EISS Super

Are you Considering Self-Managed Super?

A self-managed super fund (SMSF) can be a big commitment, particularly in relation to keeping up to date with changes in super, monitoring your investments and ensuring ongoing compliance. Before making a decision to manage your own super, you should consider if you have the expertise and ensure that you do your research to weigh up the costs, obligations and benefits. SMSFs can often be complex, time consuming and have many ongoing responsibilities.

What is an SMSF?

An SMSF is a super fund which you manage yourself, giving you total control over how your super is invested. An SMSF is regulated by the Australian Taxation Office (ATO) and can have up to 4 members who must be the trustees of the fund or directors of a corporate trustee, who are responsible for all decisions such as the fund compliance, administration and operation. If you don't operate the fund within the applicable laws that govern superannuation, you may face severe penalties and your fund may suffer major tax consequences.

While an SMSF can provide advantages, they are not right for everyone. There is a perception that it is easy to manage your own SMSF and that fees may be lower when compared to regulated super funds. In reality, the running of an SMSF is time consuming, requires ongoing compliance which can be expensive and an expertise in investments and investment risks.

An SMSF must be run for the sole purpose of providing retirement benefits for the members or their dependants. You cannot set up an SMSF to try to get early access to your super, or to buy a holiday home or artworks to decorate your house. There are severe penalties for doing so.

Who can have an SMSF?

Anyone can be a member of an SMSF provided they are not employed by another member of the fund, unless related. To be a trustee you must be aged 18 or over, not under a legal disability or be a disqualified person. An individual is a 'disqualified person' if:

- the person was convicted of an offense involving dishonesty;
- the person has been subject to a civil penalty order under the Superannuation Industry (Supervision) Act 1993;
- the person is an insolvent under administration; or
- have been disqualified by a court or regulator.

What it costs

If you calculate costs such as set up fees, investing, documentation, exit fees, accounting, annual auditing and supervisory fees, the costs can be much higher compared to a public offer super fund.

According to ATO statistics, in 2015 SMSF's with fund balances of between $500,000 and $1 million have an average operation expense ratio of 1.43%.[1] The Australian Securities and Investments Commission (ASIC) MoneySmart website suggests at least $250,000 is required to make an SMSF worthwhile.

1 ato.gov.au

What are the responsibilities?

In an SMSF you will be required to act in accordance with:

- the provisions of the Superannuation Industry (Supervision) Act 1993;
- the trust deed for the SMSF;
- the Corporations Act 2001 (for a corporate trustee); and
- other rules imposed under trust and tax law.

You will be obligated to maintain an investment strategy and manage all contributions and withdrawals. You will need to remain up to date with the ATO's frequent changes to SMSF rules and regulations. You must also comply with a range of requirements, such as:

- reporting and record keeping;
- tax requirements; and
- audit requirements.

Those thinking about setting up an SMSF need to consider a range of factors, such as:

- the considerable time required to actively manage an SMSF;
- that a sizeable balance is generally required to offset costs;
- that a significant level of expertise and skill in a wide range of investments, including cash, fixed interest, shares and property is needed; and
- when yours or other members of the fund circumstances change, you or they may no longer have the capacity to deal with the complexities of the SMSF; and
- that as Trustee, you are legally responsible for complying with the relevant laws.

If you are thinking of moving your retirement savings into an SMSF, it is a very important financial decision and careful consideration should be taken as you need to have the time and skills to do it.

It makes sense to consider your options and compare between an SMSF and a public offer super fund, like EISS Super, before you make a decision.

A comparison between an SMSF and EISS Super

SMSF	EISS Super
Trustee responsibilities: ■ Annual independent audit; ■ Annual financial statements; ■ Financial accounts; ■ Annual tax return; ■ Develop, implement and monitor the investment strategy; and ■ Adhere to and be compliant with superannuation and tax legislation.	**Trustee responsibilities:** ■ EISS Super manage this for you.
Administration: ■ Record keeping; and ■ Maintaining all documentation and details.	**Administration:** ■ EISS Super manage this for you.
Running costs: ■ Set up costs; ■ Ongoing accounting, auditing, brokerage and adviser/ advice fees; ■ Actuarial fees; and ■ Other fees and levies.	**Running costs:** ■ Ranging from 0.33% p.a. to 1.01% p.a. depending on your investment choice[2].
Investments: ■ Develop and set up an investment strategy; ■ Select from a wide range of investments including property; and ■ Ongoing management of the investments.	**Investments:** ■ A range of 5 investment options.
Expertise: ■ You will have to have a significant level of knowledge and skill in a wide range of investments, including cash, fixed interest, shares and property.	**Expertise:** ■ A team of investment specialists regularly review and manage the investment managers and investment options on your behalf.
Advice: ■ Seek guidance from a financial professional at additional cost.	**Advice:** ■ EISS Financial Planning provides financial advice to our members. If the advice specifically relates to your EISS Super account, it is generally provided to you at no additional cost however you may be charged a fee-for-service for other advice.
Insurance: ■ You will have to purchase your own insurance cover and in the event of a claim, you will have to manage this on your own.	**Insurance:** ■ Automatic Death and Total and Permanent Disablement (TPD) insurance cover provided upon joining. ■ In the event of a claim, EISS Super manage the claim with the insurer. ■ You also have the option to apply for Salary Continuance Insurance and additional Death and TPD Insurance.

2 Based on Fees and costs as at 30 June 2019.

If your objective is for your retirement savings to be managed in a professional, cost effective way with solid long term investment returns - then join EISS Super today online at **eisuper.com.au/join**.

Seek professional advice

Our financial planners provide advice over the phone, at our offices or at a location near you.

To book an appointment, please call **1300 369 901** or visit **eisuper.com.au/appointment**.

We're here to help

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