



## About Self Managed Super Funds (SMSFs)

Establishing and running an SMSF may seem appealing, however it's not for everyone and can be a costly move

SMSFs are generally popular because they provide people with the freedom and opportunity to control their own affairs. However, managing an SMSF takes considerable time, effort and knowledge.

Many people establish an SMSF before fully realising the responsibilities and challenges that running one involves. By establishing an SMSF, you are taking on the role of 'Trustee' which ultimately means you are in charge of managing your own super.

Some of the issues that should be considered before establishing an SMSF are outlined below.

### Obligations of the trustees of an SMSF

As a trustee of your fund, you are responsible for managing your fund and ensuring that you comply with the superannuation and taxation laws. Some of the obligations placed on trustees of SMSFs include:

- obtaining a 'Trust Deed' for the creation of the SMSF (this must be done by a qualified legal professional)
- ensuring that the purpose of the fund is to provide retirement benefits to its members
- preparing and implementing an investment strategy and making investment decisions (as there are rules around how you can invest)
- accepting contributions and paying benefits (pension or lump sums) in accordance with super and tax laws
- ensuring that an approved auditor is appointed for each income year
- undertaking administrative tasks, some of which include:
  - taking minutes of trustee meetings and decisions
  - keeping records required to complete your fund's annual audit; and
  - maintaining accounting records to explain the transactions and financial position of the fund.

Regular changes in legislation mean that the trustees of SMSFs must take care to comply with all regulatory requirements at all times.

### Appointing SMSF professionals

Under super law, as an SMSF operator you must arrange to have the fund audited annually and you must produce annual statutory reports. To do so, you must appoint an approved auditor to audit your fund's operations each year.

There are plenty of specialist SMSF professionals (such as tax agents, fund administrators, legal practitioners and financial advisers) who can help with these requirements, but the reality is that running an SMSF costs money.



Maritime Super's affiliated financial planners can provide professional, personalised advice and the first visit is free of charge - contact Member Services to make an appointment

## Fees and costs

Even if you understand all of the responsibilities of running an SMSF yourself, the fact is you will need to enlist the services of SMSF professionals to help run your fund.

Some typical fees involved in creating and running an SMSF include:

SMSF establishment fee	\$500 - \$1,000
Annual Supervisory Levy (ATO)	\$150
Financial reports and annual tax return	\$1,000 - \$2,000
Fund audit	\$500 - \$1,000
Investment Management fees	These will depend on the type of investments held in the fund (i.e. cash, shares, direct property). Fees can range between close to nil (i.e. cash accounts) to 1.5% (some managed funds).
Ongoing legal fees	A number of legislative changes can force unexpected updates

The level of fees listed above differ between SMSFs, and can depend on the following variables:

- the number of transactions each financial year
- the type of assets held in the SMSF; and
- whether the SMSF is paying an Allocated Pension.

Even if you use a professional, the ultimate responsibility for running the fund and making decisions still rests with you as trustee.

## Potential penalties for non-complying SMSFs

Strict laws govern the super industry, and violation of these could mean the loss of tax concessions and a risk of incurring both tax and criminal penalties.

As a trustee of an SMSF, you are responsible for meeting all super legislation requirements. Trustees who fail to make a genuine effort to comply with the rules, or breach the rules, can face the following sanctions:

- make your fund non-complying (which means your fund loses its tax concessions)
- being disqualified as a trustee
- administrative penalties
- being prosecuted

## Should I establish an SMSF?

Some of the common reasons people consider establishing an SMSF may include:

### Potential for a reduction in fees payable

While the fees payable on some SMSFs may be lower, in many cases members with lower account balances may actually see an increase in the percentage of fees payable.

Maritime Super can keep fees low (between 0.52% and 1.10%) because we can achieve the economies of scale that result from having large funds under management. Furthermore, we are an industry super fund committed to returning all profits to members.

### Access to investments in Direct Residential Property

Establishing an SMSF may provide access to some assets not available within super. For example the SMSF may invest in direct residential property. However, purchasing direct property may reduce the benefits of diversification.

There are complex rules around super investing. Maritime Super invests funds across different asset classes and investment managers, and has access to wholesale investment opportunities not available to retail investors.

### Ability to manage my own affairs

Establishing an SMSF allows you to manage your own super. However, it takes considerable time and energy to run an SMSF, and the administrative burden that comes with managing an SMSF means that it's not for everyone. You need to ensure that the management of an SMSF will fit into your lifestyle.

Maritime Super appoints professional investment managers to invest your superannuation. Furthermore, our dedicated Member Services and Administration teams are available to answer your questions and take care of your superannuation.