Maple Asset Advisory Australia

Buy Property with your Super

Understanding Self Managed Superannuation Funds Intro to SMSF

In 1992, the Australian Government introduced the concept of compulsory superannuation for all employees. As a result, Australia's superannuation savings pool is now the fourth largest in the world and individually, superannuation is commonly a person's single largest asset.

Self Managed Super Funds emerged in October 1999 as a result of amendments to the Superannuation Industry (Supervision) Act 1993 (Sis Act) which introduced the category of Self- Managed Super Funds overseen by individual trustees vs the federal government as was previously the case.

Today, SMSFs are the largest segment of the Australian Superannuation pool with more than 600,000 currently operating.
Considerations If you are seeking to own direct or alternative investments, gain greater control of your superannuation portfolio or invest in direct property then an SMSF can be an attractive alternative to traditional retail or industry funds.

Though you should be aware that by choosing to manage your own superannuation, this does carry certain risks and responsibilities.

Who can have an SMSF

An SMSF can have between 1- 4 members and no member is allowed to be an 'employee' of another member (unless they are related).

Each member must be over the age of 18, be in good standing with the Australian Tax Office (ATO), not be bankrupt and not have been charged with a criminal offence relating to fraud or dishonesty.

Sole Purpose Test

Superannuation is for your retirement and not for your immediate needs.
To meet the sole purpose test, as a potential Trustee of an SMSF, you must decide to establish the fund and make decisions on investments solely to provide:
Benefits to members upon their retirement;
Death or ancillary benefits to members.
This is the same requirement for all other types of superannuation funds.
In simple terms, it's important to remember that super is a very long term investment and that you should consider very carefully the decisions and types of investments you make today, as the nest egg you build in your super will need to last you right throughout your retirement years.

Understanding Self Managed Superannuation Funds Investment Guidelines

The SIS Act requires trustees of SMSFs to prepare and implement an investment strategy that includes consideration of the following:
Risk vs return of investments being considered and the time- frame before these investments might be needed to fund retirement living costs; Diversification/ types of assets held within the fund; Liquidity of assets/ how long will it take to sell assets and convert into cash if the need arises.

Ability for the fund to obtain life insurance for protection of its members.
This strategy must be documented, reviewed and updated where required.
Luckily the Maple online platform makes selecting and monitoring your investment strategy in a compliant manner intuitive and pain free.

Investment Types

SMSFs can purchase a range of different investments including:
Residential and commercial properties
Australian and international shares (both listed and unlisted) Physical metals including gold and silver. Cash and term deposits. Collectibles including artwork and vintage cars There are also rules on who these assets can be purchased from. For example it's not possible to purchase a residential property from a related party.

However, a business property such as factory used wholly for any business purpose can be purchased by an SMSF from a related party.
The rules on what types of investments can be purchased by an SMSF are quite complex

Cost Considerations

The cost to establish an SMSF with many other providers varies based on the complexity of the fund. Costs are dependent on whether you plan to act as an individual trustees vs a corporate trustee structure, if you require borrowing to purchase a property and often upon the types of investments you plan to hold.

These establishment costs should also be measured in parallel with the annual costs of running an SMSF. Each year your SMSF will be responsible for paying tax (like all types of superannuation), paying government levies including the ATO's SMSF Supervisory Levy, and potentially third party advisers like Tax Agents, Lawyers, and Financial Advisers if you need specialist assistance.
At Maple, we operate on a fee for service basis, where we charge our clients fixed fees based upon the complexity of their investment unlike retail and indusrty funds ouur on-going administraction fees are fixed and not based upon the balance within your SMSF.

These fees remain the same for everyone, no matter how much money your fund has, grows in value or the types of investments you select.

Understanding Self-Managed Superannuation Funds
Pros and Cons of an SMSF
Advantages:

Direct investment choice. You decide what to invest in, whether it be residential property, commercial property, fixed interest, collectibles, managed funds, cash etc;
Access to wholesale/unlisted investments. You might be able to access investments and funds at lower levels than through retail funds;
Sharing the costs - as you can have up to four members in your SMSF, with Maple we charge our fixed fee at the fund level, so you can share the cost across multiple members;
Estate planning - An SMSF member is able to have a non- lapsing binding nomination to allow them to specify how their benefits and account balance are distributed upon their passing.

Disadvantages:

Obligations. While a member/trustee can outsource a lot of the responsibilities of managing an SMSF to Maple, the ultimate responsibility remains with you;
Non-compliance with the relevant superannuation and taxation laws can result in significant fines and even imprisonment;
Time consuming. Although the Maple platform makes managing an SMSF much easier than it was traditionally, there is still time required from you to maintain your knowledge of superannuation rules, monitor your investments and talk to other members of your SMSF to make sure the SMSF is delivering the desired outcome for all members.

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