

BELL POTTER.

Self-managed
super explained

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This information is provided for educational purposes only. It is not personal advice. This information does not take into account your objectives, financial and taxation situation or needs and should not be relied upon as advice. We recommend that you contact a professional adviser to seek advice relevant to your individual needs before making any decision about your super. This Booklet is no substitution for professional advice.

In this Booklet, 'super law' means the *Superannuation Industry (Supervision) Act 1993*, the *Superannuation Industry (Supervision) Regulations 1994*, the *Corporations Act 2001*, the *Income Tax Assessment Act 1997*, the *Income Tax Assessment Act 1936*, the *Taxation Administration Act 1953*, and all other relevant super laws.

If you are unsure of the meaning of any terms used in this Booklet, see the Glossary at the back.

This publication was current as at May 2014. Super law changes regularly and so it is important to check that you have the latest information. You can check for updates and access various SMSF publications and other information on the ATO's website at www.ato.gov.au/smsf

It is important to consider how you will manage your super in order to save for your retirement.

Generally, there are three options to save for your retirement:

- **APRA-regulated super funds**

Your super is pooled together with a large number of other members and the fund is professionally managed by trustees in compliance with super law.

- **Retirement savings accounts**

Your own special deposit account with a bank or other deposit-taking institution.

- **Self-managed superannuation funds (SMSFs)**

You are the trustee of your own fund and are responsible for making the fund's investment decisions and making sure the fund complies with super laws.

Deciding to set up and operate an SMSF is a major financial decision. As the trustee of your SMSF, you hold the responsibility of running the fund and complying with the law.

SMSFs are a great option for some, but do not suit everyone. Before deciding to set up an SMSF:

- Consider whether you have the:
 - time, knowledge and skill to manage your own super fund
 - assets and money to make the fund viable.
- Compare the costs and benefits of running an SMSF with other retirement savings options.
- Make sure you are setting up the fund solely to pay retirement benefits to members or members' dependants in the event of the member's death.
- Check that you understand what is involved in managing your own fund and what it means to be a trustee.
- Keep up to date with super and tax laws and understand the risks.

We want to make sure that if you are considering setting up or joining an SMSF that you make the right decision. This Booklet provides you with some practical information on SMSFs.

You should consider all your super options before making a decision about managing your own super.

SETTING UP AN SMSF

When you set up an SMSF, you take on the role of either a:

- trustee
- director of a company that is a trustee (called a 'corporate trustee').

A trustee is a person or company that holds and invests the fund's assets for the benefit of members. As a trustee or director of a corporate trustee, you will be responsible for running the fund and making decisions that affect the retirement interests of each fund member, including yourself.

You must comply with the super and tax laws to make sure your fund is entitled to tax concessions and your members' interests are protected.

You must also:

- act in the best interests of all fund members when you make decisions
- manage the fund separately from your own affairs
- make sure the money in the fund is only accessed by members.

Being a trustee gives you the opportunity to actively manage your super and make investment choices, but it also brings responsibilities. All trustees and directors of a corporate trustee are equally responsible for managing the fund and making decisions – even if one trustee takes a more active role in its day to day running.

Structuring your fund

For your fund to be an SMSF it must meet several requirements under super law.

The requirements can vary depending on whether your fund has individual trustees or a corporate trustee.

Some additional rules apply to funds with only one member (see 'Single member benefits').

If your fund has individual trustees, it is an SMSF if all of the following apply:

- it has four or fewer members
- each member is a trustee
- each trustee is a member
- no member is an employee of another member, unless the members are related
- no trustee is paid for their duties or services as a trustee.

If your fund has a corporate trustee, it is an SMSF if all of the following apply:

- it has four or fewer members
- each member of the fund is a director of the corporate trustee
- no member is an employee of another member, unless the members are related
- the corporate trustee is not paid for its services as the trustee
- no director of the corporate trustee is paid for their duties or services as director of the corporate trustee.

Choosing your SMSF's trustee structure

You can choose either of the following:

- up to four individual trustees
- a corporate trustee.

Your choice of trustee structure will make a difference to the way you administer your fund and the type of benefits it can pay.

Single member benefits

It is possible to set up your super fund with only one member.

If your single member fund has a corporate trustee, the member must be one of the following:

- the sole director of the corporate trustee
- one of only two directors, that is either
 - related to the other director
 - any other person, but not an employer of the member.

If you choose not to have a corporate trustee, you must have two individual trustees. One trustee must be the member and the other must be a trustee that is either:

- a person related to the member
- any other person but not an employer of the member.

The following table includes information you need to consider when choosing the trustee structure of your fund.

	INDIVIDUAL TRUSTEES	CORPORATE TRUSTEE
Setting up your fund		
Establishment costs	The fund can be less costly to establish as you do not have to set up a separate company to act as trustee.	It can be more costly to set up the fund initially as you need to establish a company to act as trustee (if you do not already have a company).
Single member funds	You can have a single member fund but only if you have a second individual trustee (that is, you cannot be the only trustee).	You can have a single member fund if either: <ul style="list-style-type: none"> ■ the member is one of only two directors of the corporate trustee and the other director is not an employer of the member director, or ■ the member is the only director (sole director) of the corporate trustee.
Governing rules	Trustees must follow the: <ul style="list-style-type: none"> ■ fund's trust deed ■ super laws. 	Directors of the corporate trustee must follow the: <ul style="list-style-type: none"> ■ fund's trust deed ■ super laws ■ company's constitution ■ <i>Corporations Act 2001</i> (administered by ASIC).
Ongoing administration and reporting		
Administration	The fund has fewer reporting obligations.	Having a corporate trustee can make it easier to: <ul style="list-style-type: none"> ■ administer the ownership of fund assets ■ keep the assets of the fund separate from any personal or business assets.
Reporting	As a trustee, you must: <ul style="list-style-type: none"> ■ appoint an approved SMSF auditor to audit the fund's operations each year ■ lodge an SMSF annual return for the fund ■ pay an annual supervisory levy to the ATO. 	You will have the same requirements as an individual trustee, plus as a director of the corporate trustee, you have reporting obligations to ASIC. You also must pay an annual review fee to ASIC.
Changes to trustees and members		
Administration of fund assets	Fund assets should be held in the name of all individual trustees as trustees for the fund. If there is a change in trustee, you need to: <ul style="list-style-type: none"> ■ change the name on the ownership documents (such as a title deed) for each fund asset ■ notify all relevant authorities/registries. <p>This process can be time-consuming and costly if your fund owns a wide range of assets.</p>	Fund assets should be held in the name of the company as trustee for the fund. If there is a change in directors, you do not have to change the name on the ownership documents for each fund asset (as the trustee is still the same).

