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Do falling markets signal a good time to open an SMSF?

Historically, self-managed super funds (SMSFs) have been seen as a direct way to take control of your retirement savings. By taking charge of your investment selection and asset allocation, there may be the perception that you could outperform your retail or other super fund by taking control over your choice of investments.

Hence, when investment markets begin to fall, greater interest is taken around where your super is invested and the fees you may be paying to the super fund and investment experts managing your retirement savings.

Keep in mind, this doesn't mean you can invest in anything, anywhere you like. You are still restricted to investing in assets allowed under the trust deed for your SMSF, the investment strategy of the SMSF, and what superannuation law allows (or prohibits) your SMSF to invest in.

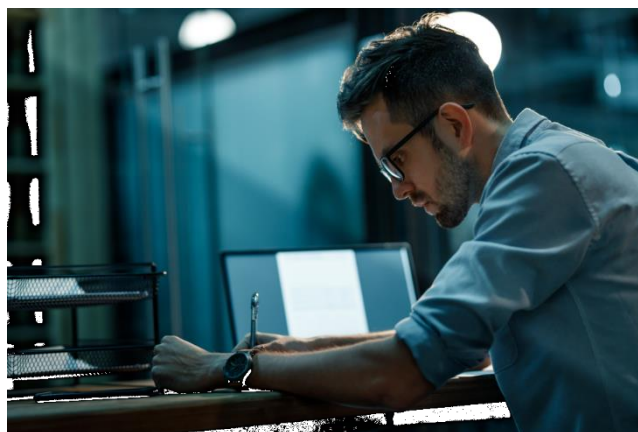
At its core, an SMSF is essentially a concessional tax retirement savings trust designed for the sole purpose of funding the retirement needs of the SMSF's members. SMSFs operate under comparable rules to other super funds in the open market. However, they provide their members with an additional level of choice, control, and flexibility.

Financial and other considerations for opening an SMSF

If you are considering starting an SMSF for the first time, the best time to open your SMSF will be after you have considered all of the relevant factors, such as the costs and responsibility involved in running your own SMSF, your investment plan and only then after you have arrived at the conclusion that an SMSF is the right retirement savings vehicle for you.

Start by making sure you understand the rules and regulations in the current superannuation landscape.

Make a decision around the pros and cons of how you may want your SMSF structured. Will you have a corporate trustee or individual trustees and how many members will be a part of your SMSF?





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Your SMSF trust deed contains the rules for operating your SMSF, the powers (and restrictions) the trustees may have, and the conditions for investing the member's funds and paying members benefits. Is there anything you specifically need accommodated in your SMSF's trust deed?

It's important that your SMSF's trust deed is correctly drafted and meets the needs and plans you have for your SMSF, so consider professional advice in this area.

Factors critical to your SMSF's success

Plan the way forward for your SMSF by preparing your SMSF's investment strategy, putting it in place, and reviewing all factors critical to your SMSF's success on at least an annual basis.

For example, are the SMSF's members in the accumulation phase or will they soon be drawing pensions? Does the risk tolerance of the SMSF's investments need to change? Are the SMSF's investments within the target range of the investment strategy? And will you apply for or continue to hold insurance cover for the SMSF members?

While running your own SMSF may provide an increased degree of choice, flexibility, and control that is generally not available in retail funds, it comes with additional responsibility (and potential complications) in areas you may not immediately realise.

What if over time your relationship with other members of the SMSF change? Unless your SMSF is a single member fund, most SMSFs will have more than one member and more than one trustee (or director of the corporate trustee company) running the SMSF.

Do you have a plan in place to cater for events such as a member falling ill, losing the capacity to undertake their duties, a relationship breakdown or someone no longer wanting to be a part of the SMSF?

Challenges may arise if the remaining trustees are unable to agree on the future direction of the SMSF, the investment management or how to deal with the members' benefits.

SMSFs don't always last the distance

With an average of over 14,000 SMSFs being wound up each year over the five financial years prior to 30 June 2018, you may choose to wind up your SMSF for any number of reasons, and if you do, it's important you consider your role in this area carefully. Winding up your SMSF requires a number of tasks to be undertaken, which if not done correctly, may result in your SMSF staying open for an extended period of time resulting in additional operating costs.

Again, you will need to check your SMSF's trust deed as it may require certain actions as part of the wind-up process. You will need written agreement and approval from all people involved in your SMSF, verification with the members on how they would like their benefits paid (or rolled to another super fund), and complete all of your tax and other compliance obligations.