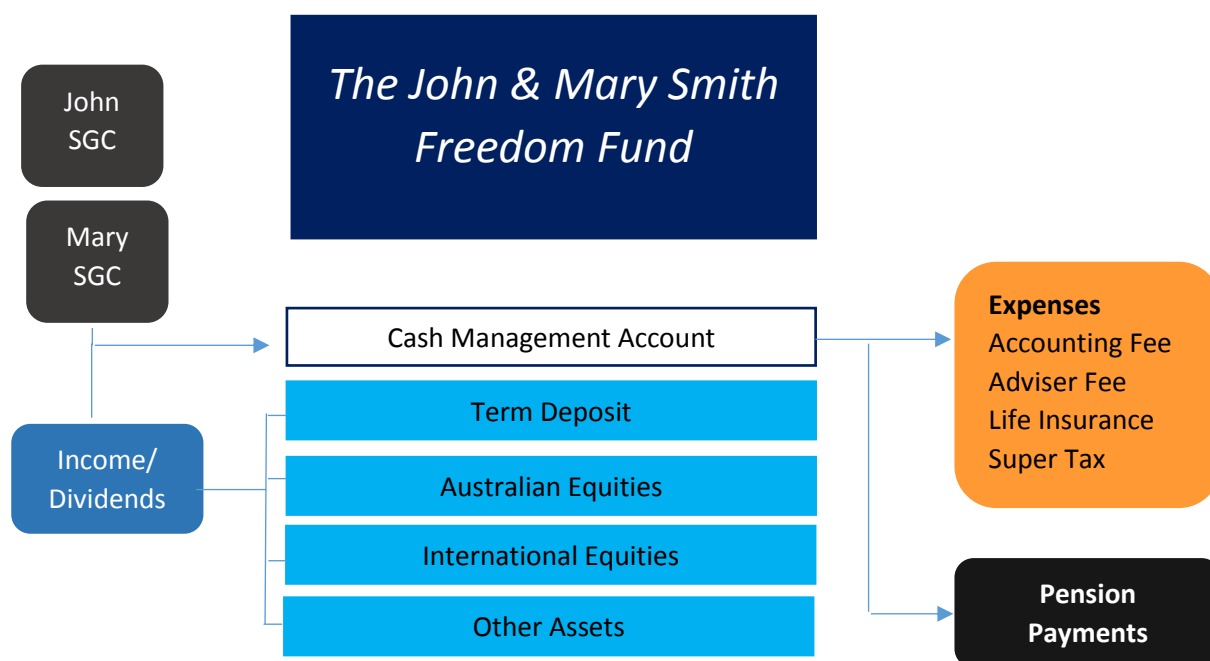
How a SMSF Works

John & Mary Smith have combined super assets of \$280,000 across various superfunds. After our initial meeting we advised John & Mary to consolidate their superannuation under a SMSF structure. John and Mary both decided to name their SMSF “The John & Mary Freedom Fund”.

The first step is organising the trust deed via our accountant who will then lodge for the appropriate ABN and TFN for the SMSF. Once the SMSF Trust Deeds have been signed and the ABN and TFN has been received, we will then organise the relevant accounts (cash management account, term deposit, broking accounts etc.) to facilitate your investment holdings. The next step is to organise the rollover of your existing superannuation funds that will be rolled into your ‘new’ SMSF.

The **Cash Management Account “CMA”** is the hub of your SMSF with all monies including the super rollovers, SGC contributions and personal contributions made into your CMA account. In addition, all investment income or dividends from your investments will be paid directly into your CMA.

All **expenses** on running your SMSF are also paid directly from your CMA such as the accounting and auditing fees, financial adviser fee, superannuation tax and any life insurances attached/linked to your SMSF. For retirement clients, pension payments are also debited from the SMSF’s cash management account. The diagram below highlights the structure of how a SMSF works:



From the example illustrated above, you can see how a SMSF allows you to consolidate your super assets under the one entity. We establish SMSF structures for our clients and in addition, establish all the relevant accounts to ensure your investments are managed with ease.

