



# SMSF SMART



Keeping your SMSF healthy!

Edition #7

## Keeping your SMSF healthy!

Edition #7

In our earlier editions of SMSF Smart, we covered the following topics:

- An introduction to SMSFs;
- Being an SMSF Trustee;
- The Trust Deed;
- Contributing to Superannuation;
- Withdrawing Money from Superannuation; and
- SMSF Investment Rules

In this edition of SMSF Smart, we look at keeping your SMSF healthy.

SMSF Smart is designed to assist existing SMSF Trustees with their understanding of an SMSF. This is the last edition in a seven-part education series providing a comprehensive guide on how an SMSF works. However, SMSF Smart will continue on a regular basis to keep you informed on matters relating to SMSFs.

As always, we encourage you to ask us any questions if you need further information or clarification.

Once the SMSF is established, the ongoing tasks will commence. The number of tasks required will depend on the circumstances of the SMSF; however, certain administrative tasks must be completed by every SMSF, every year. These include, in no particular order:

### 1. SMSF annual return

All SMSFs must lodge a combined income tax and regulatory return called the SMSF annual return with the ATO each year.

### 2. Valuing assets

Valuations are required to complete the SMSF's financial statements and annual return, as well as for member's benefit reporting purposes. Valuations should be effective at reporting date which, in most cases, is 30 June each year.

### 3. Engage an Approved SMSF Auditor at least 45 days before the annual return is due to be lodged

It is essential that you obtain the services of an Approved SMSF Auditor. Approved auditors perform a critical role in assessing the legal compliance of the SMSF through the annual audit they conduct on an SMSF.

Since 1 July 2013, SMSF Auditors must be registered and approved with ASIC. A list of approved SMSF Auditors can be found on the ASIC Website.

Page 2 of 5

## 4. Acceptance of contributions

It is the Trustee's responsibility to ensure the SMSF can accept a particular contribution, as per the trust deed of the SMSF. Trustees must also ensure that contributions received are correctly recorded and allocated to member's accounts.

## 5. Notification of change in SMSF details

SMSFs are required to notify the ATO of any change in SMSF details, such as contact details, name, address, membership and Trustees, within 28 days of the change.

## 6. Record-keeping

It is essential that the SMSF Trustees maintain proper records of how the SMSF is run for members. This provides an accurate history of the SMSF, supports the decisions made by the SMSF Trustee on the SMSF's behalf, and assists the SMSF Auditor and the ATO in determining whether the SMSF and the SMSF Trustee has complied with the relevant laws and regulations.

Records required to be kept for five years include:

- Accounting records that explain the transactions and financial position of the SMSF;
- The SMSF's operating statements;
- A statement of the net assets and any changes to the net assets of the SMSF during the reporting period;
- Records to show contributions and rollovers received from, and payments made to members;
- Copies of all annual returns lodged; and
- Statements describing and listing the accounting systems and records (i.e., a description of the accounts kept on paper and those maintained electronically).

Records required to be kept for ten years include:

- Registration documents (ABN, TFN, GST details etc.) and notice of the SMSF's complying status;
- Minutes of Trustee meetings and decisions;
- Records of all changes to the Trustee and the SMSF;
- Members' written consent to be appointed as Trustees;
- Copies of all reports given to members;
- Auditor engagement letters, records needed to complete the annual audit, and subsequent audit reports;
- Changes to the trust deed and/or the investment strategy;
- Death benefit nominations; and
- Trustee declarations must be kept for at least ten years or while the Trustee remains a Trustee (whichever is longer).

## 7. Rollovers out of the SMSF

Sometimes an SMSF member may wish to transfer all or part of their benefits to another superannuation fund. When a rollover of benefits from an SMSF occurs, the Trustee must complete a Rollover Benefits Statement, provide copies to the receiving fund(s) and the relevant member, and ensure that the rollover is only made to a complying superannuation fund.

## 8. Making benefit payments

The payment of superannuation benefits to members is an vital Trustee duty. Benefits can only be paid in accordance with the trust deed and superannuation legislation. In most circumstances, benefits can be paid either as a lump sum or an income stream.

## 9. Transferring benefits 'in-specie'

Lump sum payments (including death benefits) can either be paid via cash or by in-specie transfer of an asset out of the SMSF to the member. The requirement is that the asset is valued at market value at the time of the payment.

## 10. PAYG withholding

An SMSF Trustee must withhold tax, known as Pay As You Go (PAYG) withholding, where a taxable benefit is paid to a member. The most common circumstances of PAYG withholding are where the member is under age 60, and either receives an income stream or lump sum member benefit.

As the Trustee, your main ongoing management tasks will include:

- Managing investments;
- Managing the SMSF's administration; and
- Staying up-to-date with relevant superannuation and tax changes, as well as other issues that affect the SMSF (such as changes in interest rates and market conditions).

Compulsory administrative tasks include:

- Record-keeping;
- Reporting to members; and
- Tax and audit documentation.

### *What are the consequences of getting it wrong?*

The ATO can issue a range of directions and penalties to SMSF Trustees who have not complied with superannuation laws. These consequences include:

- The requirement for you to undertake a course;
- Rectify the contravention;
- Fine you;
- Disqualify you from being a Trustee;
- Pursue civil and criminal penalties;
- Require the SMSF to cease operating or to be wound up;
- Freeze the assets of the SMSF; and
- Make the SMSF non-complying

The ATO may take one or several courses of action, depending on how severe the contravention is and the circumstances involved.

### **In Summary:**

Getting the right advice and expert guidance is crucial with SMSFs. The decision and rules for paying a benefit can be quite complex. While there is greater control with an SMSF, there is also more responsibility. The ATO encourages individuals to engage professionals to help establish and run their SMSF, and this is where GFM Wealth Advisory can help.

### **Disclaimer**

This document is not an offer or invitation to any person to buy or sell any interest in or deposit funds with any institution. The information here is of a generic nature, and does not take into account your investment objectives or financial needs. No person should act upon this information without firstly seeking competent, professional advice specifically relating to their own particular situation.