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INDIVIDUAL TRUSTEES

CORPORATE TRUSTEE

Changes to trustees and members

	INDIVIDUAL TRUSTEES	CORPORATE TRUSTEE
Single member funds	If your fund has two trustees and one leaves or dies, you must appoint another trustee in their place for your fund to continue to be an SMSF.	If the company has two directors, and one leaves you do not have to replace them (a corporate trustee can have a single director). The trustee does not change if a member or director leaves the fund.
Reporting	If there is a change in trustees or members, you must notify the Australian Tax Office (ATO) within 28 days.	If there is a change in trustees or members, you must notify the ATO within 28 days. If there is a change in directors, you must: <ul style="list-style-type: none"> ■ notify the ATO within 28 days ■ report the change to ASIC within 28 days.

Trustee eligibility

All members of the fund must be trustees.

Generally, anyone over 18 years of age and not under a legal disability (such as bankruptcy or mental incapacity) can be a trustee of an SMSF unless they are a disqualified person.

A person is disqualified if any of the following apply. They:

- have been convicted of an offence involving dishonesty
- have been subject to a civil penalty order under super laws
- are considered insolvent under administration
- are an undischarged bankrupt
- have been disqualified by a regulator.

A company cannot be a corporate trustee if any of the following apply:

- a responsible officer of the company (such as a director, secretary or executive officer) is a disqualified person
- a receiver, official manager or provisional liquidator has been appointed to the company
- action has started to wind up the company.

Minors

Members under 18 years old are under a legal disability and cannot be trustees of an SMSF. A parent or guardian of a minor who does not have a legal personal representative can act as a trustee on the minor's behalf.

Having a resident fund

To be a complying super fund and receive tax concessions, your fund must be a resident-regulated super fund at all times during the income year. This means your fund must meet the definition of an 'Australian superannuation fund' for tax purposes.

If your fund is a non-complying fund, its assets (less certain contributions) and its income are taxed at the highest marginal tax rate.

If a member moves or travels overseas for an extended period, this may affect the residency status of the fund.

Legal personal representatives

A legal personal representative can be:

- the executor of the will or the administrator of the estate of a deceased person
- the trustee of the estate of a person under a legal disability
- a person who holds an enduring power of attorney to act on behalf of another person.

A legal personal representative can act as a trustee, or director of a corporate trustee, on behalf of:

- a deceased member, until the death benefit becomes payable
- a member under a legal disability (mental incapacity)
- a minor (a parent or guardian can also act as a trustee on behalf of a minor).

A legal personal representative cannot act as a trustee on behalf of a disqualified person.

GETTING YOUR FUND STARTED

It is important to set up your fund correctly so:

- it is a complying super fund and qualifies for tax concessions
- you protect your retirement savings
- you avoid penalties
- your fund is able to pay specific benefits
- it is efficient to administer.

SMSFs are trusts

As all SMSFs are trusts, there are certain steps you must follow under trust law to set up your fund correctly.

A trust is an arrangement where a person or company (the trustee) holds assets (trust property) in trust for the benefit of others (the beneficiaries). A super fund is a special type of trust, set up and maintained for the sole purpose of providing retirement benefits to its members (the beneficiaries).

To create a trust, you must have:

- the intention to create a trust
- trustees
- a trust deed
- property (assets)
- identifiable beneficiaries.

Obtaining a trust deed

A trust deed is a legal document that sets out the rules for establishing and operating your fund. Together with super law, they form the fund's governing rules and detail the:

- powers, duties and responsibilities of the fund's trustees
- rights of the members
- scope of the operation of the super fund (what can and cannot be done within the super laws).

An SMSF professional can help you organise a trust deed that is tailored to your fund and correctly drafted to meet its objectives and the members' needs.

Areas covered by the trust deed include:

- the fund's objectives
- who the trustees are

- who can be a trustee
- how trustees are appointed or removed
- who can be a member
- when contributions can be made
- how benefits can be paid (pension or lump sum)
- how to appoint professional advisers
- the procedures for winding up the fund.

All trustees must sign and date the trust deed and make sure it is properly executed according to the relevant state or territory laws.

As a trustee, you need to make sure the trust deed is regularly reviewed and updated so it complies with super law and the members' needs.

Appointing trustees

Once you have decided on the type of trustees for your fund, the next step is to appoint them. A new fund appoints trustees under the terms of the fund's trust deed.

All trustees and directors of a corporate trustee must consent in writing to being appointed. These written records need to be kept for at least 10 years.

Holding fund assets

To be legally established, your fund needs to hold assets. The trustees hold the fund's assets in trust for the benefit of the members.

Your fund is usually established when the members make a contribution to the fund at the same time the trust deed is executed. A contribution can take the form of money or a transfer of certain assets – for example, listed shares and securities.

Trustee declaration

New trustees (or directors of a corporate trustee) must sign a declaration, in the approved form, within 21 days of becoming the trustee or director.

By signing the declaration, you are stating that you understand your duties and responsibilities as a trustee or director of the corporate trustee.

You must keep the signed declaration for as long as you are the trustee (or director of the corporate trustee) and make the declaration available.

GETTING YOUR FUND STARTED (CONT.)

Ownership of your fund's assets

One of your responsibilities as trustee is to make sure the assets of the fund are protected. It is a legal requirement that your personal assets must be kept separate from the fund's assets, otherwise you may have to pay a substantial fine.

Assets should be recorded in a way that:

- distinguishes them from the trustees' personal or business assets
- clearly shows legal ownership by the fund.

This can protect fund assets in the event of a creditor dispute and prevent costly legal action to prove who owns them.

Depending on the types of trustees chosen, fund assets (other than money) should be held in the name of either:

- individual trustees as trustees for the fund
- the corporate trustee as trustee for the fund.

Fund assets cannot be held in the name of a trustee or member as an individual.

Recording each member's tax file number

When a member joins your fund, it is important that you record their tax file number (TFN). When you register your fund with the ATO, you will be asked to provide each trustee's or director's TFN.

If you do not have a member's TFN:

- your fund will have to pay additional tax on some contributions made to that member's account
- your fund cannot accept certain contributions made on their behalf.
- the members may not be able to receive the super co-contribution.

Registering with the ATO

Once your fund is legally established (by executing the trust deed and setting aside assets for the benefit of members) and all trustees have signed a trustee declaration, you must register your fund with the ATO through the Australian Business Register (ABR).

The ATO will run a risk assessment of all new SMSFs and every individual when member details are provided.

During their assessment of your application the ATO may ask you to provide various documents including:

- a copy of the trust deed of the fund
- copies of minutes from trustees meetings
- details of the investment strategy outlining the proposed asset allocation of the fund
- copies of the acquisition or transfer contract for all assets required by the fund, if applicable
- details (including amounts) of any proposed rollovers from other funds
- copies of the signed trustee declaration form for all individual trustees and the directors of the corporate trustee.

