Running your own super fund

A self managed superannuation fund (SMSF) can give you greater control of your retirement savings and offer a number of features and benefits.

Why run your own fund?

More investment control

If you're a member of an SMSF, you have greater control over how your super's invested and how it's paid when you retire. You can establish your own investment strategy and directly control where and how your super is invested.

More investment choice

You can select from a wider range of investments, such as managed funds; all listed shares; some unlisted shares; residential and business property; and collectables such as artwork, stamps and coins.

One fund for the family

You can have up to six members in an SMSF. Having one fund for the family can give you more flexibility to decide which assets are sold to pay a death benefit if a fund member dies.

Borrowing to make larger investments

SMSFs can borrow using a limited recourse borrowing arrangement to buy assets (such as shares and property). Typically this occurs when it doesn't have enough money to purchase the asset outright.

Tax considerations

With SMSFs you may be able to take greater control over the timing of tax events, such as when capital gains and losses on assets are realised; and transfer certain assets directly into your fund by making 'in specie' contributions, where investment earnings will be concessionally taxed.

Greater estate planning certainty and flexibility

You can nominate which of your eligible dependants you'd like to receive your benefit in the event of your death. An SMSF trust deed can include specific provisions that outline how and to whom death benefits will be distributed, so long as these provisions align with super law.

Is an SMSF right for you?

There are important issues to consider before deciding whether to set up an SMSF.

1. How much money do you need to set up an SMSF?

The balance available to invest is one factor you should consider. A lower starting balance may be suitable if you as trustee are able to undertake much of the administration and management of investments to make the fund more cost effective; and will be making a large contribution into the SMSF.

2. Do you have enough time, knowledge and skills to manage your own super?

You and all members must be fund trustees (or directors of the corporate trustee). This means you are all responsible for running the fund and meeting a range of legal and administrative obligations.

3. Who can be an SMSF trustee?

Essentially anyone can be a trustee of an SMSF provided they are not an employee of another trustee unless they are related to them; and are not a 'disqualified person'*.

* A disqualified person is someone who is disqualified by the Australian Taxation Office or the Australian Prudential Regulation Authority to act as trustee of a superannuation fund; is an undischarged bankrupt; or has been convicted of an offence for dishonest conduct, such as fraud.

4. Have you considered whether a publicly available super fund may be more suitable?

With publicly available super funds, such as retail and industry funds you can access a broad range of investment options, which may be more than sufficient for your needs and you don't have to take on the burden and responsibility of being a fund trustee.

Steps to setting up an SMSF

There are 10 key steps that need to be taken to get an SMSF up and running.

Step 1: Choose a trustee structure.

Decide whether you and any fellow members will each be an individual trustee or you will use a corporate trustee.

Step 2: Obtain a trust deed.

SMSFs need to have a 'trust deed'. This is a legal document that sets out the rules for establishing and running your fund and, along with the superannuation laws, governs how your fund needs to be operated.

Step 3: Sign trustee declarations.

All new trustees must sign a 'trustee declaration' within 21 days of becoming a trustee or director of a corporate trustee. This form requires you to acknowledge you understand the rules, general duties, restrictions and your legal obligations.

Step 4: Record members' TFNs.

Your fund will need to record each member's Tax File Number (TFN).

Step 5: Register with ATO.

Your fund needs to be registered with the ATO within 60 days of being established and you will need to elect for your fund to be regulated, so that it will be eligible for the superannuation tax concessions. This is achieved by completing the 'Application for ABN registration for superannuation entities' form (NAT 2944), which is available from the ATO website.

Step 6: Open a bank account.

Your SMSF will need a bank account so it can accept cash contributions, receive income from investments, pay fund expenses and pay benefits to members. The account needs to be opened in the names of your fund's trustees and the money must be kept completely separate from your personal or business assets. You will need to notify the ATO of the SMSF's bank account.

Step 7: Prepare an investment strategy.

You must prepare an investment strategy for your fund that takes into account all your fund's members' needs and circumstances before any investments can be made.

Step 8: Accept contributions and rollovers.

To receive contributions and make rollovers into or out of your SMSF you need an electronic service address.

Step 9: Appoint professionals.

You need to appoint an independent auditor to review your fund's activities each year and ensure it complies with the relevant laws.

Step 10: Plan for the future.

Your fund's members should consider completing a suitable death benefit nomination so their super will be paid according to their wishes when they die. An exit strategy must be created to plan for events that may require the SMSF to be wound up.

Investment strategy and rules

When creating and implementing an investment strategy for your SMSF, it's important to follow these six steps.

1. Assess your fund's circumstances
2. Identify your fund's investment objective
3. Prepare your fund's investment strategy
4. Consider insuring your fund members
5. Accept and implement the strategy
6. Review the investment strategy

Further information

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