



Mastering your SMSF:

A comprehensive guide
to setting up and
managing your SMSF





Introduction

Welcome to the world of Self-Managed Super Funds (SMSFs)! Whether you're just starting to explore your options or are ready to take control of your retirement savings, we're here to help. Our comprehensive guide is designed to walk you through every essential step of setting up and managing your SMSF.

Setting up an SMSF is a significant decision that comes with both opportunities and challenges. Our goal is to equip you with all the knowledge and tools you need to make informed decisions, maximise your investment potential, and achieve your retirement goals. Our guide will lead you through the initial setup process, including establishing the trust deed, appointing trustees, and registering with the ATO.

Beyond the setup, we delve into the intricacies of fund management, offering guidance on accounting practices, compliance requirements, and regulatory obligations.

Embark on this journey with assurance, knowing you have a comprehensive resource to support you at every stage. Let's begin the path to a well-managed and compliant Self-Managed Super Fund.

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Disclaimer

The information provided in this e-book is intended for general guidance and educational purposes only. It is not a substitute for professional financial, legal, or tax advice. While we have taken care to ensure the accuracy and relevance of the content, we do not provide advice on whether you should establish a Self-Managed Super Fund (SMSF) or how to manage your financial affairs.

Setting up and managing an SMSF involves complex decisions that can significantly impact your financial future. We strongly recommend that you consult with a qualified financial planner or advisor to evaluate whether an SMSF is appropriate for your specific circumstances and to discuss any other financial, tax, or legal considerations.

Please note that this e-book should not be interpreted as a recommendation to establish an SMSF or as a comprehensive guide to SMSF management. The information herein is based on the current laws and regulations in Australia, which may change over time. We disclaim any liability for decisions made based on the information provided in this e-book.

Understanding different SMSF structures

Choosing the right structure for your SMSF is crucial to its success and your peace of mind.

Understanding the different structures available can help you make informed decisions that align with your retirement goals and compliance requirements. Here, we outline the three main structures: Individual trustees, Corporate trustees, and Investment Property.





Individual Trustee

In an Individual Trustee structure, each trustee of the SMSF is also a beneficiary. This option is typically more cost-effective as it avoids the need for a corporate trustee company. However, it involves more administrative responsibilities for its trustees and does not offer limited liability.

Corporate Trustee

A Corporate Trustee structure involves setting up a company to act as the trustee for the SMSF, with each member being a director of the company. This structure offers greater flexibility and easier management of fund changes, such as adding or removing members. While there are additional costs associated with setting up and maintaining a corporate trustee, it provides stronger asset protection through limited liability.

Investing in Property

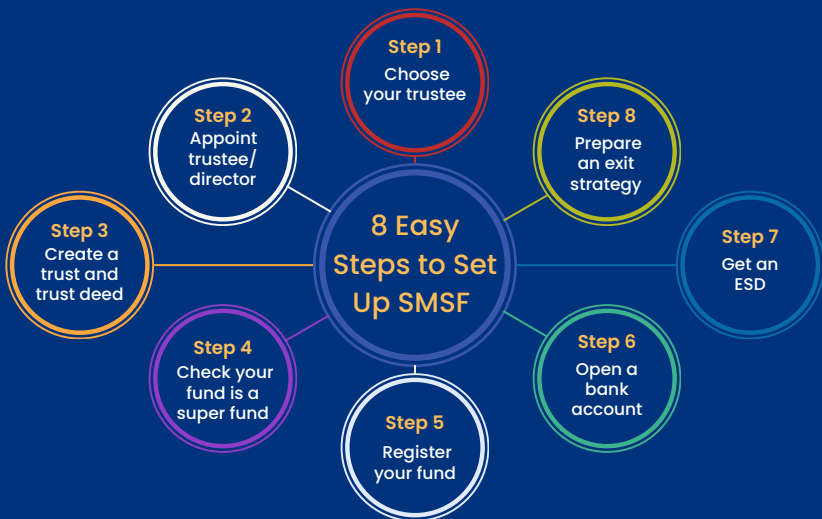
This structure allows the fund to own residential or commercial property, potentially providing rental income and capital growth. However, it's essential to adhere to strict compliance rules, such as the property being used solely for investment purposes and not being rented to fund members or related parties.