At registration, the fund will receive a TFN and Australian business number (ABN) and can register for goods and services tax (GST).

Electing for your fund to be regulated

For your fund to be a complying fund and receive tax concessions, you must elect for it to be regulated and comply with super law.

You need to make this election within 60 days of establishing your fund. Generally, your fund is established after the trust deed has been signed and the first contribution has been made. If you make the election more than 60 days after you establish the fund, you must tell the ATO your reason for the delay in writing.

Funds that are not regulated are not SMSFs.

Obtaining a TFN and ABN

The ATO allocates a TFN and ABN to all funds that are registered. When the ATO gives you an ABN, the ATO will place some of your fund's details on the ABR and Super fund Lookup (SFLU).

Once the ATO has completed a risk assessment of all members and your application is fully processed, the ATO will place all your fund details on SFLU. It takes approximately seven days for your fund to appear on SFLU as a regulated fund.

Registering for GST

You must register your fund for GST if its annual turnover is more than \$75,000. Most SMSFs do not have to register for GST because they make mainly input taxed supplies and input taxed supplies do not count toward your GST turnover.

Annual turnover does not include:

- contributions
- gross income from financial supplies (including interest and dividends)
- residential rent or income generated outside Australia.

It does include:

- gross income from the lease of equipment or commercial property.

SMSFs can choose to register for GST. When deciding whether to register, you should carefully consider the increase in time and additional costs needed to manage your affairs, keep additional records and lodge business activity statements.

You should seek professional advice before registering for GST to make sure that it is in your fund's interest to do so.

Opening a bank account

You need to open a bank account in your fund's name to:

- manage the fund's operations
- accept cash contributions and rollovers of super benefits.

Contributions and rollovers are deposited into the fund's account. The money is:

- invested, according to the fund's investment strategy
- used to pay the fund's expenses and liabilities.

Earnings on fund investments are also credited to the fund's bank account.

Although you do not have to open a separate bank account for each member, you must keep a separate record of their entitlement (called a 'member account').

Each member account will record:

- contributions made on behalf of the member
- any fund investment earnings allocated to them
- payments of any super benefits.

The fund's bank account must be kept separate from each of the trustees' individual bank accounts or any related entity's bank accounts.

We recommend you use safeguards (such as joint bank account signatories) to protect the assets of your fund.

Please note that all your fund's assets (including money) must be kept separate from your personal or business assets.

Notifying the ATO of a change

As a trustee of an SMSF, you need to notify the ATO within 28 days if there is a change in the following:

- trustees
- directors of the corporate trustee
- members
- contact details (contact person, phone and fax numbers)
- address (postal, registered or address for service of fund notices).

Changing the structure of your SMSF may result in your fund no longer meeting the definition of an SMSF. This may occur if you:

- admit a new member, increasing membership of your SMSF to more than four
- admit a new member without that member being an appointed trustee.

PREPARING AN INVESTMENT STRATEGY

One of your key areas of responsibility is to manage your fund's investments.

Before you start making investments, you must prepare a detailed investment strategy.

The investment strategy should set out your investment objectives and detail the investment methods you will adopt to achieve these objectives. It must be reviewed regularly and whenever there is a change to the fund - for example, a new member joins.

When preparing your investment strategy, consider the following:

- diversification (investing in a range of assets and asset classes)
- the risk and likely return from investments to maximise member returns
- the liquidity of fund's assets (how easily they can be converted to cash to meet fund expenses)
- the fund's ability to pay benefits when members retire and other costs the fund incurs
- whether the fund should hold insurance cover for members
- your members' needs and circumstances.

Your investment strategy needs to take into account the personal circumstances of all the fund members, including:

- risk tolerance
- attitudes to risk
- age.

One strategy may not suit every member, especially where the members of the SMSF are at different stages of life. You need to make asset allocation decisions by choosing from a range of investment assets including:

- cash
- fixed interest
- property
- shares.

Insurance to protect the fund's assets also needs to be considered when you form your investment strategy.

Investment strategies

Defensive investments

Cash and fixed interest asset classes are defensive investments with the lowest risk of losing money. You will lose some of the return in taxes and some to the effect of inflation. These safer (defensive) investments do not provide long-term capital growth.

Capital growth investments

Property and shares are capital growth investments and tend to be more tax effective. This means the value of your investment should grow faster than inflation, creating real wealth. However, capital growth is not guaranteed and there can be a lot of ups and downs over the investment time period.

Each year, the amount and frequency of your gains or losses will be uncertain and could differ, perhaps significantly, from reasonable long-term estimates. Specific assets may lose value and never regain it.

Sole purpose test

Your SMSF must meet the sole purpose test. This means your fund must be maintained for the sole purpose of providing retirement benefits to the members, or to their dependants if a member dies before retirement.

As a trustee, you need to maintain your SMSF so that it complies with the sole purpose test at all times while your SMSF exists, including when investing fund assets and paying benefits upon retirement of members.

Your fund must comply with the sole purpose test to be eligible for the tax concessions available to a complying super fund. Contravening the sole purpose test is very serious and may lead to trustees facing civil and criminal penalties.

The sole purpose test is divided into core and ancillary purposes. Your fund must be maintained solely for either of the following:

- one or more core purposes
- one or more core purposes and one or more ancillary purposes.

Core purposes

Generally, core purposes are for the provision of benefits for each member of your fund, on or after the member's:

- retirement from gainful employment
- reaching the prescribed age
- death – if they die before they retired from gainful employment or before they attained a prescribed age and the benefits are provided to their dependants or legal personal representative.

Ancillary purposes

Generally, ancillary purposes are for the provision of benefits for members in the following circumstances:

- termination of a member's employment with an employer who made contributions to your fund for that member
- stopping employment due to physical or mental ill health
- death of a member after retirement, or after reaching the prescribed age where the benefits are paid to their dependants or legal personal representative
- other ancillary purposes approved in writing by the regulator.

MANAGING YOUR FUND'S INVESTMENTS

Restrictions

Super law places restrictions on the types of entities your fund can invest in or with, and the entities that your fund can acquire assets from.

Investment restrictions exist because they protect fund members by making sure fund assets are not exposed to undue risks, like a business failing.

Securing the assets of your fund

You need to ensure that your fund's ownership of its investments is secure. Your fund's assets should be held in a legally recognized ownership arrangement. The ATO requires the assets to be in either the:

- names of all of the individual trustees as trustees for your fund
- name of the company as trustee for your fund in the case of a corporate trustee.

