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SMSF

Exploring Self-Managed Super Funds (SMSFs)

Introduction to SMSFs

Like other superannuation funds, a Self Managed Super Fund (SMSF) serves the primary purpose of securing retirement benefits for its members (or their dependents should a member pass before retirement). SMSFs are different from other superannuation funds because the members are also the trustees – this means that the members have control over their own superannuation investments.

A superannuation fund is a form of trust, so setting up an SMSF involves establishing a trust and appointing individual or corporate trustees. These trustees bear the responsibility of managing the SMSF's assets and ensuring the fund adheres to superannuation and taxation laws. Compliance encompasses annual auditing, reporting, and fulfilling taxation obligations to the Australian Taxation Office (ATO).

Membership and Trusteeship

Every member of an SMSF must also serve as a trustee. In cases where a fund opts for a corporate trustee, each SMSF member must become a director of the respective company. This company needs to be registered with the Australian Securities and Investments Commission (ASIC), and each director must be a member of the corresponding SMSF. As of 1 July 2021, an SMSF can have up to six trustees or members, an increase from the previous limit of four. If a corporate trustee is used, each director must also have their own Director ID.

Benefits of SMSFs

SMSFs offer several advantages:

1. Tax Flexibility:

SMSFs complying with superannuation regulations typically benefit from concessional taxation rates, with member contributions and earnings taxed at 15% (within specified limits). Furthermore, benefits received after commencing the pension phase for a member are tax-free to both the fund and the member. SMSFs enjoy flexibility in utilising tax strategies involving capital gains, taxable income, and franking credits.

2. Investment Control:

As SMSF members are also trustees, they exercise greater control over fund investments. They can access a wide range of investment products, including options not available to public funds. For instance, SMSFs can directly invest in residential real estate instead of being limited to property trusts, as is often the case with public funds. Business owners may also use SMSFs to acquire their business premises or other commercial properties, subsequently leasing them to related parties. Investments in private business/equity may also be available to them.

3. Estate Planning:

SMSFs offer enhanced flexibility when it comes to distributing member death benefits. Members can arrange for benefits to be paid as pensions to dependents rather than lump sums, allowing the SMSF to continue operating. Funds can also be distributed to future generations in the most tax-efficient manner available. Non-cash assets, such as property or shares, can be directly transferred to beneficiaries.

4. Asset Protection:

SMSFs offer a robust mechanism for safeguarding members' assets against potential bankruptcy or creditor claims. This feature makes SMSFs particularly attractive to business owners and professionals, as superannuation funds are not considered 'property' under the Bankruptcy Act.

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5. Potential Fee Savings:

SMSFs are highly customised to suit their members' preferences, which means there is no standard or average fee structure. Ongoing fees depend on factors such as the number of members, combined member balances, investment types, and the extent of outsourced administration. However, as the larger retail and industry funds usually charge fees according to a percentage of the balance, if the value of an SMSF is over a certain balance there are potential fee savings. You can also pool funds with other members to achieve a higher balance and access these savings, up to the six-member maximum limit.

6. Borrowing:

SMSFs give you the ability to borrow to purchase a specific asset, particularly if you have multiple members pooling their resources. This is most popular when purchasing property. Gearing is not generally available as an option in large retail funds.

Regulation of SMSFs

SMSFs are subject to regulation by two key authorities:

1. The Australian Taxation Office (ATO)

The ATO directly oversees SMSFs to ensure compliance with financial reporting and taxation obligations.

2. ASIC

ASIC indirectly manages SMSF audits by overseeing the registration process for independent SMSF auditors. These auditors play a vital role in ensuring overall regulatory compliance and are obligated to report any breaches to both fund trustees and the ATO.

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How much money do I need to start an SMSF?

There is no absolute legal minimum requirement. None at all.

However, although SMSFs have been around for decades ASIC has issued more recent guidance surrounding the setup or switching to SMSFs.As part of that guidance they've recommended a minimum balance of $200,000. This recommendation is part of providing better advice to clients, rather than advocating for a legal minimum requirement.

ASIC feels that, considering administration and compliance costs often range around the $2,000-$4,000 mark, having a fund with less than $200,000 is unlikely to be in the client's best interest. They feel that the cost of establishing and operating an SMSF with a balance below the $200,000 amount is unlikely to be competitive compared to an APRA-regulated super fund.

ASIC does acknowledge that there are situations where having less than $200,000 is appropriate.

Examples of these situations include:

1. Where the trustees perform much of their own administration and investment (SMSFs are known as 'DIY' funds, after all)

2. Where large amounts of money will be transferred or contributed to the fund in the near future

3. Where members feel that the benefits of having control and flexibility that an SMSF provides, outweighs the additional cost

Trustees should also consider the following as part of setting up an SMSF:

1. Establishment costs including the cost of using a corporate trustee

2. Insurance costs

3. Additional costs relating to financial and investment advice, in addition to general compliance costs

4. Comparison to investing in an APRA-regulated fund

5. The fact that you can have up to 6 members in an SMSF, and therefore spread the cost

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Consolidate your Super Investments with Rivkin

If you have an existing self-managed super fund (SMSF) or are looking to establish a new SMSF, you can appoint Rivkin to be your Fund's accountant to consolidate all of your investments in one place, thereby considerably reducing the administrative burden of running your SMSF.