Now that you are familiar with the different structures, you can select the one that best aligns with your individual needs and long-term retirement objectives. Assess your financial goals, administrative capabilities, and investment literacy to determine the most suitable structure for your SMSF.

Setting up an SMSF

What does it involve?

Establishing a Self-Managed Superannuation Fund (SMSF) involves several key steps, and we are here to guide you through each one. Our comprehensive process ensures that you understand and meet all regulatory requirements, making the setup as smooth as possible. Below is an outline of the steps involved in setting up your SMSF.





1. Initial Setup

We begin by providing you with the SMSF setup form to complete. This form collects all the necessary information to tailor your SMSF to your specific needs and circumstances.

2. Entity Creation

We create the necessary entities (depending on your chosen structure) in the following order:

- **Trustee Company:** Establishing a corporate trustee to oversee the SMSF.
- **SMSF:** Forming the SMSF itself, ensuring compliance with all legal requirements.
- **Bare Trustee Company:** Setting up a separate corporate trustee for holding assets in trust.
- **Bare Trust:** Creating a bare trust to hold property on behalf of the SMSF, facilitating limited recourse borrowing arrangements.

3. Document Signing

We prepare all necessary documentation and send it to you for review and signing. This ensures that all legal and regulatory requirements are met and that the entities are correctly established.

4. Document Management

Once signed, we securely store the documents for future reference, maintaining accurate records to ensure ongoing compliance and easy access for any future accounting needs.

FAQ:

Do I need a financial planner to set up my SMSF?

As your tax agent, we specialise in assisting clients with the setup and ongoing management of Self-Managed Super Funds (SMSFs). Our role is to ensure that your SMSF complies with the relevant tax laws and regulations. However, it's important to note that we do not provide financial advice on whether an SMSF is the right choice for you.

When you approach us to set up an SMSF, we assume that you have already considered how an SMSF fits into your overall financial and retirement planning strategy. This includes understanding your cash flow requirements, investment objectives, and long-term goals.

While it is not mandatory to have a financial planner involved in the SMSF setup process, it is often beneficial to consult with one. A financial planner can provide valuable insights into your cash flow management, retirement planning, and other financial considerations that go beyond the scope of our services as tax agents.

In summary, while you don't need to have a financial planner to start setting up your SMSF with us, it is recommended that you consult with one if you need advice on how to best align your SMSF with your broader financial goals.

Helping you set up your SMSF

With a clear understanding of the SMSF structures, it's time to delve into the practical steps needed to establish and manage your fund. In the following sections, we will guide you through each stage of the process.



1. Opening your bank account

Because SMSFs are required by law to keep their assets separate from personal or business assets of the trustees, you need a dedicated bank account for your SMSF to manage contributions, rollovers, and investment income.

To facilitate fund transfers into your SMSF, you'll need to open a Cash Management account. Some banks allow online account openings, which we will be able to assist with, should you wish.

***Important:** Please remember that the bank account needs to be opened in the name of the SMSF, not the company.*

Please have the following documents on hand:

- SMSF Name and Australian Business Number (ABN)
- Company Name, Business Address and Australian Company Number (ACN) (if you have a corporate trustee)
- Full Name and Contact Details of Trustees or Directors
- Personal ID (e.g. driver's licence or passport)

2. Director Identification Number (DIN)

Please note that as of November 2022, directors of Corporate Trustees are required to have a Director Identification Number (DIN). If you haven't already obtained one, you will need to apply for it.

Obtaining a Director Identification Number (DIN) involves the following steps:

Register for a DIN: You can register for a DIN through the Australian Business Register (ABR) website or via the myGov portal.

