

# Making the most of your Self Managed Super Fund.

## The little things that matter.

Most people have an understanding of the importance of accumulating monies for their retirement consistent with their goals, objectives and asset protection requirements.

Many have considered setting up or switching to a Self Managed Super Fund (SMSF) and need to better understand the costs, benefits and implications.

The reality is that there are clear benefits from a tax effective and asset protection perspective in accumulating assets and wealth inside a SMSF when you view this as a separate legal entity in which to “house” the assets of the members.

In general terms the tax advantages are:

A tax rate on employer's contributions and salary sacrifice contributions of 15 per cent. Note the age based limits and conditions on contributions still apply. Any imputation credits on dividends received will be offset against any tax payable by the fund and in fact may be refunded should there be an excess received relative to the tax payable.

Ability for a spouse to contribute to the SMSF, subject to the age of the spouse and on the basis they are gainfully employed. There are no conditions if the spouse is under the age of 65. Whilst the SMSF is in “Accumulation Phase” the maximum tax rate on income is 15% and 10% on capital gains, if the assets have been held for longer than 12 months.

Whilst the SMSF is in “Pension Phase” the fund is tax free.

Once you reach the age of 55, members can start a “Transition to Retirement” pension and commence to withdraw their superannuation. For those between 55 and 60, the pension may be taxable but a tax rebate can be accessed, and for those over 60 the pension should be tax free. The minimum pension amount is subject to the member’s age, and the maximum annual pension is capped at 10% of the member’s balance.



In retirement or at the age of 65, an Account Based pension can be commenced, and the cap on the maximum pension mentioned above is removed. This increases the flexibility allowed within the SMSF, and the account based pension should still be tax free to those members over the age of 60.

There are a number of strategies that clients have implemented and enjoyed including:

- Maximising the tax deductible contributions of up to \$25,000 if under the age of 50 and up to \$50,000 if over 50.
- Increased flexibility in investment choices and the asset selection.
- Control over their total investment portfolio, with the ability to take account of the risk profile of all their assets, taking into consideration those assets held outside superannuation.
- The ability to have between 1- 4 members in the fund which allows the pooling of resources of others with similar financial objectives (for example, a family unit). This is subject to the test that members cannot have an employer/employee relationship unless they are related family members.
- The maximum flexibility on the timing and money withdrawn in relation to the usage of pension streams relative to your individual needs from year to year.
- The ability to transfer personally owned listed shares and other listed securities directly into superannuation(subject to CGT)
- The ability to own your business' real property (but not operating assets) in the superannuation fund, assisting funding and cash flow problems for many businesses.
- A capacity for the SMSF to borrow up to 60% on certain assets subject to specific conditions.
- An ability to make a concessional (non deductible) contribution of \$150k per year or \$450k lump sum over a 3 year period, subject to the member's age.

SMSF's are great for some people but they don't suit everyone.

A specific review of your circumstances and objectives with one of our financial planners will allow you to determine if the tax effective and asset protection benefits that a SMSF can deliver, are suitable for you. NO obligation – Cost free.

## **Alec Blacklaw – Marsdens**

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