



# THE ULTIMATE SMSF GUIDE

# Disclaimer

**The contents of this FREE e-book are for educational purposes only.**

While all attempts have been made to accurately reflect on all information provided, this publication is not intended to be financial advice.

Proper financial advice can only be given by taking into account your personal circumstances, individual goals and a number of other factors.

We do recommend seeking specialist financial advice before making any changes to your financial situation.

The SMSF Institute takes no responsibility for any financial loss resulted by using or applying any of the information within this document.

The reader agrees to take all responsibility for using the information contained within this e-book. While every attempt has been made to verify information provided in this book, neither the author nor the publisher assumes any responsibility for any errors, inaccuracies or omissions.

We strongly advise anyone considering to setup a SMSF to seek professional advice. We would be happy to recommended a number of trusted and licenced professionals.

# A note from the SMSF Institute Founder

Creating wealth is simple – not necessarily easy but simple. It's all about strategy, risk management and timing. Indeed one of the most effective ways in creating wealth is through **super**.

Most Australians overlook this highly effective vehicle known as superannuation and the rewards it can pay by restructuring and leveraging the many benefits of *self managed superannuation*.

We have designed this eBook to demystify and debunk all the myths and misconceptions surrounding DIY super. Through a step-by-step guide you will discover how simple and effective managing your own super can really be.

To your success,



**Mark Morcos**  
Founder – SMSF Institute



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# Introduction to Self Managed Super Funds (SMSF)



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Self Managed Super Funds also known as Do-It-Yourself Super refer to legal and financial structures that allow you to manage your own superannuation. Many Australians greatly benefit from having the hands on control of SMSFs, however with it comes a number of responsibilities.

## Basic SMSF Rules

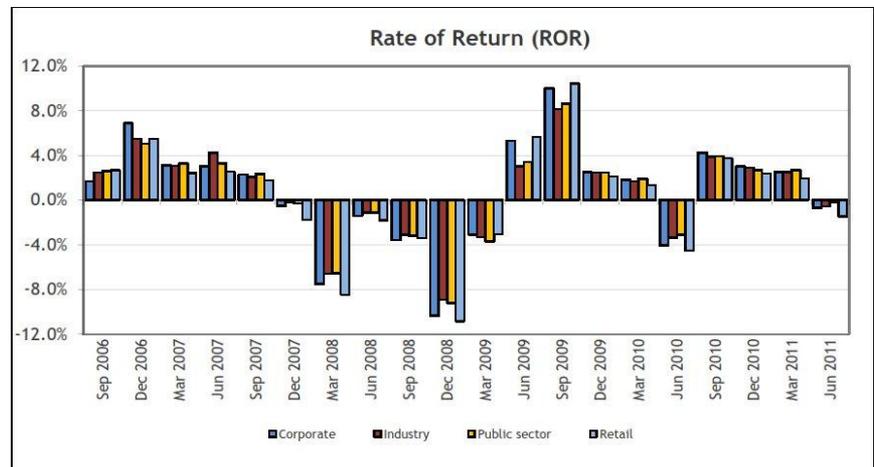
**Self Managed Super Funds** have a number of rules and conditions:

- A SMSF must have at least 1 and no more than 4 members.
- Members of the fund are known as 'trustees'. A trustee is merely a legal term that describes any person who holds property / authority on behalf of another party.
- No member of the fund can be an employee of any other member, unless those members are related.
- No member of the fund is allowed to receive payment in the form of a salary or remuneration for their role as trustee.

## Self Managed Super VS Other Super Funds in Australia

SMSF are fast becoming one of the most popular ways for creating wealth with **31.2% of all superannuation funds in Australia being self managed\***

In June 2011 there was a 10.9 per cent increase in the total estimated superannuation assets, in other words SMSF are becoming one of the most popular and successful ways to invest and leverage money.



\* Source: Apra Report 2011 <http://www.apra.gov.au/Super/Documents/Super%20Quarterly%20Performance%2020110630.pdf>

# Your Super May Not Last You



# Your Super May Not Last You

The 'Superannuation Guarantee' was established in 1992 by the government as means of providing Australians a more secured financial retirement. The reality is that many super funds will fall short in providing the needed finances to sustain a comfortable living.

## Alarming Research

The **AMP Superannuation Adequacy Report** found that 70% of Australians aged between 50-69 will earn \$320 per week in retirement.

The reality is that the 9% Superannuation Guarantee will not provide most people with the finances to sustain their lifestyles in retirement.

In another report by the Productivity Commission, [Economic implication of an ageing Australia](#) found that the government will not be able to support the financial needs of retiring Australians. In the next 10 – 20 years we will be seeing drastic cut backs to government pensions and allowances.

The responsibility to provide a financially secure retirement is now up to you. Only you will have the power to take action and develop the right strategies for success.

## The growth of SMSF

As seen in the previous page SMSF are becoming one of the fastest growing wealth creation vehicle for many Australians. There are over 456, 000 SMSF currently in the market with a combines investment value predicted to reach \$1 trillion by 2015.

There has never been a better time to start considering a SMSF as one of the main drivers to guarantee your financial security in retirement. With an SMSF you have maximum control over your superannuation giving you the flexibility to decide how your money is invested.

