# IS A SELF MANAGED SUPER FUND RIGHT FOR YOU?

**Ten reasons why a Self-Managed Superannuation Fund (SMSF) may be right for you:**

1. **Control and flexibility** – As a member and trustee of your fund, you are able to direct where the money is invested and determine the use of your superannuation.

   You can decide which strategies to use and how and when to implement them.

2. **Low tax environment** – Investments in the superannuation environment are taxed at low rates to encourage people to save for their retirement.

   There are two phases within superannuation – the accumulation phase (where members are building up their balance) and the pension phase (where members are taking out benefits).

   Generally any earnings on investments in accumulation phase are taxed at 15% with capital gains tax generally at 10%.

   Earnings and capital gains in the pension phase are tax free (0%).

3. **Flexible investments** – SMSFs provide a great deal of flexibility in terms of the types of investments you can hold as long as they meet the legislative and trust deed requirements. For example: shares, direct property and some related-party investments.

4. **Integrated wealth management** – A SMSF can work effectively alongside your other business structures. It can be an important part of your overall plans for the purchase, growth and realisation of investments.

   For example, you can plan and execute transactions or the sale of real estate separately from your business. This may not only give rise to tax benefits, but also allows for succession planning, orderly realisation of assets, asset protection or semi - retirement.

5. **Succession and Estate planning** – Your estate does not automatically include your superannuation. You can nominate who is to receive your superannuation benefit directly from the fund or you can pass assets on to a child within the fund.

   When the succession plan for your business only involves some of your children, having superannuation assets to pass to the other children can make it easier to pass on a viable business and be fair to all of the family.

   There is flexibility and control over the way you pay death benefits.

6. **Permanency** – A SMSF can remain in place through generations and changes of employment.

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7. **Asset protection** – As the purpose of superannuation is to help provide for you in retirement it is generally safe from creditors in the case of bankruptcy. It can be very important in some situations that assets are protected within the superannuation environment.

8. **Forced savings** – Superannuation is a forced savings vehicle as you are unable to access the money until you satisfy a condition of release. As it is separate from your business, this can often lead to diversification of investments.

9. **Cost** – Depending on the value of your superannuation and the type of investments you wish to hold a SMSF may be more cost effective than the alternatives.

10. **Tax planning** – A SMSF can be very useful to tie in with your overall tax plan. Contribution planning, small business rollover relief, pension planning and use of franking credits can be used to manage your taxation obligations.

**Why a SMSF may not be right for you:**

1. **Responsibility –** Although advisors are available for guidance, the ultimate responsibility for a SMSF lies with the trustees. If you as trustee are not comfortable to take on that responsibility a SMSF is not for you.

2. **Rules –** The great advantages of SMSFs come at the cost of regulation - compliance requirements aim to ensure that superannuation is used legally. If you are not prepared to abide by rules and keep proper records a SMSF is not for you.

3. **Cost / small balance** – There are fixed costs to running a SMSF - every year accounts must be prepared and an audit must be carried out to ensure the compliance requirements have been met. Until the balance reaches a significant amount it may be more cost effective to have a different type of superannuation investment.

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