Buying Property via a SMSF (using a SMSF Loan)

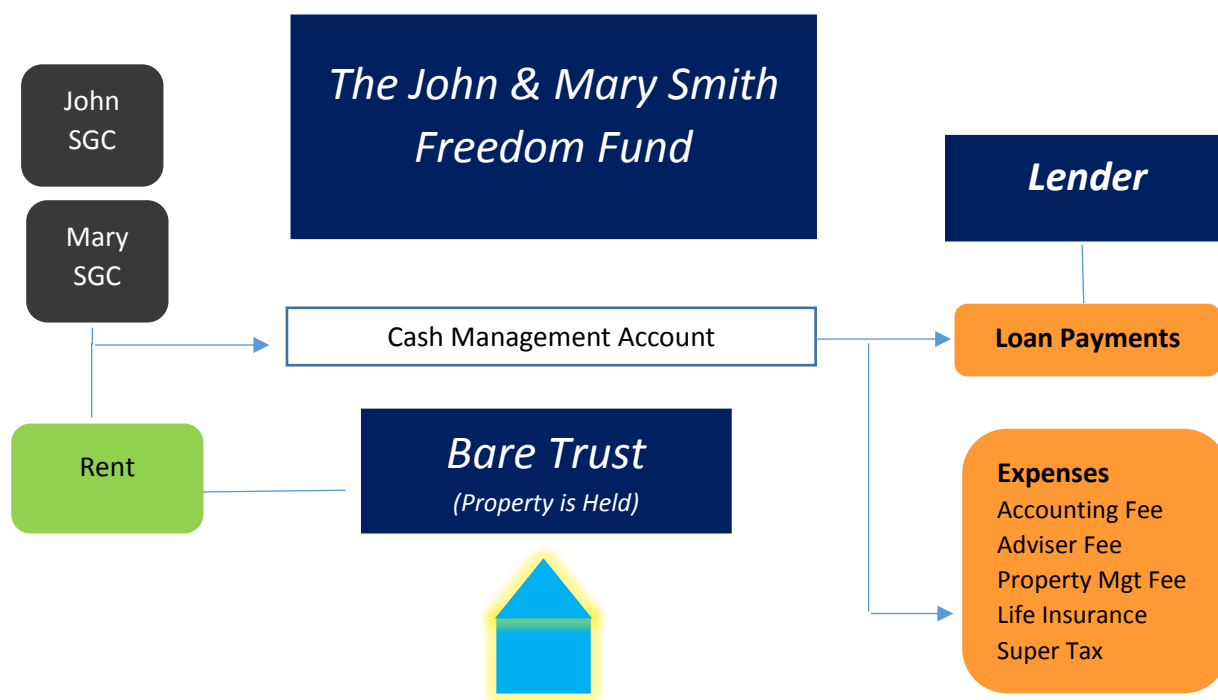
A SMSF is the only vehicle in Australia that allows you to buy an investment property utilising your superannuation assets.

Buying an investment property also allows you to access loans from the various major lenders in Australia; should you meet the lending requirements via your SMSF.

The main point of difference compared to the previous structure is the establishment of a Bare Trust; which is where your investment property is held until the SMSF loan is fully repaid.

The Cash Management Account 'CMA' will receive all incoming rent on your investment property and will also be responsible to meet all the ongoing expenses in running the SMSF.

Once the SMSF Investment Loan has been paid, the investment property will then be transferred from the Bare Trust to your SMSF, without incurring any Capital Gains Tax 'CGT'. It is only when the asset has been sold that a CGT event may arise.



Buying an investment property using your superannuation assets is becoming increasingly popular. Utilising your super assets in conjunction with other growth assets may assist you in long-term wealth creation for your future retirement.

Disclaimer

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If you would like advice on establishing a Self-Managed Super Fund (SMSF), please do not hesitate to email info@austpfm.com.au or contact the office on (03) 8621 8485.