<https://www.abrs.gov.au/director-identification-number>

- 01 Verify Identity:** You will need to provide personal information to verify your identity. This typically includes details from your driver's license, passport, or other forms of identification.
- 02 Complete Application:** Fill out the online application form for the DIN, providing all required information accurately.
- 03 Submit Supporting Documents:** Depending on your circumstances, you may need to submit additional documents, such as proof of identity or residency.
- 04 Wait for Approval:** Once your application is submitted, it will be processed. You will receive notification once your DIN is approved and issued.
- 05 Use your DIN:** Once issued, your DIN will be your unique identifier as a director of an SMSF or any other company in Australia. It's important to keep this number secure and use it whenever required for official purposes.

Our team will be happy to answer any questions in this regard.

3. Rolling Over of Funds

Contact your current Super Fund to inform them of your intention to roll over your funds into your SMSF. Following approval of your rollover, your current super fund will transfer the funds to your SMSF's bank account.

Once your bank account is set up and we have obtained your bank details, we will provide you with your electronic service address (ESA). You will then need to provide this address to your existing super fund for rollover purposes.



FAQ:

Do I need to roll over my entire superannuation fund?

No. When considering whether to roll over your entire superannuation fund into an SMSF, it is important to understand that you are not required to transfer the full balance. You have the flexibility to roll over only a portion of your existing superannuation into the SMSF. This allows you to maintain some of your super in other funds if desired.

When will rollovers and contributions reflect in my SMSF account?

Contributions and rollovers can take between a few days to several weeks, depending on the processing times of the transferring super fund and the accuracy of provided information.



Can I roll over funds from an overseas fund?

If you hold money in a foreign superannuation fund, you may have the option to:

- Transfer it to a complying Australian superannuation fund
- Withdraw it directly as a lump sum

It's important to note that depending on the foreign country's retirement income system, a 'foreign superannuation fund' under Australian law may be referred to as a retirement fund, pension fund, retirement savings plan, or similar in its home country.

The ability to transfer or withdraw money from a foreign superannuation fund depends on the specific rules of the fund and the laws of its home country.

When transfers and payments from a foreign superannuation fund are received in Australia or by an Australian resident, they may be subject to tax on the applicable fund earnings portion of the transfer or payment. Applicable fund earnings are the earnings on your foreign superannuation interest that have accrued since you became an Australian resident for tax purposes.

Can I roll over funds from multiple super accounts into my SMSF?

Yes, you can consolidate funds from multiple super accounts into your SMSF.

Life Insurance through your SMSF

Integrating life insurance within your SMSF can further enhance your financial strategy. By holding life insurance policies through your SMSF, you can take advantage of tax-deductible premiums and ensure that your superannuation fund can meet its obligations in the event of your death or disability. This integration not only maximises your tax benefits but also ensures a seamless and efficient management of your financial resources.



FAQ:

What happens to the life insurance policy that I have through my current super fund?

Your current super fund might include life, total and permanent disability (TPD), or income protection insurance. If you wish to maintain this coverage, you need to review your policy and check if your existing insurer allows you to continue it after rolling over your funds. We strongly recommend discussing the requirements to continue life insurance with your existing Super fund.

Alternatively, you can obtain a new policy through your SMSF. It's crucial to ensure continuous coverage by coordinating the cancellation of the old policy with the commencement of the new one to avoid any gaps. Evaluate your insurance needs, seek quotes, and set up the new policy through your SMSF to ensure your protection continues seamlessly.

We are affiliated with experienced financial planners who specialise in life insurance. If you are interested in exploring life insurance options in detail, please contact us for a comprehensive consultation.

Making Extra Contributions

Making contributions to your superannuation fund is a critical step in building a secure financial future and ensuring a comfortable retirement.

Contributions can come from various sources, including your employer, personal savings, and government incentives. Understanding the different types of contributions and their respective benefits can help you maximise your superannuation savings. By regularly contributing to your superannuation fund, you not only take advantage of potential tax benefits but also benefit from compound growth over time.





There are two types of contributions:

Concessional (Before-Tax) Contributions:

These include employer contributions and salary sacrifice contributions, which are taxed within the SMSF. The current contribution cap, as at 1 July 2024, is \$30,000 for each financial year.

