



Sage Self Managed

*Simple Solutions for SMSF*



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# about this guide

Australians continue to look for new ways to invest and take greater control of their retirement funds. With some 500,000 Self Managed Super Funds now in operation they are a viable and attractive option for some, but not for everyone. It is important that you receive expert advice to assist you in determining if a SMSF is right for you.

*Sage Self Managed is a tailored service specifically designed for Self Managed Super Fund trustees and members. It is a comprehensive financial planning solution which provides advice on investment strategy, your legal requirements, advice on compliance with the SIS Act and provide the link between the accounting, auditing and document creation/record keeping that is vital to the smooth running of your SMSF. Sage Self Managed is designed to add the winning edge.*

To assist you we have developed this eBook which provides some initial information and tips about where to start. We recommend you consult with *Sage* Financial Group so that we can help you navigate the many and complex options available to you when considering a Self Managed Super Fund.

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# what is a Self Managed Super Fund?

A Self Managed Super Fund (SMSF) is a superannuation fund established for the benefit of between 1- 4 members who are also the trustees of the fund. These funds allow the trustees to control how the fund operates and what investments are undertaken for retirement.

## what are the benefits?

### control & investment choice

A SMSF provides maximum control over your superannuation assets and allows you the flexibility to decide how your funds are invested and how the fund is to operate. This level of flexibility is only available through a Self Managed Super Fund.

A SMSF can be structured to meet the specific investment needs of members and greater control over investment strategies. The fund can invest in a wide range of investments including property, shares, cash or any other assets that suits the investment objectives of the fund. Opportunities also exist for your SMSF to borrow additional funds to invest within your SMSF, a strategy not available in retail/industry or corporate super funds.

### tax concessions

Investing in a SMSF has tax advantages that make super a powerful wealth creation strategy:

- A concessional 15% tax rate applies to income of the fund, including contributions for which the tax payer has claimed a tax deduction (or 0% if in pension phase)
- Realised capital gains on investments held for more than 12 months are taxed at an effective rate of 10% (or 0% if in pension phase)
- Tax can be lowered through the use of franking credits and the offsetting of capital losses
- Concessionally taxed benefits, including pension benefits which are tax free after age 60

### estate planning

A SMSF can be structured for efficient estate planning. This may involve inter-generational wealth transfer, Binding Nominations, Reversionary Pensions and Death benefit payments to the estate. It is always recommended to consider your immediate family, dependants, and future generations when considering suitability.



## using your SMSF to buy real estate

One very popular strategy within a Self Managed Super Fund is the ability to invest in property using your existing super funds and borrowed funds. A SMSF can invest in all types of property such as indirect property investments (ie managed funds), direct property (residential, commercial, industrial and rural) and property located overseas. Furthermore for those operating a business a SMSF can purchase your existing operating premises, which has significant tax advantages. This assists with wealth creation as the rent on the building is retained within your SMSF.

### tax advantages

- Transactions made inside super are taxed at a rate of 15% instead of up to 45% for investments outside of super
- If you hold a property within super for more than 1 year, Capital Gains Tax on assets held for more than 12 months is calculated at a reduced rate of only 10%
- If you sell your property whilst in your pension phase, you may not pay any Capital Gains Tax (CGT)
- The SMSF can claim tax deductions for making loan repayments

### other advantages

- Buying property inside super is an effective way of diversifying your portfolio. Investing in different asset classes can help reduce the overall exposure to risk and volatility.
- In some cases assets held within a SMSF can provide asset protection in debt and bankruptcy situations.
- Borrowing funds to purchase property that increases in value (known as “gearing”) allows you to boost your super balance (and your retirement savings).
- Provides an opportunity for some people to purchase property using their super which may have previously been out of reach due to lack of savings outside of super.

*As there are complex conditions and strategies to navigate when purchasing property within your super, we recommend you speak to the Sage Self Managed team for personalised advice.* Some of these restrictions even relate to the types of renovations and improvements you can make to the property. For more information contact one of our SMSF specialist advisors on 08 9445 2955.