Valuation of assets

Super law requires that your fund's assets must be valued at market value. The market value of assets should be used when preparing your fund's accounts, statements and the SMSF annual return.

Loans or financial help to members or relatives

You cannot lend money or provide direct or indirect financial help (including the provision of credit) from your fund to a member, or a member's relative.

For example, using fund assets to guarantee a personal loan of a member.

A member or a member's relative means any of the following:

- a parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descendant or adopted child of that individual or of their spouse
- a spouse of that individual or of any individual specified above.

Borrowings

You can only borrow money in very limited circumstances. These circumstances include:

- borrowing money for a maximum of 90 days to meet benefit payments due to members or to meet an outstanding surcharge liability (the borrowings cannot exceed 10% of your fund's total assets)
- borrowing money for a maximum of seven days to cover the settlement of security transactions if the borrowing does not exceed 10% of your fund's total assets (you can only borrow to settle security transactions if, at the time the transaction was entered into, it was likely that the borrowing would not be needed)
- borrowing using instalment warrants or limited recourse borrowing arrangements that meet certain conditions.

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Related party acquisition of assets

You cannot acquire assets for your fund from a related party of your fund. However, there are limited exceptions to this rule if the asset is:

- a listed security (for example, shares, units or bonds listed on an approved stock exchange) acquired at market value
- business real property acquired at market value
- an in-house asset, but the level of your fund's in-house assets does not exceed the threshold for SMSFs of a maximum 5% of total fund assets, or is an asset specifically excluded from being an in-house asset.

A related party of a fund includes all members of your fund and associates, and all standard employer-sponsors of your fund and their associates.

An associate of a particular member of an SMSF includes the following:

- every other member of your fund
- the relatives of each member
- the business partners of each member
- any spouse or child of those business partners, any company a member (or the members or their associates) controls or influences and any trust the member (or the members or their associates) controls.

Associates of standard employer sponsors include:

- business partners and companies or trusts the employer controls (either alone or with their other associates)
- companies and trusts that control the employer.

A standard employer-sponsor is an employer who contributes to a super fund for the benefit of a member, under an arrangement between the employer and the trustee of a fund.

Business real property generally relates to land and buildings used wholly and exclusively in a business.

If business real property is used in a primary production business, such as a farm, it can still meet the test of being used wholly and exclusively in a business, if an area of land, no more than two hectares, contains a dwelling that is used for private or domestic purposes. However, the main use of the whole property cannot be for domestic or private purposes.

In-house assets

An in-house asset is any of the following:

- a loan to, or an investment in a related party of your fund
- an investment in a related trust of your fund
- an asset of your fund that is leased to a related party.

In general, as a trustee you are restricted from lending to, investing in or leasing to a related party of your fund more than 5% of your fund's total assets.

There are some exceptions, including:

- business real property that is subject to a lease between your fund and a related party of your fund
- some investments in related non-g geared trusts or companies.

Loans to related parties are treated as in-house assets, however, the lending of money or provision of financial assistance to a member or a member's relative remains prohibited under super law.

Special investment rules

- Special investment rules may apply to investments made by funds before 11 August 1999. However, the transition period for in-house asset rules applying to such investments expired on 30 June 2009. If your fund was established before this date and has assets acquired under the rules applying before then, contact the ATO or your adviser for more information.

Investments must be at arm's length

Your SMSF's investments must be made and maintained on a strict commercial basis. This is referred to as an investment at arm's length. The purchase and sale price of fund assets should always reflect a true market value for the asset.

Income from assets held by your fund should always reflect a true market rate of return.

Investing in business real property

You need to ensure the level of investment in business real property still meets the investment strategy of your fund, including diversification of assets, liquidity and maximisation of member returns in your fund.

As with other super fund investments, there cannot be a loan or covenant (charge) over an asset.

ACCEPTING CONTRIBUTIONS AND ROLLOVERS

As a trustee, you must know the rules for accepting contributions and rollovers. There are minimum standards for accepting contributions under super law. The trust deed of your fund may have more rules around accepting contributions.

Make sure any contributions and rollovers are properly documented (including the amount, type and breakdown of components) and allocated to the correct member's account.

Contributions

A contribution is a payment made to your fund in the form of money or an asset other than money (called an 'in-specie' contribution).

You must allocate contributions to each member's account within 28 days after the end of the month that you receive them.

You must accept contributions according to:

- your fund's trust deed
- the 'contribution standards' in super law
- any investment restrictions.

Whether your fund can accept contributions for a member will depend on:

- the type of contribution
- the age of the member
- whether they have quoted their TFN
- whether the contribution is a fund-capped contribution.

If the governing rules of your fund allow it, your SMSF can generally accept:

- employer contributions
- personal contributions
- salary sacrifice contributions
- super co-contributions
- eligible spouse contributions
- in-specie contributions.

As a trustee, you generally cannot acquire non-cash assets from related parties, such as:

- fund members
- their families and partners
- related companies and trusts.

There are some significant exceptions, including:

- listed shares and securities
- business real property (land and buildings used wholly and exclusively in a business).

Types of contributions

Mandated employer contributions

These are contributions made by an employer under law or an industrial agreement for the benefit of a fund member. They can include any of the following:

- super guarantee contributions
- super guarantee shortfall components
- award related contributions
- some payments from the superannuation holding accounts (SHA) special account.

You can accept mandated employer contributions for members at any time. This means you may accept mandated employer contributions for a person regardless of the age of the person or the number of hours they are working at that time.

Non-mandated contributions

These include contributions made by employers over and above their *Superannuation Guarantee (Administration) Act 1992* or award obligations and member contributions such as:

- personal contributions made by the member (these include contributions made by employees and self-employed people)
- personal contributions made on behalf of the member
- spouse contributions
- government co-contributions.

You can only accept non-mandated contributions in the following circumstances:

For members under 65 years old, you may accept employer contributions and all types of member contributions. However, you can only accept personal contributions made by the member if the member's TFN has been quoted.

For members 65 or over but under 70 years old, you may accept employer contributions and all types of member contributions if the member has quoted their TFN and is gainfully employed on at least a part-time basis.

70 or over but under 75 years old, you may only accept employer contributions and personal contributions made by the member. The member must quote their TFN and be gainfully employed on at least a part-time basis and the contribution must be received on or before the day that is 28 days after the end of the month that the member turns 75.

SELF MANAGED SUPER EXPLAINED

Contribution caps

There are caps on the amount that each member can contribute to the fund each financial year and get taxed at lower rates. If you contribute more than these caps you may have to pay extra tax. The cap amount and how much extra you pay depends on your age and whether your contributions are:

- Concession (before tax contributions)
- Non-concessional (after tax) contributions.

