

10 Common SMSF Questions

What's involved in setting up and running a SMSF?

One of the first steps in setting up a SMSF is establishing the legal documentation. This involves creating a Trust Deed, choosing Individual Trustee's or a Corporate Trustee and signing ATO declarations minutes.

The SMSF is required to register an ABN and TFN which is checked by the ATO. Once the ABN and TFN has been verified the members of the fund can establish a bank account and transfer existing super into the SMSF.

Ongoing management of a SMSF involves making investment decisions, maintaining accurate records and lodging returns with the ATO.

SMSF's need to comply with the SMSF rules including the sole purpose test which requires members to make decisions that benefit their retirement. The fund needs to be audited each year and the members need to consider risk, diversification, liquidity, insurance and retirement objectives.

An SMSF can have up to six members.

What does it cost to set up a SMSF? What are the annual running costs?

The cost to establish an SMSF is between \$1,000 and \$3,000. The SMSF is able to reimburse members the SMSF set up costs once the rollover has been completed. The set up fee should include establishment of legal documentation, ABN/TFN registration and rollover from other funds.

Ongoing costs are between are usually between \$1,000 and \$4,000 depending on the size and complexity of the fund. Ongoing costs include ATO Levies, ASIC fee's, Audit fees, Administration, Taxation and potential Financial Advising costs.

What is the set up process? How long does it take?

The process to set up a SMSF usually takes around 6 weeks as members need to establish legal documentation, apply for an ABN/TFN, create a bank account and rollover funds from existing super. SMSF's with a Corporate Trustee need to apply for a director's ID. The setup process involves the ATO completing checks to determine if the SMSF is complying. If a member has overdue tax returns and is considered a disqualified person then the SMSF set up can be delayed or rejected.

What assets can my SMSF buy?

SMSF can purchase a wide variety of assets. In most cases SMSFs will purchase property, shares, bonds, gold and crypto. It's important that the investment decision passes the sole purpose test and the assets will provide benefits for members' retirement.

Can my SMSF purchase crypto?

Yes, a SMSF can purchase crypto and is now a popular element of SMSF investing as members have been looking to get exposure to crypto such as Bitcoin and Ripple. Members can also undertake trading arrangements within SMSF and look to benefit from the low taxation rates that are applicable to SMSFs. To buy crypto the members need to set up an exchange in the name of the SMSF and may also set up wallets to store the crypto safely.

Can I use my super to buy property? Can the SMSF obtain a loan?

Many people use their super to buy property including residential and commercial property. It's possible for SMSFs to acquire loans through a Limited Recourse Borrowing Arrangement. Members can also use their super to buy a property for their business to use. This is a popular method used by business owners to build their SMSF assets.

Do I close my existing super? Can I do a part rollover?

Members of SMSFs have the option to rollover all of their existing super into a SMSF or they can complete a part rollover. Some members like to keep their retail or industry fund open as those funds may contain an attractive insurance policy. Some retail and industry funds have requirements and conditions that must be met to keep an account open.

Do I use a Corporate Trustee or Individual Trustee's?

Establishing an SMSF involves choosing the correct entity to act as the Trustee of the fund which can be either Individual Trustee's or a Corporate Trustee. If the fund has Individual Trustee's there must be a minimum of two. Corporate Trustees can provide additional benefits such as asset protection and does reduce administration issues when members want to exit and enter the fund. Banks usually require Corporate Trustee's to satisfy borrowing requirements. If the fund has only one member a Corporate Trustee is the only option.

When can I access the money?

To access superannuation clients generally need to trigger a condition of release. In most cases clients start accessing superannuation at 60. At 60 a client can start an allocated pension or a transition to retirement pension. At 60 there are multiple opportunities to help save tax through using your super effectively.

What's the first step to get started?

The first step in getting started is choosing an SMSF provider, Accountant or Advisor to help you with the set up process. Members will need to choose a name for the fund and potentially apply for a Directors ID if using a Corporate Trustee.

Final note

A good SMSF administrator can help with the following:

- Prepare minutes and declarations for the SMSF
- Make sure lodgements are completed on time
- Provide guidance on navigating SMSF rules
- Manage the ATO file
- Prepare accurate Financial Reports and Tax Returns
- Identify opportunities to save tax through structuring super correctly