Chan & Naylor
Our People. Your Advantage.

What is a **Self-Managed Super Fund?**

A Self-Managed Superannuation Fund (SMSF) is a fund designed to hold and distribute retirement benefits for its members. These funds are controlled by their members, and may have no more than four members.

Why use an SMSF?

SMSFs currently hold 29.6% of all money invested in super by Australians

The main attractions of SMSFs are that you have control over where your super money is invested, and they can help you create additional tax efficiencies and save on administration fees.

What is the trustee's role?

The trustee is responsible for establishing the trust deed, setting and maintaining the fund's investment strategy, finalizing reporting obligations, lodging tax returns, payment of levies and taxes, and compliance with Taxation Office laws and regulations.

Trustees who are found to be in breach of these duties can be fined and, in extreme cases, jailed.

With a SMSF, there can be individual member trustees or a company acting as trustee.

With individual member trustees, every member must be a trustee and all trustees must be members.

Where there is a company acting as trustee, all company directors must be members and all members must be directors.

How does an SMSF work?

A SMSF works much the same as a normal retail superannuation fund. It accepts contributions from members, and invests and manages those contributions and subsequent earnings.

It is responsible for paying tax and making payments to members who are retired (i.e. lump sums and pension payments).

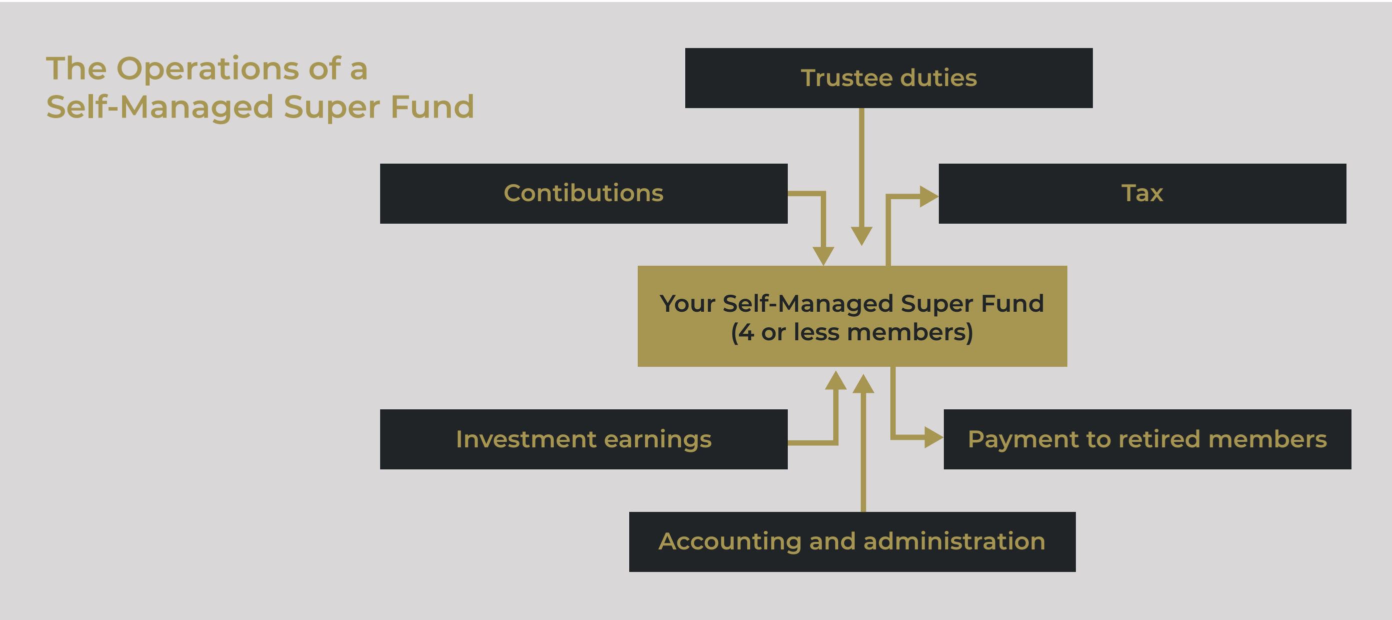
There are also administration and accounting tasks which need to be completed to ensure all members' records are correct, the correct taxes are paid, and the fund remains compliant with all relevant laws and regulations.

In which assets, can a SMSF invest in?

A SMSF can invest in any assets allowed for by the fund's investment strategy.

These usually include:

- Managed funds, shares and property,
- Cash and fixed interest,
- Business real property.



What can't an SMSF do?

There are restrictions on what SMSFs can do.

There are some types of assets in which a SMSF cannot invest and/or are limited on how much of the fund can be invested in them.

Loans to members or relatives are not allowed.

Sole Purpose Test - the fund must be run to meet the sole purpose of providing retirement benefits for members.

Beware - a SMSF which contravenes the regulations risks being declared noncomplying and losing its concessional tax status. The result is all contributions and earnings being taxed at 45% instead of at up to 15%.

Does a SMSF have additional tax advantages that other super funds can't give you?