Concessional contributions

These include employer and salary sacrifice contributions. Concessional contributions in excess of the cap are treated as assessable income and effectively taxed at the member's marginal tax rate plus the 2% Medicare Levy (and Medicare Surcharge where applicable). An interest charge will also apply. In 2014-15, the general cap is \$30,000. However, a higher cap of \$35,000 applies for people aged 49 years or over on 30 June 2014. See the ATO website for further information or speak to your adviser.

Non-concessional contributions

These include contributions made from your after-tax salary for which you do not claim an income tax deduction. Non-concessional contributions in excess of the cap are taxed at 47% (45% plus the Medicare Levy). In 2014-15, the non-concessional contributions cap is \$180,000. If you are under 65 years old for at least one day of a financial year, you can 'bring forward' two years' worth of contributions. See the ATO website for further information or speak to your adviser.

Fund-capped contributions

Fund-capped contributions are the maximum amount your fund can accept of any single fund-capped contribution.

If the member is 65 years old or over but under 75 on 1 July of the financial year, the fund-capped contribution limit is the non-concessional contributions cap for that financial year.

If the member is 64 years old or under on 1 July of the financial year, the fund-capped contribution limit is three times the non-concessional contributions cap for that financial year.

Fund-capped contributions do not include:

- contributions that your member advises they intend to claim an income tax deduction for
- contributions from a structured settlement or personal injury payment (the member, or a legal personal representative should have notified you before indicating they would make this contribution) super co-contributions
- our fund must return the excess amount within 30 days.

Please note that special acceptance rules apply for fund-capped contributions for all age groups.

Member contributions information

For every financial year that your SMSF operates, you need to report all contributions you receive for each member in the SMSF annual return. You need to include contributions rolled into the SMSF and reported to you on the rollover benefits statement. You also need to be able to categorise contributions correctly in your SMSF annual return.

Rollovers and transfers

Once your fund is established, a member can rollover or transfer some or all of their existing super benefits from other super funds. Before they can do this, they need to provide proof to their former super fund that your SMSF is a regulated fund and is eligible to receive rollovers.

Members of your SMSF can use a transfer form to rollover the whole balance of their superannuation benefits to your fund. They must also meet the requirements of the fund they are leaving.

If a member only wants to rollover part of their super benefits from another fund, they must contact the fund directly to organise the paperwork. Their fund will complete a rollover benefits statement. The completed statement will be sent to your fund within seven days of paying the rollover payment and a copy will be sent to the member within 30 days.

Rollovers and transfers are not treated as contributions in your fund.

ACCESS TO MEMBER BENEFITS

Paying super benefits to members

As a trustee, it is important to understand the rules for accessing and paying benefits from your SMSF. These rules are set out in your fund's trust deed and super law.

If your fund's governing rules allow it, you can generally pay a super benefit as:

- a lump sum
- an income stream (pension or annuity)
- a combination of both.

All payment of benefits must be properly documented and comply with reporting and administrative requirements such as:

- registering for pay as you go (PAYG) withholding
- issuing payment summaries
- obtaining actuary certificates.

It is possible for your fund to pay super benefits and still have members contributing to it, as long as certain conditions are met.

Preservation age

Preservation age is generally the age that your member can access their super benefits, unless other extenuating circumstances occur that allow the member to legally access their benefits early.

A person's preservation age depends on their date of birth, as set out in the following table.

Date of Birth	Preservation age
Before 1 July 1960	55
1 July 1960–30 June 1961	56
1 July 1961–30 June 1962	57
1 July 1962–30 June 1963	58
1 July 1963–30 June 1964	59
After 30 June 1964	60

Cashing of benefits

There are two forms of cashing of benefits – compulsory and voluntary.

Compulsory cashing of benefits

Compulsory cashing of benefits is only required when a member dies. Your member's benefits need to be paid out as soon as possible after the member's death.

There is no compulsory cashing out rule for super payments because a member has reached a particular age.

Voluntary cashing of benefits

Your member's benefits will be classified as one or more of the following:

- **Preserved benefits** may only be cashed voluntarily if a condition of release is met and then subject to any cashing restrictions imposed by super law. Cashing restrictions tell you in what form the benefits can be paid out.
- **Restricted non-preserved benefits** cannot be cashed until the member meets a condition of release.
- **Unrestricted non-preserved benefits** do not require a condition of release to be met, and may be paid upon demand by the member. For example, where a member has previously satisfied a condition of release and decided to keep the money in the super fund.

Conditions of release

Conditions of release are the events your member must satisfy to withdraw benefits from their super fund. The conditions of release are also subject to the rules of your SMSF (as set out in the trust deed). It is possible that a benefit may be payable under super law, but cannot be paid under the rules of your SMSF.

Generally, rollovers or transfers to other super funds do not require a condition of release to be satisfied, subject to the governing rules of your SMSF.

As a trustee, you have very important responsibilities in working out if (and when) a member can receive their benefits. If you release benefits without meeting a condition of release, you may be subject to significant penalties.

ACCESS TO MEMBER BENEFITS (CONT.)

Conditions of release (cont.)

Preserved benefits and restricted non-preserved benefits may be paid out for the following reasons:

Retirement

Actual retirement depends on a person's age and, for those under 60 years, their future employment intentions. A retired member cannot access their preserved benefits before they reach their preservation age.

Members under 60 years

A member who is under 60 years and has reached their preservation age, retires when:

- the arrangement under which they were gainfully employed ceases
- the trustee is reasonably satisfied that the member does not intend to be gainfully employed for at least 10 hours a week in the future.

Members 60 or over

When the member has reached 60 years, their retirement occurs when an arrangement under which they were gainfully employed ceased and either of the following apply:

- the person reached aged 60 on or before ending the employment
- the trustee is reasonably satisfied that the member does not intend to be gainfully employed for at least 10 hours a week in the future.

If a member who is 60 or over gives up one employment arrangement but continues in another employment arrangement, they may:

- cash all preserved and restricted non-preserved benefits accumulated up until that time
- not cash any preserved or restricted non-preserved benefits accumulated after that condition of release occurs.

They cannot cash those benefits until a fresh condition of release occurs. If a member 60 or over starts a new employment arrangement after satisfying a condition of release, such as retirement from a previous employment arrangement at or after age 60, benefits related to the new employment remain preserved until a further condition of release is satisfied.

There are no 'cashing restrictions' for retirement.

Attaining age 65

If a member has reached age 65, they may cash their benefits at any time. There are no cashing restrictions once the member is 65 or over.

Terminating gainful employment – benefits less than \$200

A member may voluntarily cash their benefits where they have terminated employment with a standard employer-sponsor of your fund and their preserved benefits are less than \$200. There are no cashing restrictions on payment of these benefits.