### Did you Know?

The Australian government is considering raising the Superannuation Guarantee to 12%

# Steps to Creating an SMSF



# Steps to Creating an SMSF

When most people are introduced to the idea of setting up their own SMSF they become overwhelmed by the amount of rules and compliance requirements. But if you follow these easy steps and get the right advice, setting up your own SMSF can be as easy as 1, 2, 3.

## Step 1; Establish a Trust

The first step in creating your very own SMSF is to create the legal structure of the trust. It may sound like a complex process but there are professionals who specialise in this areas and can do it all for you at a relatively low cost.

When establishing a trust the first thing you should do is speak to your accountant or solicitor. However only a licenced financial planner can advise you if setting up a SMSF is the right decision for you. So make sure you consult a number of professionals in several fields.

The most important aspect of the trust is the **trust deed**. The trust deed defines the roles and responsibilities of the members of the fund or trustees, their powers and conditions of benefit.

**All trustees must be at least 18 years of age and not convicted of an offence nor be decaled bankrupt.**

You will need all documentation for the Trust and ATO in order to do so.

## Step 2; Obtain a Tax File Number and ABN from the ATO

Once the trust is established the next site is to effectively notify the ATO of the formation of the new structure.

You need to complete an application form to register for the new tax system superannuation entity (from the ATO). Contact the Small Business Info line for more information 13 28 66.

On submitting this form within weeks you will be issues a TFN and ABN for the SMSF.

## Step 3: Prepare an Investment Strategy and Open a Bank Account

The final step is also the most complex – preparing your investment strategy. This involves considering a number of investment options, mitigating risk and diversifying. In this step we strongly suggest you consult a licenced financial adviser.

Lastly, open a bank account in the SMSF name.

# Common SMSF Myths



# Common SMSF Myths

There are so many strategies and tools available to people considering creating a SMSF that sometimes the information can be overwhelming and perhaps a little contradictory. Don't give too much weight on these common SMSF Myths

## **Myth 1: You must have at least \$200,00 in super before you should establish a SMSF**

There exist a common misconception in the industry that anyone considering establishing an SMSF should only do so with a minimum balance of \$200K. Others suggest \$100L and some even \$300K.

The logic behind this theory lies in the on-going costs associated to setting up and maintaining an SMSF. The idea is than anything less than \$200K would not provide an adequate return to offset these fees.

The truth is that the balance of your super should not determine your eligibility of setting up an SMSF. It comes down to your goals and objectives, investment strategy and how you intend to manage your investments.

## **Myth 2: Creating a SMSF is expensive**

With the rise of the internet, setting up a SMSF has never been more cost effective. Prices start from as little as \$700 and can exceed \$5000, depending on the complexity of creating the trust.

## **Myth 3: SMSF are very complex and require constant work to maintain compliance**

At the surface level this seems to be true. There are on-going compliance requirements that an SMSF must adhere to. However with the range of services and information currently being offered by SMSF professionals, maintaining a fund has never been easier.

You have the option to outsource some parts or all of the maintenance process of a SMSF. We do recommend speaking to licenced professional who can advise you on your compliance options.

# Maintaining a SMSF



## 5 Maintaining a SMSF

One of the conditions of creating your own SMSF is the legal requirement to maintain the funds compliance. It is important that the fund adheres to a numbers of rules and sticking to them is not as a hard as it may seem.

### Get a good start

Become educated on the on-going compliance requirements of an SMSF. Members should develop a plan to attend seminars, read books and speak to other professionals on their feedback on compliance.

### Administration is the key

Maintaining a SMSF is more about administration than anything else. Keep minutes of meetings, decisions raised and deliberated upon. But most important decide if you are planning to manage the admin yourself or outsource it to a third party.

### Seek professional advice

Legislation and compliance requirements do change from time to time so it is important that you do consult a licenced financial professional who can provide you with independent advice on the on-going requirements to maintain an SMSF

### Record Keeping

SMSF have similar record keeping and reporting requirements as running a business. Accurate record keeping will allow members to provide detailed and concise information on the history of the fund.

More important good record keeping demonstrates to the ATO and auditors that the fund complies.

Here are some records that a SMSF should maintain:

- Minutes of meetings, issues raised, decisions
- Financial Statements
- Annual Tax Return
- Audit Reports
- Bank Account Statements
- Notices of compliance

## 6 Seek specialist advice

Speaking to a licenced professional who understands the details of SMSF should be a top priority.

### Your first meeting should always free

Speaking to a professional who understands SMSF doesn't have to be daunting (or costly). Typically the initial appointment is free and is a great opportunity to ask plenty of question about the advantages and risks of DIY Super.

Ensure whoever you speak to is licenced to provide financial advice,

### Things to take with you to the meeting

The success to any SMSF is preparation. Ensure before you even make your first call you have prepared a good summary of your finances, assets and liability.

Having all this handy will assist in developing your investment strategy and also will allow the planner to give you more accurate advice.



## Step 6

Request a FREE 1-hour strategy session with one of our licenced financial planners and receive tailored *Self Managed Super Fund* advice.

**[Click Here](#)**

**[To Request Your Free Strategy Session](#)**

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