Non-Concessional (After-Tax) Contributions:

These are contributions made from your after-tax income and are not taxed within the SMSF. There is a current contribution cap as of 1 July 2024 at \$120,000 per annum (or \$360,000 over 3 years using the bring forward method).

Please find more information by clicking on this link: [Non-concessional contributions cap | Australian Taxation Office](#)

Contributions exceeding the caps mentioned above may incur additional tax penalties, so it's crucial to monitor your contributions closely.

FAQ:

Do I get any tax benefits if I make concessional contributions?

Personal concessional contributions can be claimed as a tax deduction, reducing your taxable income.

Concessional contributions are taxed at 15% within the SMSF, which is usually lower than your marginal tax rate.

Do you get any tax benefits if you make non-concessional contributions?

While non-concessional contributions are made from after-tax income and do not provide immediate tax deductions, they contribute to the growth of your retirement savings in a tax-efficient manner.

In the accumulation phase (while you're working), the earnings on your superannuation investments are taxed at 15%. In the pension phase, these earnings, including those from non-concessional contributions, become tax-free.

What are the pros and cons of the respective contributions?

Concessional Contributions

Pros	Cons
<p>Tax-deductible: Consequently, this reduces your taxable income for the financial year and potentially lowering your overall tax liability.</p>	<p>Contribution Caps: There is an annual cap of \$30,000 on concessional contributions. Exceeding this cap can result in additional tax penalties.</p>
<p>Lower Tax Rate: Concessional contributions are taxed at a concessional rate of 15% within the superannuation fund, which is often lower than most individuals' marginal tax rates</p>	<p>Impact on Take-Home Pay: Salary sacrifice contributions can reduce your take-home pay, which may affect your current cash flow and spending ability.</p>
<p>Carry-Forward Provisions: If your total superannuation balance is under \$500,000, you can carry forward unused concessional cap amounts for up to five years, allowing for higher contributions in future years.</p>	

Non-Concessional Contributions


<p>Tax-Free Withdrawals: Since non-concessional contributions are made from after-tax income, withdrawals of these contributions are generally tax-free.</p>	<p>No Immediate Tax Deduction: Non-concessional contributions do not offer an immediate tax deduction, which means you won't benefit from a reduction in your taxable income for the current financial year.</p>
<p>Contribution Flexibility: Non-concessional contributions offer flexibility in how much you can contribute. You can make a large lump sum contribution (up to \$360,000 under the bring-forward rule for FY 24/25) or regular smaller contributions.</p>	<p>Contribution Limits: There are annual caps on non-concessional contributions (\$120,000), and exceeding these caps can result in excess contributions tax.</p>

Exploring Investment Options

Investing through a SMSF offers a wide range of opportunities to tailor your retirement savings strategy to your specific financial goals and risk tolerance. SMSFs provide unparalleled flexibility, allowing you to choose from a diverse array of investment options including shares, property, managed funds, bonds, and even collectibles. This flexibility enables you to create a portfolio that aligns with your investment preferences and retirement objectives.

However, with this control comes the responsibility of managing and monitoring your investments to ensure compliance with regulatory requirements and to achieve optimal returns. Understanding the various investment options available and how they fit into your overall SMSF strategy is crucial for maximising your retirement outcomes and making informed decisions about your financial future.





You are free to choose what type of assets you invest in, providing those investments:

- are permitted by your fund's trust deed
- are not prohibited by the super laws
- meet the sole purpose test*

***Sole purpose test:** This means your fund needs to be maintained for the sole purpose of providing retirement benefits to your members, or to their dependents if a member dies before retirement.

Diversify your portfolio to balance risk and return through various types of investments.

Shares and Equities:

Invest in Australian or international shares and equities.

Cash and Term Deposits:

Keep funds in cash accounts or invest in term deposits for stable returns.

Fixed Income Securities:

Invest in government or corporate bonds for fixed returns.