Terminating gainful employment – benefits more than \$200

Subject to the governing rules of your fund, where a member has terminated employment with an employer who had contributed to the member's fund, preserved benefits need to be taken as a non-commutable lifetime pension or annuity. On termination, all restricted non-preserved benefits become unrestricted and therefore can be cashed out on request from the member (no cashing restrictions).

Permanent incapacity

A member's benefits may be cashed if they cease gainful employment and you are satisfied that the member is unlikely, because of ill health, to engage in gainful employment that they are reasonably qualified for by education, training or experience. There are no cashing restrictions on payment of benefits.

Temporary incapacity

A member's benefits may be paid where you and your fellow trustees are satisfied that the member has temporarily ceased work due to physical or mental ill health that does not constitute permanent incapacity. In general, temporary incapacity benefits may be paid only from the insured benefits or voluntary employer funded benefits.

It is not necessary for the member's employment to fully cease but, generally, a member would not be eligible for temporary incapacity benefits if they were receiving sick leave benefits. The cashing restriction is that the benefit needs to be paid as a non-commutable income stream for the period of the incapacity.

Severe financial hardship

To release benefits under severe financial hardship, you and your fellow trustees need to be satisfied that the member:

- cannot meet reasonable and immediate family living expenses
- has been receiving relevant government income support payments for a continuous period of 26 weeks and was receiving that support at the time they applied to the trustees.

The cashing restriction is that the payment needs to be a single gross lump sum of no more than \$10,000 and no less than \$1,000 (or a lesser amount if the member's benefits are less than \$1,000). Only one payment is permitted in any 12-month period.

Alternatively, if the member has reached their preservation age plus 39 weeks, you need to be satisfied that the member:

- has been receiving government income support payments for a cumulative period of 39 weeks since reaching their preservation age
- was not gainfully employed on a full-time or part-time basis at the time of applying to the trustees.

If you release benefits under these circumstances, there are no cashing restrictions.

Compassionate grounds

Benefits may be released on specified compassionate grounds when:

- a member does not have the financial capacity to meet an expense
- release is allowable under the governing rules of your fund
- the Department of Human Services (DHS) determines, in writing, that the release is permitted.

There are specific grounds for release and once DHS has approved the release, the final decision to release the benefits lies with you and your fellow trustees.

Temporary residents departing Australia

People who have entered Australia on an eligible temporary resident's visa and who permanently depart Australia can be paid any super they have accumulated. The member must prove their eligibility under this condition of release.

Attaining preservation age (transition to retirement)

Members who have reached preservation age, but remain gainfully employed on a full-time or part-time basis, may access their preserved benefits and restricted non-preserved benefits as a non-commutable income stream.

Terminal medical condition

If a member has a terminal medical condition and two medical professionals certify that the condition is likely to result in the member's death in the next 12 months, the trustee may pay them a lump sum benefit.

Early access to benefits

Early access or release of preserved benefits and restricted non-preserved benefits is only permitted in the following cases:

- severe financial hardship
- terminal medical condition
- on tightly restricted compassionate grounds
- permanent incapacity.

These situations only occur in very limited circumstances.

Setting up or using an SMSF to gain improper early access to super is illegal. If a benefit is unlawfully released, the ATO will apply significant penalties to you, your SMSF and the recipient of the early release.

UNDERSTANDING YOUR ROLE AND RESPONSIBILITIES

Complying with super and tax laws is your responsibility as trustee, even if you use a super professional or a financial adviser. It is therefore important to understand your duties and responsibilities.

As a trustee of an SMSF, you need to act according to the following:

- your fund's trust deed
- the provisions of super law, including
 - *Superannuation Industry (Supervision) Act 1993*
 - *Superannuation Industry (Supervision) Regulations 1994*
- the *Income Tax Assessment Act 1997*
- the *Tax Administration Act 1953*
- the *Corporations Act 2001*
- other general rules, such as those imposed under other tax and trust law.

As a trustee, your duties and responsibilities include:

- making sure your fund's sole purpose is to pay retirement benefits to members or their beneficiaries in the event of the member's death
- accepting contributions and paying benefits (whether a pension, a lump sum, or a combination of both) according to super and tax law
- making and documenting investment decisions and complying with any restrictions
- making sure an approved SMSF auditor is appointed for each income year
- completing administrative tasks, such as keeping records and lodging annual returns
- reviewing and updating the fund's trust deed and investment strategy on a regular basis
- considering insurance for both fund assets and member.

If you do not comply, the ATO may:

- impose administrative penalties
- enter into an agreement with you to rectify the contravention
- make your fund non-complying (which means your fund loses its tax concessions)
- disqualify you as a trustee
- prosecute in the most serious cases.

Once you have established your fund, each year you are legally required to:

- have an audit report prepared
- lodge an SMSF return
- pay the supervisory levy.

You have to do this each financial year, including the year you establish your SMSF.

Remember that income tax record-keeping requirements also need to be met, especially in relation to deductions, capital gains tax and losses.

Keeping records

You are responsible for keeping proper and accurate fund records.

Under super, tax and other laws, you must keep certain records which show you have met your tax and audit obligations and operate your fund efficiently.

The following table identifies records that you must keep.

Administrative records

- Minutes of trustee meetings and decisions (where fund matters were discussed)
- Records of changes to fund details (such as trustees)
- Trustee declarations
- Written consents to act as trustee
- Records needed to complete your fund's annual audit
- Audit reports and audit management letters
- Trust deed
- Investment strategy
- Registration documents (ABN, TFN, and GST notifications)
- Notice of fund compliance (received after lodgment of the first SMSF annual return)
- Death benefit nominations
- Letter of engagement of auditor
- Written records detailing the reasons for decisions relating to the storage of collectables and personal-use assets.

You must keep the following records for a minimum of five years:

- accurate and accessible accounting records that explain the transactions and financial position of your SMSF
- an annual operating statement and an annual statement of your SMSF's financial position
- copies of all SMSF annual returns lodged
- copies of any other statements you are required to lodge with the ATO, or provide to other super funds.

You need to keep the following records for a minimum of 10 years:

- minutes of trustee meetings and decisions affecting your fund
- records of all changes of trustees
- trustee declarations recognising the obligations and responsibilities for any trustee, or director of a corporate trustee, appointed after 30 June 2007
- members' written consent to be appointed as trustees
- copies of all reports given to members
- documented decisions about storage of collectables and personal-use assets.

Financial and tax records

- Accounting records to explain the transactions and financial position of the fund
- Statements of financial position (balance sheets)
- Annual operating statements (profit and loss)
- Records needed to prepare your fund's annual returns and accounts
- Annual returns
- Records that explain your fund's assessable income and deductible expenses
- Documents showing ownership of fund assets
- Bank account statements
- Records to show contributions, rollovers and payments to members
- Record of each member's account
- PAYG payment summaries.

