Breakfree Financial Solutions

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What is a self managed super fund (SMSF)?

Self-managed super funds (SMSFs) are a way of saving for your retirement. The difference between an SMSF and other types of funds is that the members of an SMSF are usually also the trustees. This means the members of the SMSF run it for their benefit and are responsible for complying with the super and tax laws.

A superannuation fund must meet basic conditions to be considered a self-managed super fund (SMSF). The basic requirements of a SMSF (also known as a DIY super fund) include the following:

- Maximum number of members is 4
- Each member of a SMSF must also be a trustee of the fund, and all trustees must be members (except when a non-member trustee for a single member fund)
- A SMSF trustee cannot receive payment for performing the role of trustees
- No member of a SMSF can be an employee of another member, unless they're relatives ('relative' has a specific definition)

For most SMSF trustees, the desire for **greater control over super savings** is the main reason for starting a SMSF. Some typical reasons why individuals set up SMSFs are

- Control over your fund's investment strategy and a greater choice in what you can invest in, including direct property and collectibles such as works of art.
- A belief you can do a better job investing your super money than your existing fund's trustees, and at a lower cost.
- The ability to take advantage of tax benefits linked with the SMSF.
- Flexibility in when and how you fund your retirement, including starting a superannuation pension.
- Opportunities to purchase business property, such as an office, within the SMSF, and to use the property in your business, including the finance via SMSF borrowing.

What are the responsibilities of an SMSF trustee?

SMSF trustees are responsible for making investment decisions and ensuring implementation of an investment strategy for their fund.

SMSFs have strict administrative obligations that require trustees to maintain records, provide financial statements, complete a tax return and organise an independent audit. For this reason, many trustees engage SMSF specialists to help them manage their accounting, auditing and tax reporting, as well as provide financial and investment advice; however, they always remain completely responsible for the decisions and administration of their fund.

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Tax strategies for retirement savings

There are a number of tax strategies that can be employed to maximise your savings in the lead-up to retirement – all seamlessly implemented within an SMSF structure. These include:

- managing multiple accumulation and pension accounts simultaneously
- salary sacrifice
- withdraw and re-contribution
- transition to retirement pension
- spouse splitting
- contribution reserves.

The tax and super strategies you can implement will vary according to your age, assets, income and personal retirement goals. For example, if you buy an asset and sell it while working (accumulation phase) you pay capital gains tax; however, selling the same asset in retirement (pension phase) makes it exempt from tax.

How we can help support SMSF trustees

We have **close partnerships with specialist** legal, financial, investment and accounting experts that we work with and can refer you to. It is paramount that we work together to successfully establish your SMSF, as it needs to be set up correctly so this it is eligible for tax concessions, can receive contributions and is easy as possible to administer.

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