Collectibles and Personal Use Assets:

Invest in government or corporate bonds for fixed returns.

Cryptocurrencies:

An SMSF's investment strategy outlines its investment objectives and specifies the types of investments it can make. For SMSF trustees, the appeal of cryptocurrency lies in its potential for significant returns and its role in diversifying investment portfolios. Before investing in crypto assets, you should consider the level of risk of the investment.

Property:

Purchase residential or commercial property, provided it meets the sole purpose test and other regulatory requirements.

Residential Property Investment

Your SMSF can invest in residential property, but it must comply with the sole purpose test, meaning it should solely provide retirement benefits to the members.

Neither you, your family members, nor any related parties can live in the property, even temporarily.

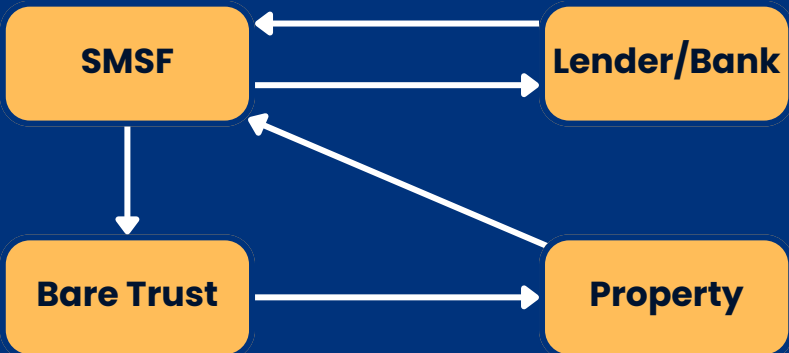
Residential Property Investment

Your SMSF can invest in commercial properties such as offices, warehouses, or retail spaces. This includes properties used for your business under specific conditions.

Your SMSF can lease commercial property to a related party, such as your business, provided it's done at market rates and under commercial terms.

SMSF and Property Investments

Investing in property through an SMSF is more than just a way to diversify your retirement savings; it's a strategic move that combines tangible assets with significant growth potential. From securing a residential property to tapping into commercial real estate, this investment avenue offers a chance to generate rental income and benefit from long-term capital appreciation. However, diving into property investments via an SMSF requires careful planning and adherence to regulatory frameworks. By understanding the unique benefits and challenges of this approach, you can turn your superannuation into a dynamic growth engine for your future.



FAQ:

How does negative gearing work for investing property through my SMSF?

Negative gearing occurs when the expenses associated with an investment property (e.g. loan interest, maintenance costs) exceed the rental income generated, resulting in a loss. The loss generated from the negatively geared property can be used to offset other income within the SMSF, such as contributions or investment earnings, thereby reducing the fund's taxable income.


Let's have a look at an example:

Your SMSF purchases a residential investment property for \$500,000. The annual rental income from the property is \$20,000. Annual expenses (loan interest, property management, maintenance) total \$30,000.

Net Profit = Annual Rental Income - Annual Expenses

Net Profit = \$20,000 - \$30,000 = - \$10,000

Therefore, Negative Gearing = \$10,000



This \$10,000 loss can be used to offset other taxable income within the SMSF, such as investment earnings or contributions.

If the SMSF's other taxable income is \$50,000, the \$10,000 loss reduces the taxable income to \$40,000.

Can I get pre-approved for my property loan?

Yes, you can get pre-approved for a property loan. Our associated mortgage brokers can assist in getting the pre-approval.

Pre-approval helps you understand your borrowing capacity and budget, making it easier to find a property that fits your needs. It also strengthens your position as a buyer, which can be advantageous in negotiations.

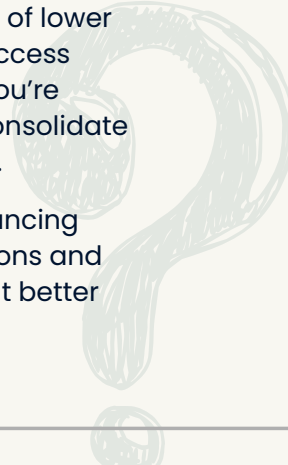
Our team will guide you through the pre-approval process, ensuring you're well-prepared to make a confident purchase.

