



## The Step-by-Step Guide to Establishing a Superannuation Fund

Description	Other relevant guides	Documents required	Notes
This guide looks at the considerations and steps involved in establishing a superannuation fund.	<ul style="list-style-type: none"> <li>- How to set up a unit trust</li> <li>- How to negative gear with a trust</li> </ul>	<ul style="list-style-type: none"> <li>- Resolution to establish a superannuation fund</li> <li>- Superannuation trust fund deed</li> <li>- Application for membership</li> <li>- Resolution to accept member</li> <li>- Member notification</li> </ul>	When forming a superannuation fund, a number of considerations need to be resolved before following the steps to its establishment.

### Step 1 – Determine the identity of the trustees and members.

#### 1a The Trustee

The identity of the trustee of a self-managed superannuation fund is determined by reference to section 17A of the *Superannuation Industry (Supervision) Act 1993 (Cth)*, which has been reproduced in this table.

**SUGGESTION:** A company should be used as trustee so that the title to property or shares doesn't change if members are added or removed.

**TIP:** If a borrowing is to be undertaken then the bank will require a company as trustee.

**WARNING:** The identity of the individual trustees or directors of a corporate trustee of a superannuation fund depends on the identity of the members of the fund.

#### 1b The Members

The identity of the members of a superannuation fund will be determined by two basic conditions. Firstly, those persons who may wish to be members and, secondly, the class of persons in respect of whom the trustee of the fund may accept contributions.

**SUGGESTION:** Avoid making children members of the fund.

**WARNING:** The identity of the individual trustees or directors of a corporate trustee of a superannuation fund depends on the identity of the members of the fund.

### Step 2 – Complete the instruction sheet.

**NOTE:** There are generally no restrictions to the naming of a superannuation fund, e.g. there would be no prohibition on naming your fund the "Westpac Superannuation Fund" or the "Mercedes Superannuation Fund".



### Step 3 – When the fund documentation arrives, ensure that:

1. The trustees execute and date the resolution to establish the fund, and what the trustees and members execute and date the trust deed in the presence of a witness;
2. The members complete and sign an application for membership;
3. The trustees sign the resolution and notification to the members regarding acceptance of their application; and
4. That the members may then make contributions to the fund.

**NOTE:** The superannuation fund doesn't exist until after a contribution has been accepted by the trustee.

**WARNING:** The signatures of the trustee and the members need to be witnessed, and the witness himself will need to sign the deed.

#### Step 4 – Apply to the Australian Taxation Office for the fund to be a regulated superannuation fund.

**NOTE:** The application to the ATO must be irrevocable and in accordance with subsections 19(2) to 19 (4) of the *Superannuation Industry (Supervision) Act 1993 (Cth)*.

**WARNING:** The application to be a regulated superannuation fund must be made within 60 days of the fund coming into existence.

#### Step 5 – Rollover existing superannuation accounts

Apply to have your existing superannuation balances rolled out of the industry or retail superfund into your newly created self managed superfund.

**WARNING:** You will need to advise your employer of you new self managed superfund so that contributions made on your behalf go to your self managed superfund.

#### Step 6 – The trustee of a superannuation fund enters into transactions.

**NOTE:** Step 3 must be completed before the superannuation fund conducts any activities, including the exchange of contracts for the acquisition of real property.

#### Other Important Information

1. A superannuation fund must be indefinitely continuing (i.e. it must not have a predetermined final date);
2. If the trustees of a superannuation fund are individuals, then all of its members must be its trustees;
3. If the trustee of a superannuation fund is a company, then the directors of the trustee company must include all of the members of the

superannuation fund;

4. A self-managed superannuation fund must have fewer than 5 members;
5. Additional members of a superannuation fund can be added at any time;
6. Concessions may be lost where a self-managed superannuation undertakes borrowings;
7. Concessions may be lost where a self-managed superannuation fund acquires assets from a member or other related party;
8. A superannuation fund is eligible to receive the general 50% Capital Gains Tax discount;
9. A self-managed superannuation fund must have an investment strategy; and
10. A self-managed superannuation fund can invest in a related unit trust, under certain circumstances.

**NOTE:** the above information is meant as a general guide only, and the information applies to Superannuation Funds provided by InvestorOne.

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