# what's involved in setting up a SMSF?

The process of setting up a SMSF involves several steps and requires the expertise of a variety of professionals. Some people choose to navigate these steps on their own; however the *Sage* Self Managed team can guide you through the process to ensure your fund is setup to maximise the benefits of a SMSF.

## 1. obtaining a trust deed

All SMSFs require a legal document called a Trust Deed. The Trust Deed maps out the terms and conditions for operating the fund and in addition to the superannuation laws form the governing rules of the SMSF. Generally the Trust Deed will specify details such as:

- Trustees and Members of the fund;
- The responsibilities of the trustees;
- What kind of contributions can be accepted by the trustees on behalf of the members;
- What benefits types are available to the members; and how they will be paid.

Your deed will also need to be regularly reviewed to ensure it remains current with any legislative changes that have occurred.

## 2. appointment of trustees

The next step is the formal appointment of the fund's trustees, which can be done under a variety of different structures. You'll need to choose the structure of your fund so it complies with the law and best suits you and the other members' circumstances.

- Up to four Individual Trustees;
- Sole / Custodian Trustee; or
- A Corporate trustee where a company is set up to act as trustee of the fund.

## 3. holding fund assets

To be established, your SMSF needs to hold assets. The trustees' hold the funds assets in trust for the benefit of the funds members. Usually a SMSF is established by making a contribution to the fund when the trust deed is executed. A contribution can be the transfer of certain assets (e.g. listed shares) or cash. Assets are required to be identified as being owned in the name of the trustees for the fund.

### example

The Jones Family Super Fund has two individual trustees, Phillip and Margaret Jones. Where possible, the assets of the fund need to be held in the name of:

**"Phillip Jones and Margaret Jones ATF The Jones Family Super Fund"**

The Anderson Super Fund has a corporate trustee, ABC Pty Ltd. Where possible, the fund's assets need to be held in the name of:

**"ABC Pty Ltd ATF The Anderson Super Fund"**

## 4. trustee declaration

As a new trustee (or director of a corporate trustee) of a SMSF you are required to sign a declaration that is lodged with the ATO within 21 days of being appointed a trustee (or director). By signing this Trustee Declaration you are declaring that you understand your responsibilities and obligations as a trustee (or director) of the SMSF.

***It is essential that you are fully informed before signing a trustee declaration. The Sage Self Managed team can help you to understand your legal responsibilities and obligations when running a SMSF. For more information contact us on 9445 2955 or [ssm@sagefg.com](mailto:ssm@sagefg.com).***

## 5. registration

Once the fund is legally established, it needs to be registered with the Australian Taxation Office (ATO). The fund must be registered within 60 days of being established. The trustees must also give consideration to each of the following points:

- Electing for your fund to be regulated –  
For the fund to be complying and be taxed at the concessional rate of 15%, you need to elect for it to be regulated and to comply with the super laws.
- Obtaining a TFN and ABN –  
A Tax File Number (TFN) and Australian Business Number (ABN) unique to your SMSF will be issued to the fund by the ATO.
- Registration for GST –  
Your SMSF will need to be registered for GST where its annual turnover exceeds \$75,000.

## 6. bank account

You need to open a bank account in your funds name but not all bank accounts are the same. *The Sage Self Managed team can advise you on a bank account specifically designed to work with a SMSF.*

As this bank account is for the sole use of the SMSF it should be opened in the same ownership format as the fund's assets.

The bank account will be used:

- to manage the fund's operations;
- to accept cash contributions and rollovers of super benefits.

Contributions and rollovers that are deposited into the fund's account will be:

- invested, according to the fund's investment strategy;
- used to pay the fund's expenses and liabilities.

# is a SMSF right for me?

Setting up and operating an SMSF is a major financial decision. After all, the **responsibility for running the fund and complying with the law rests solely with you as the trustee**. There can be significant penalties for the mis-management of a SMSF which can involve fines, additional tax and even goal.