Am I able to refinance my loan?

Yes, you can refinance your property loan, and our financial division is ready to assist you.

Refinancing can help you take advantage of lower interest rates, adjust your loan terms, or access additional funds. It's a valuable option if you're looking to reduce monthly repayments, consolidate debt, or unlock the equity in your property.

Our team will guide you through the refinancing process, helping you explore the best options and ensuring a smooth transition to a loan that better suits your financial goals.



Do I need a bare trust if I am not seeking a loan for investment purposes?

No, a bare trust is not required if you do not need a mortgage. Bare trusts are specifically used because an SMSF cannot hold a mortgage in its own name.

How will my borrowing capacity be calculated?

Borrowing capacity is determined by assessing your financial situation against a lender's criteria. The main factors considered include:


Superannuation guarantee: The amount a member receives from PAYG employment under the employer superannuation guarantee scheme, verified either through SMSF financials or PAYG income verification.

SMSF income: The reflects the returns from current SMSF investments, excluding capital gains, and is adjusted for any liquidation for property purchase. It also includes rental income from existing or proposed SMSF properties.

Additional contribution: Amount Member does or intends to pay in addition to the Superannuation guarantee.

Expenses: Regular expenses of the SMSF, such as fund management fees, insurance premiums, property-related costs, admin and legal fees.

Current debts: Any current loans or debts held by the SMSF that impact its ability to take on additional borrowing.



Loan-to-Value Ratio (LVR): The ratio of the loan amount to the value of the property being purchased. SMSFs typically need to maintain a lower LVR, often around 70–80%.

Deposit: The amount of the SMSF's own funds (usually at least 30% of the property's value) that can be used as a deposit for the loan.

Lenders evaluate these factors to determine the SMSF's borrowing capacity, ensuring that the fund can comfortably manage loan repayments while meeting its regulatory obligations.

What documents will I require to apply for an investment property loan?

Residential Property Investment

- A valid driver's license, passport, or other government-issued ID for identity verification.

Proof of Income:

- Recent pay slips (usually the last 3 months).
- Recent tax returns and notices of assessment (usually for the last 2 years).
- Income statements from rental properties or other investments.
- Two years Member Superannuation Statements



Details of Existing Debts:

- Information on current loans/mortgages.
- Loan statements and repayment schedules.

Property Information:

- Contract of sale or purchase agreement for the investment property.
- Property valuation or appraisal report.

Proof of Deposit:

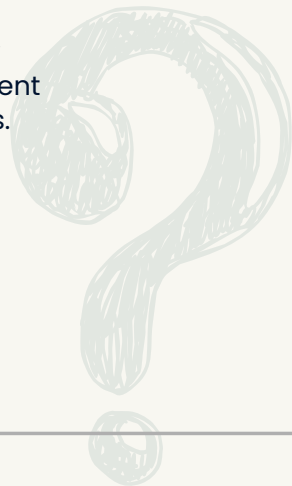
- Evidence of the deposit amount you are contributing towards the purchase.

Superannuation Details (if applicable):

- Information on your SMSF, including recent financial statements and details of existing assets.

Will extra contributions made in the past be considered towards borrowing capacity assessment?

While extra contributions to your SMSF improve the fund's overall financial health and increase the amount available for investment, they are generally not directly factored into the borrowing capacity assessment for a new property loan. Lenders focus more on current fund income, expenses, and existing debts.



Can my SMSF invest in overseas property?

Yes, your SMSF can invest in overseas property, but there are specific rules and regulations that must be followed.

