



# SMSF SMART



## The Importance of Having The Right Advice Team on Board

Special Edition

## The Importance of Having The Right Advice Team on Board

Special Edition

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

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

In this edition of SMSF Smart, we look at the importance of having the right advice team on board.

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

Flexibility and control are just two of the many benefits of having a Self Managed Super Fund (SMSF). However, often overlooked is the onerous administration and compliance aspects of running an SMSF. According to the Commonwealth Bank's 2017 SMSF Report, the "vast majority of SMSF trustees rely on at least one professional adviser", while "one in three seek advice from multiple sources" using the services of professionals, to varying extents, to support their role as a trustee. The term "Self Managed Super Fund" is then, a misnomer.

A trustee (or director of the corporate trustee) of an SMSF must sign an ATO Trustee Declaration at the outset stating that they understand their duties. These duties are significant, which is why engaging SMSF professionals from the start to help set up and operate the SMSF is highly advisable to ensure that it continues to comply with all relevant regulations. Penalties apply if rules are breached.

To fulfil the role of SMSF Trustee, one needs to have a significant amount of time, patience, skill and dedication to manage their fund, not to mention a certain degree of financial literacy. Even if an individual has all of these, there are certain aspects of running an SMSF that require specialised advice from professionals and these professionals include:

### Financial Adviser:

As we have seen in recent years, superannuation rules regularly change, so one of the most critical aspects of managing an SMSF is ensuring compliance with the law, and acting in accordance with the Trust Deed which outlines the governing rules. A suitably qualified financial adviser can help Trustees carry out compliance tasks, such as monitoring member balances and contribution limits, ensuring minimum pension standards are met, and retaining paperwork for the required timeframe. By engaging the services of a financial adviser, you gain access to a professional who provides you with ongoing coaching to support you in your role as trustee.

Undertaking investment research can be quite complex as there is an extraordinary amount of information available to wade through. A SMSF Specialist Adviser™ will help set up an SMSF, advise on the structure of the Fund and its ongoing operation, and provide advice on what investments may suit, taking into consideration variables such as the members' appetite for risk, stage of life and financial goals.

The SMSF's Investment Strategy is an essential document that Trustees must formulate which takes into consideration matters such as the Members' risk tolerance, the need for liquidity and retirement objectives. These variables tend to differ depending on each member's age and stage of life, thus requiring a high degree of skill and expertise to formulate and regularly monitor – this is where a financial adviser is needed.

It is also a requirement on at least an annual basis that SMSF trustees consider the need for insurance cover for the members. A financial adviser can help determine what type of cover is required, how much, whether it be held by the super fund or held outside, and what the tax implications are for each.

## **Lawyer:**

A legal firm is required at the outset to prepare the fund's Trust Deed, and to update the deed when needed in the future (e.g. when significant legislative changes occur).

Estate planning is another area in which trustees require legal advice. In the event of the death of a member, it is essential that the remaining member(s) understand who is eligible to receive death benefits, how the benefits are taxed, and what options are available to allow the fund to continue operating. The recent changes to superannuation now provide even greater impetus for trustees to obtain estate planning advice, particularly with the introduction of the \$1.6 million Transfer Balance Cap. A member may find themselves in a position where they've exceeded the cap upon the death of their spouse – this is where an expert can advise on the strategies available to help avoid potential excess transfer balance tax.

As financial advisers, GFM is only licensed to provide broad information in this area, but for advice that is specific to the individual, we can recommend suitably qualified legal professionals.

## **Accountant:**

It is highly recommended the completion and lodgement of the SMSF annual return are handled by a qualified accountant who will provide Trustees with tax advice and represent them in their dealings with the ATO if required. It is also important that the Trustees engage an accountant who has sufficient experience with SMSFs.

## **Auditor:**

The ATO requires SMSFs to be independently audited by an approved SMSF auditor who must examine the fund's financial statements and compliance with the law. An "approved" auditor must be registered with ASIC and be completely independent.

## Administrator:

A dedicated administrator can look after the daily recordkeeping for the fund. As an example, participation in corporate actions (e.g. company buybacks, rights issues, etc.) can be efficiently handled by outsourcing this function to a professional administrator who will not only be able to take care of the completion and submission of paperwork on the trustees' behalf but importantly, can provide advice that is relevant to their situation. Buying and selling investments can also be efficiently managed by an administrator who would have the systems in place to deal with the execution and follow up of transactions.

Having online access to fund balances and investment reporting is increasingly in demand. Trustees can now engage the services of firms that gives access to an online portal that enables them to view the current status of the fund's portfolio at any time. Most administration services receive a daily data feed from fund managers, brokers and banks to assist trustees in obtaining "real-time" data online via their PC, smartphone or tablet, giving them transparency and ongoing visibility of their fund at all hours of the day.

## In Summary:

A great deal of work is involved in managing an SMSF on an ongoing basis. Additionally, changes to superannuation law occur frequently and these changes lead to a growing need for professional advice.

As an SMSF trustee, you are required to manage your Fund responsibly, and continually keep up to date with superannuation legislation to ensure your fund remains compliant at all times. Therefore, consider whether you have the time, skills and desire to dedicate the required amount of time not only to perform the many tasks needed to manage an SMSF but also to navigate through changes in legislation.

If you don't think you do, it is highly recommended you consider engaging professional specialist advisers – such as GFM – to help you manage the administration and compliance paperwork to relieve you of the stress and burden. GFM is a specialist SMSF organisation that offers advice in financial planning, compliance & tax, as well as an administration service, that can assist SMSF trustees with the establishment and day-to-day running of a fund and monitoring of compliance with superannuation (and other) laws.

## 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.