While SMSFs are great for some people, they don't suit everyone. Managing your own super takes time, knowledge and skill, so before deciding to set up an SMSF:

Consider whether you have:

- the time, knowledge and skill to manage your own super fund (if not *Sage* can assist);
- the assets and money to make the fund viable;
- compared the costs and benefits of running an SMSF with those of other retirement saving options (A SMSF can be cheaper than a other options);
- make sure you're setting up the fund solely to pay retirement benefits to members or the members' dependants if the members die; and
- check you understand what's involved in managing your own fund and what it means to be a trustee.

"We recommend you speak to an SMSF professional such as a licensed financial adviser to discuss whether an SMSF is right for you"

*Australian Taxation Office*

## what's the fine print?

The benefits of using a SMSF can be very appealing however they are not a "set and forget" type of fund. Whilst none of the considerations below are insurmountable, you do need to be aware that having a SMSF does create added work and responsibility and will require the payment of fees both to setup and for ongoing management. However the potential benefits of a SMSF, if suitable for you, can outweigh these considerations.

### setup & maintenance

SMSFs do require administration and management, both in the setup as well as on an ongoing basis, to adhere to specific regulations and laws. It is also a requirement, and good financial common sense, to maintain a regular analysis of your fund's investment performance and goals.

### legal, regulatory, audits & tax returns

As a trustee of your SMSF you must adhere to the ATO's specific requirements such as:

- Appoint an approved auditor to audit your SMSF
- Lodge an annual SMSF tax return each year
- Lodge a Rollover benefits statement when rolling benefits into other funds
- Keep comprehensive records such as:
  - minutes of investment decisions, transaction details, annual financial statements, who the trustees of your SMSF are and their consent to act as trustees (trustee declarations), income tax returns.



# the benefit of advice

As you have read in this eBook, a Self Managed Super Funds can offer a number of benefits, but there are some core questions that need to be worked through to assess the suitability of a SMSF for your needs. Once setup, there is the importance of ongoing compliance with the strict ATO regulations.

“It pays to get professional advice about your personal situation to ensure that a SMSF is the right move for you”

## about Sage

a free consultation

*Sage* Financial Group’s team of financial planners specialise in wealth management and wealth creation (including SMSF) through professional financial advice. A free consultation with our advisors will help determine your options and elaborate on the pros/cons in more detail.

In addition to offering you personalised advice about the appropriateness of SMSF for your circumstances, we can set up a SMSF on your behalf and can assist in the ongoing compliance and investment of your funds.

# Sage Financial Health Plan

A constant in the world of SMSF's is change and your legal responsibility as a Trustee requires you to stay up to date with the changes in regulations and legislation. *Sage* Financial Group specialises in helping our clients maximise the possibilities that are available within a SMSF but importantly ensure you remain compliant. We can help you navigate the complex domain that is a SMSF.

To make sure you get the maximum benefit from your fund year after year the Sage Self Managed team recommends the Sage Financial Health Plan. Our Financial Health Plan offers you a range of services that are customised based on your individual circumstances. Our services are fixed fee and are not based on the size of your assets, but rather your personal needs.

We can assist in:

- ✓ Minimising your taxation
- ✓ Taking advantage of the latest SMSF strategies
- ✓ Borrowing in your SMSF to purchase property
- ✓ Ensuring you comply with Legislation
- ✓ Documented Investment Strategies;
- ✓ Portfolio Construction
- ✓ Administration of your SMSF
- ✓ Bank Accounts
- ✓ Beneficiary Nominations
- ✓ Setup of Pension Accounts

## other Services Includes:

In addition to Self Managed Super Funds, *Sage* can assist you with all your financial and lifestyle goals.

- Retirement Planning
- Superannuation
- Risk Management
- Wealth Creation
- Investment Planning
- Estate Planning
- Corporate Superannuation