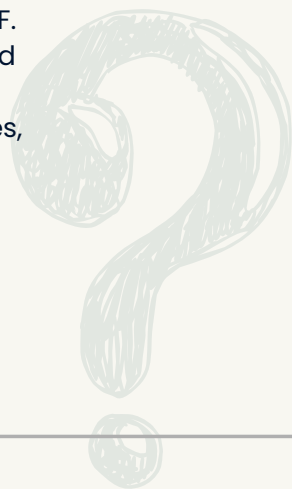
Your SMSF's investment strategy should explicitly outline the intention to invest in international properties, detailing how such investments align with the fund's goals and risk profile.

International investments can be complex due to varying legal and tax obligations in the foreign jurisdiction. Ensure compliance with both Australian and overseas tax laws, including any potential withholding taxes and reporting requirements.

What are the tax implications of property investment in an SMSF?

Income Tax on Rental Income:

Rental income earned from the property is taxed at 15% within the SMSF. This rate applies to both residential and commercial properties. It's generally lower than individual marginal tax rates, making it a tax-efficient way to generate income.



Capital Gains Tax (CGT):

- Accumulation Phase: If the property is sold while the SMSF is in the accumulation phase, capital gains are taxed at 15%.
- Pension Phase: If the property is sold when the SMSF is in the pension phase, capital gains are tax-free, provided the fund complies with the relevant pension phase rules and the total superannuation balance cap is not exceeded.

Is there a minimum holding period for my investment property within an SMSF?

No, however, the mortgage must be fully repaid before transferring or selling the property. It is important to consider the Capital Gains Tax (CGT) implications:

- Holding Period: If the property has been held for over 12 months, your SMSF may be eligible for a one-third discount on any capital gains upon sale.
- Pension Phase: If the SMSF is in the pension phase at the time of sale, capital gains may be entirely tax-free.

Congratulations on setting up your Self-Managed Super Fund (SMSF)!

Your financial security and peace of mind are our top priorities. Should you have any questions about your SMSF's status or require further assistance, please reach out to us. We are here to support you every step of the way.

SMSF Accounting and Audit

Thank you for choosing our services for your SMSF management. We are dedicated to providing exceptional support and expertise in managing and accounting for your superannuation fund. Our team is here to ensure your fund operates smoothly and efficiently, helping you stay compliant and on track towards your retirement goals. We look forward to working with you and assisting you in achieving a prosperous and comfortable retirement.



Our Processes

We follow a structured and efficient approach to manage your SMSF needs. Our processes ensure thorough preparation, accurate auditing, and timely filing, all while maintaining clear communication with you throughout. Here's a concise overview of the key stages in our approach





If you have approached us with an already-existing SMSF:

Once you have signed the engagement letter and the ATO nomination has been completed, we will proceed in the following manner:

Obtaining Data:

Our team will send you an email outlining the specific documentation required from you. This process is tailored to each client's unique situation.

Preparation of Financial Statements:

We will categorise your income and expenses and draft the financial statements. These drafts will be sent to you for approval, allowing you to notify us of any necessary amendments.

Independent Audit:

We will provide the auditor with all the necessary documentation to conduct the audit. Throughout this process, we will coordinate between you and the auditors, as additional information or documentation may be required.

Lodging Tax Returns:

Upon completion of the audit, we will file the tax returns and provide you with the finalised and signed documents, including the financial statements, audit reports, and taxation documents.



If you have set up your SMSF with us:

We will already have your data and information on record, including your ATO nomination, and will thus proceed as follows:

Preparation of financial statements:

We will categorise your income and expenses and draft the financial statements. These drafts will be sent to you for approval, allowing you to notify us of any necessary amendments.

Independent Audit:

We will provide the auditor with all the necessary documentation to conduct the audit. Throughout this process, we will coordinate between you and the auditors, as additional information or documentation may be required.

Lodging Tax Returns:

Upon completion of the audit, we will file the tax returns and provide you with the finalised and signed documents, including the financial statements, audit reports, and taxation documents.

After completing all necessary steps, including the preparation of financial statements, the independent audit, and the lodging of tax returns, we will ensure that all documentation is securely delivered to you. We pride ourselves on providing comprehensive and professional services to support your SMSF needs. We appreciate your trust in us and look forward to continuing our collaboration.



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