

We frequently receive questions about self managed super funds (also known as SMSFs or DIY super funds) and while SMSFs may be great for some people, they won't suit everyone.

Your super is your investment for your retirement, and even the Australian Securities and Investment Commission (ASIC) considers that 'look before you leap' is good advice before switching to a SMSF. As part of our ongoing investor education series, the following information may help AvSuper members to decide if switching to self managed super is the right decision for them.

## Managing your own super – is it worth the effort for you?

Self managed super appeals to some people because they want control of their savings. Having a self managed super fund can work for some people, but it is important to understand what is involved before making such an important decision, as managing your own superannuation money is governed by detailed taxation, trustee and other legal rules.

Operating your own self-managed superannuation fund is complex, and usually cannot be done entirely on your own - you will usually need to engage multiple professional experts (tax, compliance, investment, etc) to make sure your fund is properly administered and invested under the law – or risk hefty financial penalties.

### Questions to answer

ASIC\* suggests there are four key questions to consider before starting a SMSF:

- 1: Is the fund strictly for retirement benefits only?
- 2: Do you have the time and skills to run a SMSF?
- 3: Will the benefits be worth the costs?
- 4: How will switching to a self managed fund affect your current super?

### What are the costs of a SMSF?

Many people move their money into an SMSF without realising that costs in that fund are usually greater than those in their current super fund. Even well-qualified people with large superannuation accounts have found SMSFs costly, time-consuming and not worth the trouble.



Typically, a SMSF costs about \$7,125 a year to run, and **many cost more than that**. Don't forget to add in set up costs, which vary, and you've already made a serious dent in your retirement savings. According to 2009 statistical reports from the Australian Bureau of Statistics (ABS) and the Australian Tax Office (ATO), an SMSF needs a balance of at least \$500,000 to be cost-competitive.

Some of the ongoing running costs you may have to pay are:

- Investment adviser fees
- financial planning fees
- Accounting services for records and audit preparation
- ATO regulation fees
- Actuarial fees
- Strategic advice fees
- Administration fees if you want help with reporting and correspondence, etc

### Compare AvSuper with a self-managed super fund

Thought managing super yourself would save you money?  
We've compared the average costs with AvSuper...

<p>Management cost per annum is \$7,125</p> <p>2.9% of your balance</p> <p><b>SMSF</b> self managed super fund</p>	 <p>Based on \$250,000 balance</p>	 <p>Management cost per annum \$2,550</p> <p>1.0% of your balance</p>
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AvSuper members **save \$4,575 a year** compared to SMSF

SMSF costs are based on A statistical summary of self-managed superannuation funds, 2009. Please visit [www.avsuper.com.au](http://www.avsuper.com.au) and read our product disclosure statement before making a decision about AvSuper (ABN 84 421 446 069, AFSL 239078)

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Also, if you want insurance cover, there will be a cost to replace additional services provided by your current super fund, such as life insurance and income protection cover, which are also usually cheaper through a super fund.

As you may know, superannuation funds get various tax concessions to encourage you to save for your retirement. For example, the top tax rate for the fund's investment earnings is 15% which is probably much lower than your own marginal tax rate. You will get the same tax concession in your SMSF **only if you operate it as a 'complying fund'**, that is, a fund that complies with all the rules. If you do not comply, your fund will have to pay **extra tax, and possibly back taxes and penalties**.

## What is involved in the running of a SMSF?

As you are legally responsible for your SMSF, there are a number of tasks you need to manage – or pay someone to manage for you. While some of these tasks are mundane (e.g. recording and filing all relevant correspondence) others require a certain level of skill (e.g. making investment decisions).

SMSF management may involve:

- Preparation of annual financial statements
- Maintaining a list of fund assets
- Implementing investment decisions and strategies
- Arranging an independent audit each year
- Responding to regulatory requirements and requests
- Running and taking minutes of trustee meetings
- Preparing and lodging annual tax returns for the fund



## What if something goes wrong?

You are legally responsible for making sure your SMSF complies with all the rules. Even if you pay for professional help or advice, if any mistakes occur, it'll still be your problem. You can't complain to the Superannuation Complaints Tribunal for help if you have an SMSF. If your SMSF suffers from fraudulent conduct or theft, you won't be eligible for compensation under superannuation law like other super funds are.

We always recommend that you seek professional advice from a qualified financial planner before making big decisions like setting up an SMSF. After all, your super will probably turn out to be one of your biggest assets if you look after it properly.

AvSuper provides you easy access to comprehensive financial advice through our strategic partnership with external financial planners – call us for a referral to a high quality, reasonably priced, personalised service for advice beyond your AvSuper membership (refer to [our website](#) for details about [Member Advice Solutions](#) for help with AvSuper related decisions such as investment choice and contribution levels).

\* ASIC provides these questions and some information on their website at [www.asic.gov.au/asic/pdf/lib.nsf/LookupByFileName/SMSF\\_factsheet.pdf/\\$file/SMSF\\_factsheet.pdf](http://www.asic.gov.au/asic/pdf/lib.nsf/LookupByFileName/SMSF_factsheet.pdf/$file/SMSF_factsheet.pdf)