What you need to know to run your own superfund

InvestorOne

Come inside it's easy

Establishing the Fund

- The Fund is established by the execution of a trust deed.
- Not more than 4 members
- The Trustee manages the Fund and all investments and bank accounts will be in the Trustees name
- All members must be a trustee or directors if the trustee is a company except where minors are members
- The Trustee MUST sign an ATO declaration acknowledging their obligations and responsibilities
- The Fund MUST apply to the ATO to be regulated to receive favourable tax treatment
- The Fund MUST prepare and maintain an Investment Strategy
- Children under the age of 18 can be members
- Members should prepare an SMSF Will or Binding Death Benefit Nomination

Steps to establish	
1	Execute a SMSF Trust Deed
2	Open a bank account
3	Regulate Fund with ATO
4	Apply to become a member
5	Rollover existing super
6	Notify employer of new fund
7	Prepare SMSF Will
8	Prepare Investment Strategy
9	Start investing

Document checklist	
✓	SMSF Trust Deed
✓	ATO Notice
✓	Membership Application
✓	SMSF Will
✓	Investment Strategy

Adding to the Fund

- Additions are made to the Fund by way of rollover from another fund or contributions by either the member or their employer.
- Contributions are subject to limits.
- Contributions can be by way of cash or assets subject to what a fund can acquire from a member.
- If the Fund has commenced a pension then the pension account can't be added to by way of rollover or contribution.
- Members can have more than one account.

Concessional contributions = tax deductible contributions
Non concessional contributions = non-tax deductible

WARNING!
Exceeding the contributions limits may result in total tax payable of up to 93% of the excess. Penalties and interest may also apply.

Contribution Limits	
Under 50 years of age	
Concessional	Non-concessional
$25,000 p.a.	$150,000 p.a.
Over 50 years of age (until 30 June 2012)	
Concessional	Non-concessional
$50,000 p.a.	$150,000 p.a.

Contribution Age Limits	
Under 65	Any contribution
Age 65 to 75	Employer contributions or member contributions if at least employed part time.
Over 75	Employer contributions only

Investments

- The investments of the Fund must be in line with the written Investment Strategy,
- Investments are to be separated from non-super investments and held in the Trustees name,
- Risk, diversification and liquidity must be considered when investing,
- The Fund can borrow to invest in shares, managed funds or real estate,
- The Fund can invest in Life, TPD and Income Protection policies to help with liquidity should an event happen,
- The Fund can invest in units in a private unit trust including acquiring the units from a member at market value as long as the unit trust:
    - Has no debt and the assets aren't used as security,
    - Property in the unit trust isn't used by a member unless it is commercial or industrial and market rent is paid
    - The unit trust doesn't own shares or managed funds.

What the fund can invest in	
1	Listed securities (i.e. shares)
2	Indirect Property Trusts
3	Direct Property
4	Direct Property with borrowing
5	Life insurance
6	Units in a unit trust with no debt
7	Bonds, term deposits

What it can acquire from a member	
1	Commercial Property
2	Industrial Property
3	Listed securities (i.e. shares)
4	Units in a unit trust with no debt

Taking the benefits

Three options:

1. You can take a Transition to Retirement pension if you reach your preservation age and are still working, or
2. You can take an Account Based Pension if you satisfy a condition of release, or
3. You can take a Lump Sum if you satisfy a condition of release.

Conditions of release:

- ✓ you reach age 65
- ✓ you reach preservation age and permanently retire
- ✓ you die
- ✓ you are permanently incapacitated
- ✓ your employment is terminated and the benefit is less than $200, or
- ✓ you are a lost member who is found and the benefit is less than $200.

Date of Birth	Preservation Age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 - 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 30 June 1964	60

Pension options	
1	Transition to Retirement (T2R)
Once you reach your preservation age you can start a T2R pension with a maximum drawdown of 10% p.a. of your account balance.	
2	Account Based Pension (ABP)
After a condition of release has been satisfied you can take an ABP with a minimum drawdown of the amounts below.	

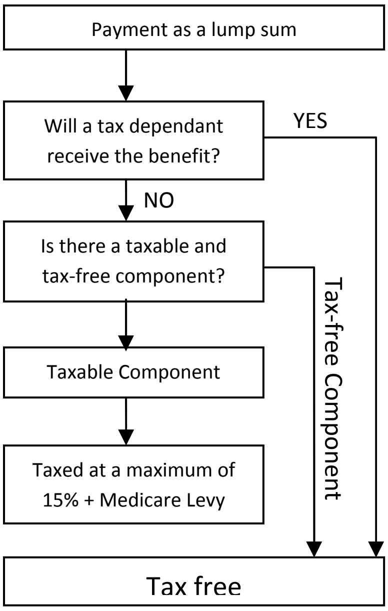
Age	% of account balance
Under 65	4
65 – 74	5
75 – 79	6
80 – 84	7
85 – 89	9
90 – 94	11
95 or more	14

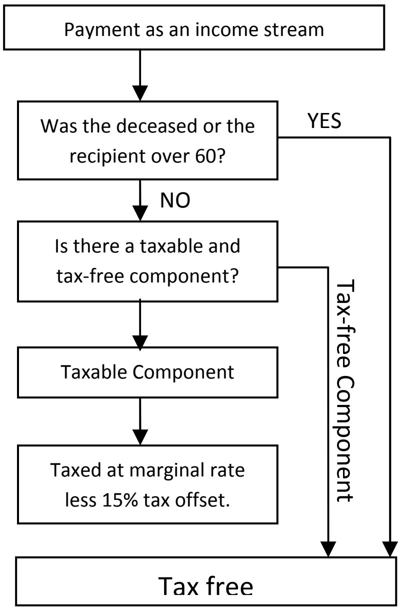
Benefits on Death

- On a members death the Trustee can pay the members account to a dependant as an income stream* or lump sum
- Payments cannot be made to non-dependants.

* A child needs to be less than 18 years of age to receive an income stream or under 25 and financially dependent. A Legal Personal Representative cannot receive an income stream.

* A tax dependant includes the dependants named at 1, 4 and 5 in the table and a child of the deceased under 18 years of age.





Who is a dependant?	
A dependant is:	
1	A spouse or de facto spouse
2	A child of the deceased
3	A Legal Personal Representative
4	Any person who relied on the deceased for financial maintenance
5	Any person who lived with the deceased in a close personal relationship with financial and domestic support

Who's not a dependant?	
A non-dependant is:	
1	A grandchild of the deceased
2	A son/daughter in law
3	A cousin or other relative

Other issues

- Earnings and concessional contributions are subject to 15% taxation.
- Capital Gains are subject to 10% taxation if the asset is held for more than 12 months.
- Pension accounts aren't subject to taxation.
- Pension payments made after a person reaches 60 years of age are tax-free.

- The Fund must prepare accounts and lodge an income tax return annually.
- The Fund must be audited every year.
- Records including resolutions must be kept for 10 years.
- The Fund must maintain and update an Investment Strategy.

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