Yes. As well as the usual tax advantages enjoyed by all super funds, a SMSF may also provide you with the opportunity to create additional tax efficiencies using sophisticated strategies.

Who can be in your SMSF?

The fund can include relatives such as your spouse, children and/or parents (up to a total of four members). The main benefit is that fixed costs are shared by more members, thus creating additional cost savings.

What are the costs of running a SMSF?

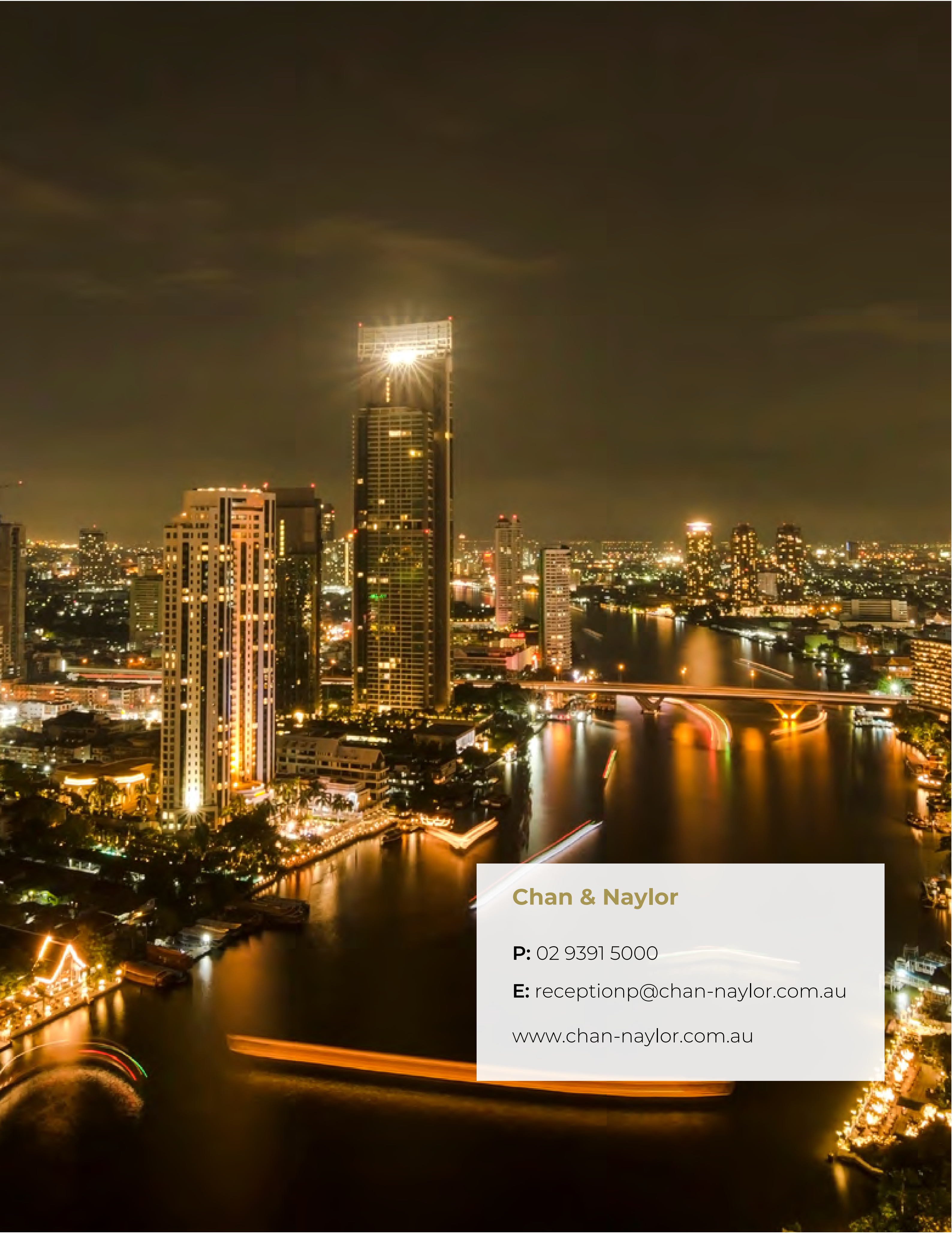
A SMSF may have to pay fees for investments (e.g. brokerage, trustee services, accounting, administration and audits). In general terms, a SMSF can be cheaper than a retail fund if the fund has more than $200,000 (approx.) invested.

Is a SMSF right for you?

It could be if you and/or your spouse have at approx. $200,000 to transfer into an SMSF and you think the advantages of such a fund outweigh the disadvantages (as shown in table).

SMSF Pros:

- You have control over how and where your money is invested,
- There can be fee savings if you have more than $200,000 (approx.) invested,
- SMSFs offer the potential to use tax saving strategies not possible in other types of funds,
- SMSFs can purchase your business real property, and
- SMSFs can give you certainty for your estate planning. SMSF Cons:
- You must make sure your fund complies with the regulations,
- You must administer the fund,
- As a trustee of the fund, you are open to personal litigation if the fund is not run properly, and
- You are responsible for the fund's investment strategy.



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