FINANCIAL **FACT SHEET**

# SELF-MANAGED SUPER FUND THE BENEFITS FOR YOU

## THE BENEFITS OF HAVING YOUR OWN SELF-MANAGED SUPERANNUATION FUND

The concept of managing your own super fund can seem like a mystery to many people, but it doesn't need to be. Self-Managed Superannuation Funds (SMSF) can be simple to operate and, with the support of a reliable advisor, can be financially rewarding for your retirement. Here are eight key benefits to having your own SMSF, as well as the issues to consider if you want to make that move:

### ENGAGEMENT

Self-managed super is all about having control. But that means being engaged and involved in your investment decisions. If you're prepared to take a keen and active interest in your retirement financial planning, a SMSF could be for you. The key is to learn and become more knowledgeable about your SMSF investment alternatives, and be prepared to be decisive.

### CREATE YOUR INVESTMENT STRATEGY

You're engaged and you want control over your financial future – it's time to plan your own investment strategy. Unlike a corporate or industry fund, you can have absolute control over how your super money is invested (within the rules) – shares, property, managed funds and more.

The investment opportunities are broader and more flexible within a SMSF than with your traditional employee type super fund, so take advantage of that – but check with a trusted and professional advisor before making emotional or non-compliance investment decisions.

### FAMILY SUPER FUND

A SMSF effectively continues indefinitely, so there's a great opportunity to make it multi-generational – you will benefit and so can your children.

A SMSF can only have four members (who are also trustees), so you need to think carefully about which other family members to involve. Traditionally, a SMSF will comprise one or two parents and one or two children.

The downside of a simple mum and dad SMSF is the implications if one of the spouses dies, leaving a sole trustee fund. A multi-trustee fund gives greater flexibility and investment power, but think carefully before bringing sons –in-law or daughters-in-law into the fold.

### INSURANCE

Around just 12% of SMSF hold insurance inside the fund – meaning 88% of funds are missing out on taxation and other benefits. In fact, insurance is the most under-utilised feature of Self-Managed Funds.

When you maintain your eligible life, disability or salary continuance insurance policies through your SMSF, the fund can claim a tax-deduction on the premiums (trauma cover is not tax-deductible through a SMSF).

If and when a claim has to be made, the SMSF can use the payout proceeds for further investments or to financially support the claiming fund member – eg. a son or daughter member who becomes permanently disabled as a result of an accident. And these proceeds are tax-free.

2017/07

07 3360 9888
17 Mt Gravatt-Capalaba Road, Upper Mt Gravatt Qld 4122

Learn more at **www.peakpartnership.com.au**

The Peak Partnership
CHARTERED ACCOUNTANTS

FINANCIAL **FACT SHEET**

# SELF-MANAGED SUPER **BENEFITS OF YOUR OWN SMSF**

## BORROWING THROUGH YOUR SMSF

The ability for SMSFs to borrow to acquire property (and shares in extreme circumstances) is a reasonably recent phenomenon, and well worth considering.

Your SMSF can borrow up to 80% of the value of a commercial or residential property to buy and add to your investment portfolio. And you can use the balance in your SMSF to fund the deposit.

There are taxation and capital growth opportunities in borrowing for property though your SMSF, but remember the fund or its members cannot use the asset for personal use. Borrowing for property is ideally suited to investors in the 30 to 50 age range.

## CONTROLLING TAXATION

There is a range of strategies to minimise your tax liability through your SMSF, depending on your specific investment and life stage situation.

Contributions into your SMSF are taxed at lower than marginal income tax rates, income taken from your fund – for example transition to retirement and account-based pension payments – are tax free, and you can negative gear your borrowed property costs and insurance premiums for tax-deductibility.

Taxation considerations are the most complex part of any investment strategy, so professional advice is essential.

## ESTATE PLANNING

Not a nice thought, but planning for your death and the subsequent transfer of assets can be managed very effectively within a SMSF.

If your fund is in accumulation phase, you need to establish Binding Directions (or an SMSF Will) in the event of your death – otherwise the trustee will have control over your estate.

That may be fine, but it may not be your final wishes if dependent children are involved. With Binding Directions, any payout to your dependents cannot be challenged under law.

If your fund is in pension phase, you can establish an auto-reversionary pension, so that your pension income stream can be redirected to your partner or dependents.

The key to effective estate planning within your SMSF is to maintain an up-to-date Trust Deed (it should be updated every few years).

## INCAPACITY PLANNING

Fact of life – more than one million Australians will lose their mental capacity later in life to the extent that they cannot make their own financial and other decisions.

The plan here is to have an Enduring Power of Attorney in place, as well as Binding Instructions to your Power Of Attorney as to how you want to be cared for in your mental incapacity – including financial affairs. Similar to Estate Planning strategies, these Binding Directions are simplified as a SMSF Living Will.

This will allow for your Enduring Power of Attorney to act as your SMSF trustee under your specified conditions, whether that's continuing your income stream or facilitating aged care living for you.

## FINALLY

There are many more benefits to a SMSF. However, before you make the move away from a retail or industry superannuation fund, be clear in your own mind that you are prepared for the added responsibility and you're ready to be more fully involved in your own retirement financial planning.

If you want to know more about starting an SMSF of your own, talk to one of our SMSF strategic financial planners at **The Peak Partnership** on 07 **3360 9898**.


07 3360 9888
17 Mt Gravatt-Capalaba Road, Upper Mt Gravatt Qld 4122

Learn more at **www.peakpartnership.com.au**

The Peak Partnership
CHARTERED ACCOUNTANTS