Appointing SMSF professionals

You can use one or more SMSF professionals to help you to manage your fund, such as a tax agent, accountant, financial adviser, fund administrator or legal practitioner. A professional can take on more than one role in helping you manage your fund. If you decide to use a professional, it is important that you obtain good advice and choose one who is qualified and who is right for you and your circumstances.

Even if you use a professional, the ultimate responsibility for running the fund and making decisions rests with you and the other trustees.

Approved SMSF auditor

You must appoint an approved SMSF auditor to perform a financial and compliance audit of the fund's operations each year.

Approved SMSF auditors must be registered with ASIC and have an SMSF auditor number (SAN).

Before the annual audit, statements about your accounts and transactions for the previous income year must be prepared. All trustees must sign these financial statements and provide them to the auditor.

Once the auditor has completed your fund's audit, they will provide you with:

- an annual audit report
- a management letter that summarises the findings of the audit and any action taken or proposed by the trustees.

The annual audit must be completed before you lodge your fund's SMSF annual return. You need to appoint your auditor no later than 4-5 days before the due date for the lodgement of the annual return.

The ATO will be notified if the auditor finds that you have breached certain super laws or if they have concerns about your fund's financial position.

Actuaries

In certain circumstances, you must appoint an actuary and obtain an actuarial certificate if your fund starts to pay a pension to a member. An actuary will work out:

- whether your fund can meet its pension liabilities
- what assets are being used to fund pension payments to members, as the income from these assets is exempt from tax.

TAX AND CONTRIBUTIONS

Recording your member's TFN

If you do not have a member's TFN:

- you will have to pay additional income tax on some contributions (generally employer contributions)
- you may not be able to accept member contributions.

Not quoting a TFN means you will pay additional income tax on contributions that are assessable income of your fund. The contributions taxed in this way include:

- contributions made by an employer on behalf of a member, including salary sacrifice contributions
- any part of a transfer from a foreign super fund that is assessable income of your fund.

Deductions for personal contributions

Eligible people, including self-employed people, can claim a full income tax deduction for super contributions they make for their own benefit. When deciding to claim a tax deduction, your members should consider the contribution caps. Deducted personal contributions are counted against the concessional contributions cap, with amounts over the concessional cap also counting against the non-concessional cap.

A member who intends to claim a deduction must notify you of this intent. The notice is required to be given by the earlier of the following:

- the time the member lodges their personal income tax return for the income year during which the contribution is made
- the end of the financial year following the year the contribution was made.

The notice is invalid when any of the following occurs:

- a notice is given to you but the person is no longer a member of your SMSF
- you no longer hold the contribution because of a partial rollover that includes the contribution
- you have paid a lump sum or you have started to pay a super income stream that includes the contribution.

In these circumstances, the member will not be able to claim a deduction for the personal contribution made.

Acknowledging valid notices

You must acknowledge your member's valid notice, unless the value of the relevant super interest on the day you received the notice is less than the tax that would be payable by you for the contribution. To avoid disadvantaging your member, the ATO recommends that your acknowledgment includes:

- a statement that you received their notice of intention to claim a deduction
- the date your fund received the notice
- any subsequent variations that your fund received
- member account and fund details
- the total amount of personal contributions that the notice covers
 - the amount the member intends to claim as a deduction as detailed in their notice
 - the dates the contributions were made or the income year they were made in.

This will ensure that your members are able to claim the deductions they are entitled to and that the correct super co-contributions and excess contributions tax outcomes apply.

Additional requests for acknowledgment

If your members have lost, or failed to receive your acknowledgment, they may request a new acknowledgment. You can:

- provide them with a copy or duplicate of the original acknowledgment
- confirm their original notice is valid and provide them with a new acknowledgment.

If the member claiming the deduction has made an error in their notice of intent to claim a deduction, the notice can be varied (including varied to nil) by the earlier of the:

- time the member lodges their personal income tax return for the income year in which the contribution was made
- end of the financial year following the year the contribution was made.

After this time the notice cannot be varied unless:

- a deduction for the contributions is not allowable (that is, the member was ineligible to claim a deduction)
- the variation reduces the amount shown on the original notice by the amount that is not allowable as a deduction.

PLANNING FOR THE FUTURE

Your fund must be set up to provide retirement benefits, but you and the fund's members should also consider death benefit nominations and insurance.

Death benefit nominations

A death benefit is a payment made from a super fund on the death of a member. It is usually paid to either:

- one or more of the member's dependants (such as a spouse or child)
- a member's estate.

In some cases, it may be paid to a non-dependant.

If your fund's trust deed permits, a member can nominate who they want their death benefit paid to, by way of a death benefit nomination.

A death benefit nomination is a notice given to the trustees setting out whom to pay the death benefit to and in what proportion. It is either:

- **binding** – it directs the trustees to pay the member's death benefit to a legal personal representative or dependant
- **non-binding** – it notifies the trustees of the member's preferred beneficiaries, leaving the trustees to make the final decision.

If your fund does not have a valid binding nomination for a member, their death benefit is paid according to the fund's trust deed, with the trustees being guided, as appropriate, by any non-binding nomination.

Insurance

When preparing your investment strategy, you must consider whether the fund should hold insurance cover for members of the fund.

When your fund acquires new assets, the ATO recommends you insure these assets to protect the fund from financial loss. You should also consider insurance to protect your fund's members (or their dependants) against the effects of death, injury, ill health or income loss.

Collectables and personal use assets must be insured in the name of the fund.

Insurance premiums your fund pays may be tax deductible.

UNDERSTANDING COMPLIANCE AND PENALTIES

Why SMSFs are regulated

Funds must elect to be regulated.

The ATO regulates SMSFs to safeguard retirement savings for Australians who choose to manage their own super. Significant tax concessions are offered to regulated funds but to be entitled to these concessions, the fund must comply with the super laws. The taxable income of a complying super fund is generally taxed at 15%. A fund that chooses not to be regulated or that loses its complying super fund status will not be eligible for these tax concessions.

How SMSFs are regulated

Super law requires that SMSFs have an investment strategy that is reviewed regularly and that investments are made in accordance with that strategy. There are also restrictions on what SMSFs may invest in; investments must be permitted under the super laws as well as by the SMSF's trust deed.

The way the ATO administers the law includes:

- verifying whether your fund is being maintained only for purposes specified under super law, for example providing benefits for members upon their retirement
- checking that you manage your fund in accordance with super and tax law
- taking enforcement action when breaches of the law are detected.