Once you provide the required information (see page 3.), we take care of everything, simplifying your life just that one bit more.

We are SMSF experts.

Rivkin is one of the very few providers who offer both investment advice and administrative services. When you appoint Rivkin to be your SMSF's accountant, we
commit to -

- Taking over the administration of existing funds;
- Loading previous transaction data into our specialist software;
- Ensuring the on-going compliance of your fund;
- Engaging with independent auditors.
- Providing regular updates on your fund; and
- Answering all of your SMSF questions.

When necessary, we will also establish -

- a Macquarie Cash Management Account; and
- a Rivkin Securities equities and options account. This is next generation value creation.

Competitive, Transparent Pricing.

Our annual packages are very competitively priced and adapted to your needs.

We excel at client service*

Client satisfaction with Rivkin's SMSF products and services.	Clients that would recommend Rivkin products and services to their friends and family.	Clients satisfied by support received from Rivkin for investment decisions in SMSF Service.
100%	**97%**	**92%**

**Results of a 2016 SMSF Client Satisfaction survey hosted by SurveyMonkey.*

Joanne and I started our own SMSF after becoming disillusioned with our individual Retail Super Funds. As with all Rivkin services you feel like part of the family and when you call you are greeted with enthusiasm and everyone remembers and knows who you are. Having our Fund administered by a company who could also provide investment advice, whilst giving us total control over our funds and investment decisions made it an easy choice to join Rivkin Super."

Danny and Joanne Johnston
Rivkin Super members since 2013

Please note you are under no obligation to take up the service or pay any fees until you are ready to do so. Rivkin Super does not provide specific advice as to which investments to choose. That is the role and responsibility of the trustee. Rivkin does not provide personal financial advice. Please consider your own circumstances before purchasing any of our products or acting on our general advice..

DISCLAIMER: Rivkin aims to provide clear and simple information. Rivkin provides general advice and dealing services on securities, derivatives and superannuation (SMSF). Rivkin does not provide advice that takes into account your, or anybody else's, investment objectives, financial situation or needs. We strongly suggest that you consult an independent, licenced financial advisor before acting upon any information contained on this website. Investing in and trading securities (such as shares listed on the ASX) and/or derivatives (such as Contracts for Difference or 'CFDs') carry financial risks. If you are not comfortable with your understanding of the risks involved before using a Rivkin product and service, please contact us at info@rivkin.com.au to seek further information. Rivkin is a trading name of Rivkin Securities ABN 87123290602, which holds Australian Financial Services Licence No. 332 802.

Annual packages	Silver	Gold	Platinum
Accumulation Fund	✓	✓	✓
Pension Fund (Including establishment and ongoing maintenance of pensions)		✓	✓
Macquarie Cash Management Account (CMA) • The hub of your SMSF • Trade directly from the CMA • Earn competitive rates of interest • Receive direct deposit of dividends, interest and other payments • Pay fees and costs	✓	✓	✓
Macquarie Bank Term Deposits	✓	✓	✓
Trade through Rivkin, including: • All ASX Listed Stocks • ASX Listed Hybrid Stocks • ASX Listed Real Estate Investment Trusts • Listed Instalment Warrants • All US Listed Stocks	✓	✓	✓
Options Trading		✓	✓
Investments in Managed Funds (subject to data availability)	✓	✓	✓
Direct investment in real property (both with and without gearing)		✓	✓
Some other asset classes (to be agreed with Rivkin before purchase)		✓	✓
Subscription to the Rivkin Report, including the following portfolios: • ASX Events • ASX Blue Chip • ASX Income • ASX Growth • US Growth • FX Model • US Long/Short Also: • Virtually Live, Morning Market Wrap and access to ASX & US Share Pack.	✓	✓	✓
Liaise with actuaries where required		✓	✓
Administration services, including: • Annual audit • Preparation and lodgment of SMSF income tax return • Preparation of annual financial statements • Maintenance of equities trades and cash transaction data • Ongoing access to the accounting and administration team	✓	✓	✓
• Prior year tax returns • Assistance with non-complying funds • Investments in unlisted companies, joint ventures and other accounting structures • Fund wind-up • Death benefits • Asset segregation • Trust deed amendments • Replacement Financial Statements • Variations to Financial Statements • Unlisted warrants • Business Activity Statements • Other			✓
Annual Cost	**$2,900 per year**	**$3,600 per year**	**Fixed price agreed individually**
First Year / Per Month	**Upfront**	**Upfront**	**Upfront**
	$241.67 per month	**$300.00 per month**	**As Agreed**

All amounts are inclusive of GST

Establishment packages	Individual Trustee	Corporate Trustee	Existing SMSFs
Establishment of new SMSF with an individual trustee	✓		
Establishment of new SMSF with a corporate trustee		✓	
Establishment of a company to act as trustee		✓	
Trust deed preparation and execution	✓	✓	
Application for Australian Business Number and Tax File Number	✓	✓	
Establishment of a Macquarie Cash Management Account (where necessary)	✓	✓	✓
Establishment of a Rivkin Securities equities and options account (where necessary)	✓	✓	✓
Investment strategy template	✓	✓	
Taking over administration of existing funds or pension			✓
Loading previous transaction data into our specialist software			✓
Review of Trust Deed			✓
Investment Cost (incl.GST)	**$880**	**$1210**	**$550**

All amounts are inclusive of GST