PITCHER PARTNERS

Self managed superannuation funds

Superannuation is one of Pitcher Partners' key industry specialisations and we have one of the largest self managed superannuation fund practices in Australia. Our experience and expertise with self managed funds makes us well placed to advise on whether it is a suitable option for you, and the requirements to establish and operate your own fund.

Overview

Self managed funds effectively perform the same role as larger superannuation funds, allowing you to invest contributions and earnings over time to generate savings for use in retirement. One of the main differences is that members of a self managed fund are required to be fund trustees, and are therefore responsible for managing the fund's investments and operating the fund in accordance with the law.

How do you establish your own self managed fund?

Superannuation funds, including self managed funds, are special purpose trusts. A superannuation trust deed must be prepared which sets out the rules for the super fund such as who can be a member, what investments are allowable, and when benefits can be paid.

The trustee structure for the super fund must also be determined. In a self managed fund, the fund members can act as trustees or the trustee can be a company with the members acting as directors of that company.

The fund can have up to, but no more than four members, and each member must be a trustee of the fund. If the trustee is a company, each member must be a director of that company.

Individual or company trustee

We believe it is better practice to use a company as the fund trustee. We also believe the company should be limited to the fund trustee role (e.g. the company should not also act as trustee of the family trust).

A company trustee structure provides administrative efficiencies, particularly where members change. Using the company structure also allows for greater flexibility with estate planning and increased protection for fund members.

Although a company trustee set up may result in increased establishment costs such as registration fees, we believe these will be recouped over time through the administrative efficiencies that the company structure brings.

Is a self managed fund suitable for you?

Self managed superannuation funds provide some advantages over larger funds, including:

- Control and flexibility over investment decisions;
- Reduction in fees (if your super balance is sufficient to make a self managed fund cost effective);
- Flexibility in structuring your affairs to maximise superannuation tax concessions,
- Flexibility and control with estate planning.

There are also some potential disadvantages to running a self managed super fund, such as:

- Trustees must be responsible for ensuring the fund meets its legal obligations;
- Trustees are responsible for the fund's investment decisions, even when external advice has been sought;
- Opportunities for provision of personal insurance (e.g. life insurance) may be limited;
- The time costs associated with managing the fund's investments and other compliance requirements may be prohibitive.

Fact sheet

Ongoing compliance requirements

If you do decide to establish a self managed fund, you will be responsible for ensuring that annual compliance requirements are met. We strongly advise that an accountant should be engaged to assist you.

Annual compliance costs will depend on a number of factors, such as the size of the super fund, number of transactions and type of investments held.

Broadly, annual compliance requirements include:

- Preparing annual financial statements and member statements;
- Arranging for the financial statements and fund compliance to be audited each year by an approved auditor;
- Preparing and lodging tax, regulatory and member contribution information.

Further information

Please ask your regular Pitcher Partners contact or any of the contacts below for further information.

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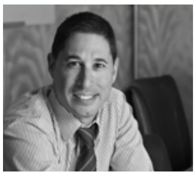

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