

SHOULD I SET UP A SELF-MANAGED SUPER FUND (SMSF)?



WHAT IS AN SMSF?

An SMSF is a private super fund you manage yourself, regulated by the Australian Taxation Office (ATO).

SMSFs are different from mainstream funds regulated by the Australian Prudential Regulation Authority (APRA) which pool members' savings and invest the money for them.

SMSFs can have up to four members. All members must be Trustees (or Directors if there is a Corporate Trustee) and are responsible for decisions made about the fund. If you have an SMSF, you are responsible for managing it and complying with all relevant laws.

WHAT ARE YOUR OBLIGATIONS IN RUNNING AN SMSF?

If you set up an SMSF you must develop and maintain an investment strategy, and manage all contributions and withdrawals.

WHAT IF SOMETHING GOES WRONG?

As a member of First Super, your super fund is regulated by APRA. If something does go wrong, APRA has important protections in place to address the matter. Many of the solutions below will not be available to you if you have an SMSF.

| Problem | Your APRA-regulated fund | SMSF |
|---------------------|---|--|
| Compensation | APRA-regulated funds are eligible for compensation where they suffer loss as a result of fraud or theft. | SMSFs are not eligible for compensation if they suffer loss as a result of fraud or theft. |
| Complaints | APRA-regulated funds must address member complaints. Where complaints are not resolved members must be offered access to a free and independent complaints resolution service such as the Superannuation Complaints Tribunal. | SMSF trustees/members must resolve their own complaints. This may require costly legal assistance. SMSF trustees/members do not have access to the Superannuation Complaints Tribunal. |
| Licensing | The Trustee of an APRA-regulated fund must be registered or licensed by APRA. APRA funds are subject to a substantial prudential regime. | SMSFs are subject to a less onerous prudential regime. SMSFs are subject to compliance-based regulation by the ATO. |

Source: ASIC Moneysmart

You must also comply with:

- > superannuation and tax laws, including making sure the money is only used for retirement benefits;
- > record keeping obligations, such as lodging annual statements;
- > reporting obligations including reporting contributions; and
- > audit requirements, including having the fund audited by an approved SMSF auditor each year.

WHAT YOU SHOULD BE AWARE OF:

Costs

There are significant costs in both setting up and administering a SMSF. These include the cost of investing, accounting and auditing for your SMSF, which may be much higher than what you are currently paying. These costs will cut into your retirement savings.

QUESTIONS TO ASK YOURSELF BEFORE YOU SET UP AN SMSF

- > Do I fully understand all the legal responsibilities I am taking on as Trustee?
- > Do I have the time, expertise and motivation to actively manage my super?
- > Am I confident I can do better than professional investment managers through my investment strategy?
- > Do I have enough money to make it worthwhile, given fees and expenses such as accounting, legal, audit or tax advice?
- > If something goes wrong, am I satisfied with the lower levels of protection that apply to SMSFs, compared to APRA-regulated super funds?

If you've answered 'no' to any of these questions, you may not be ready to set up an SMSF.

Before making any investment decision, we recommend that you seek qualified financial advice.

WANT TO KNOW MORE? WE'RE HERE TO HELP.

Please contact our Service Centre today.

Call **1300 360 988**
Email **mail@firstsuper.com.au**
Website **firstsuper.com.au**

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Important information:

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