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.	

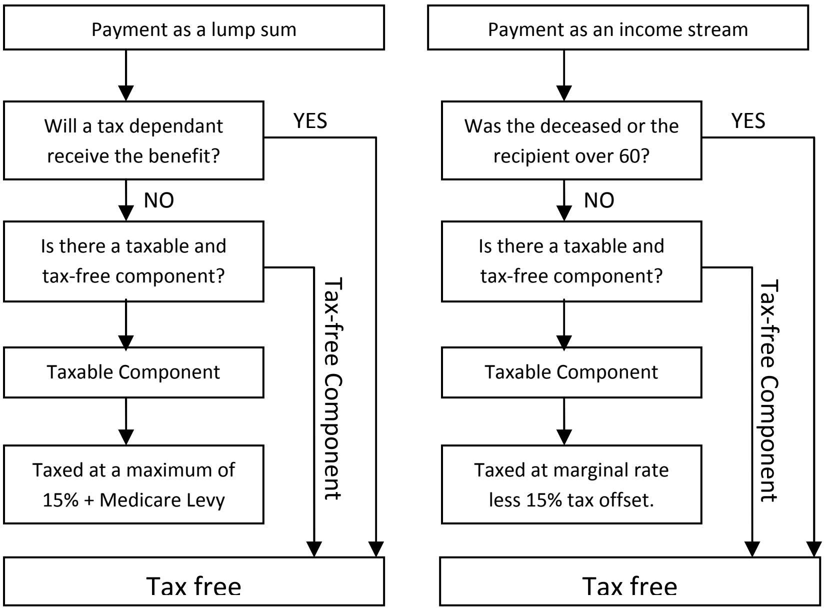
Age	% of account balance
Under 65	4
65 – 74	5
75 – 79	6
80 – 84	7
85 – 89	9
90 – 94	11
95 or more	14

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.

InvestorOne Pty Ltd is an Authorised Representative of InvestorOne Capital Pty Limited
ABN 87 134 712 039 (AFSL 337568).
Ground Floor, Beanbah Chambers, 235 Macquarie Street, Sydney NSW 2000.
Telephone: 02 92315111   Facsimile: 02 92315122
Email: contact@investorone.com.au   Website: www.investorone.com.au.

InvestorOne