SELF MANAGED SUPER EXPLAINED

Regulatory penalties and sanctions

To protect members' retirement incomes, the ATO regulates SMSFs to ensure they comply with super law. Failing to comply is a contravention of the law and will result in some type of compliance action.

For example, the ATO can:

- instigate prosecution proceedings if you have contravened super law
- make your SMSF non-complying
- disqualify you as a trustee if you have contravened super law or if you are not a fit and proper person
- suspend or remove one or all of the trustees of an SMSF (if the ATO suspends all trustees, a constitutional corporation or an individual will be appointed to act as the trustee during the period of suspension)
- by written notice given to you or the investment manager, direct you not to dispose of, or otherwise deal in a particular way, any of the assets of your fund until the notice is revoked
- require you to undertake an education course.

For less serious matters, the ATO may enter into agreements with trustees about a plan for them to rectify the problem, without necessarily imposing the above sanctions.

If a trustee is prosecuted and found guilty of a civil offence significant monetary penalties can apply. If found guilty of a criminal offence under super law, you can be imprisoned for up to 5 years.

In addition, offences of strict liability (such as acting as trustee while disqualified) that are punishable under the Criminal Code can also be subject to penalties and/or imprisonment.

Administrative penalties may be applied if you:

- fail to lodge returns on time
- provide false and/or misleading statements
- fail to keep and maintain records
- fail to advise us of a change of trustee or other changes in your fund.

Income tax penalties

An administrative penalty can be applied if you make a statement (or fail to make a statement) whether or not it results in an underpayment of tax.

If you do not lodge an SMSF annual return or if you fail to make a true and correct statement, a penalty may apply.

You are liable for an administrative penalty if you make a false or misleading statement and you do any of the following:

- take a position that is not reasonably arguable
- fail to make a statement when required
- take actions that are viewed as intentional disregard of the law or recklessness as to its operation.

Depending on your conduct regarding the shortfall, the base penalty ranges from 25% to 75% of the shortfall amount or tax related liability for failing to make a statement. This penalty range is affected by circumstances such as if you:

- voluntarily disclosed the information
- hindered ATO enquiries
- repeated the error.

Shortfall interest charge (SIC) will apply to amended income tax assessments, where a taxpayer's assessment is amended to increase the amount of tax payable.

The SIC will apply from the due date of the original assessment to the date before the issue date of the amended assessment for the shortfall amount, and is due 21 days after the notice of the penalty is given.

The general interest charge (GIC) is a single rate of interest that applies when a payment of a taxation liability is not received by the due date. The charge applies to (but is not limited to):

- an amount of tax that remains unpaid after the due date
- an underestimation or underpayment of an instalment of tax
- late lodgment of income tax returns for certain years
- an underpayment of tax that remains unpaid after the due date of the amended assessment
- an underpayment of tax following a revision of an activity statement
- failure to lodge penalties that remain unpaid after the due date.

The GIC rate for a day is worked out by adding seven percentage points to the 90 day bond accepted bill rate for that day, and dividing that total by the number of days in the calendar year.

LEGAL PROTECTION FOR SMSFs

Under existing super laws there is no government or industry compensation available for members of SMSFs.

However, you do have certain rights and options available should your fund suffer a financial loss due to fraudulent conduct or theft. Legal options are available under corporations law if you received advice or services from an Australian financial services licensee who was involved in the fraudulent conduct or theft. You should seek legal advice about taking action against a person who engaged in the fraudulent conduct or theft. You may also approach the Financial Ombudsman Service (FOS), if your fund is administered by Bell Potter, as we are a member of FOS.

If you want your super to be covered by the financial assistance program, you can choose to join an APRA regulated fund or appoint a registrable super entity licensee as trustee (that is, become a small APRA fund).

You should also understand that you cannot seek resolution of SMSF disputes via the Superannuation Complaints Tribunal (SCT).

WINDING UP AN SMSF

There are many reasons why you might need to wind up your SMSF, including when all the members have left or all the benefits have been paid out.

In some cases, you may find that you no longer have the capacity to deal with the complexity or the time required to manage an SMSF. You may find the costs of running the fund are significant compared to the annual income your SMSF earns.

If you decide to wind up your SMSF, you must deal with all of the fund's assets so that none remain, and complete all of the reporting and other administrative obligations as a trustee.

Once your SMSF is wound up, it cannot be reactivated.

CONCLUSION

Starting an SMSF is a very important decision. You should take into account the following matters:

- **consider your options and seek professional advice**
- **make sure you have enough assets, time and skills to run your own fund**
- **keep up to date with the super and tax laws and understand the risks**
- **tailor your trust deed and investment strategy to suit the members of your fund**
- **make sure you can meet your record-keeping and reporting obligations**
- **make sure you understand your annual auditing obligations.**

GLOSSARY OF TERMS

Australian business number (ABN)	A unique identifying number issued to all entities, including SMSFs, that are registered in the Australian Business Register (ABR). This unique number allows an SMSF to identify itself to government and other businesses.
Australian Business Register (ABR)	A comprehensive register of information provided by businesses and other entities when they register for an ABN. The main objective of the ABR is to make it easier for these entities to interact with government. This is achieved, in part, by the use of ABNs as unique identifiers.
Australian Prudential Regulation Authority (APRA)	The Australian Government agency which regulates super funds and other bodies in the financial sector, making sure they operate within the requirements of retirement income legislation.
Australian Securities and Investment Commission (ASIC)	The Australian Government organisation which collects information on public and private companies and other corporate bodies registered under the Corporations Law in Australia.
Financial Ombudsman Service (FOS)	An ASIC approved company that provides external dispute resolution service for the financial services industry.
PAYG	Pay As You Go (PAYG) withholding is a legal requirement to withhold amounts for income tax purposes.
Super fund Lookup (SFLU)	A website that contains publicly available information about all super funds that have an ABN. You can use SFLU to view the fund's complying status and contact details. SFLU is used by APRA funds to check an SMSF's eligibility to receive transfers or rollovers. An SMSF may be removed from SFLU if we have concerns about the fund's regulatory or complying status.
Self-managed super fund (SMSF)	A super fund that elects to be regulated by us and has between one and four members who, in general, are trustees or directors of a corporate trustee.
Superannuation Complaints Tribunal (SCT)	The Superannuation Complaints Tribunal is an independent dispute resolution body which deals with a diverse range of superannuation-related complaints and offers a free, alternative to the court system.
Superannuation holding accounts (SHA)	Before 30 June 2006, employers used the SHA special account to deposit super guarantee contributions for their employees. The SHA special account (previously known as the 'superannuation holdings accounts reserve') is administered by the ATO.
Tax file number (TFN)	A unique number we issue to individuals and organisations to increase the efficiency in administering tax and other Commonwealth Government systems such as Income Support payments.