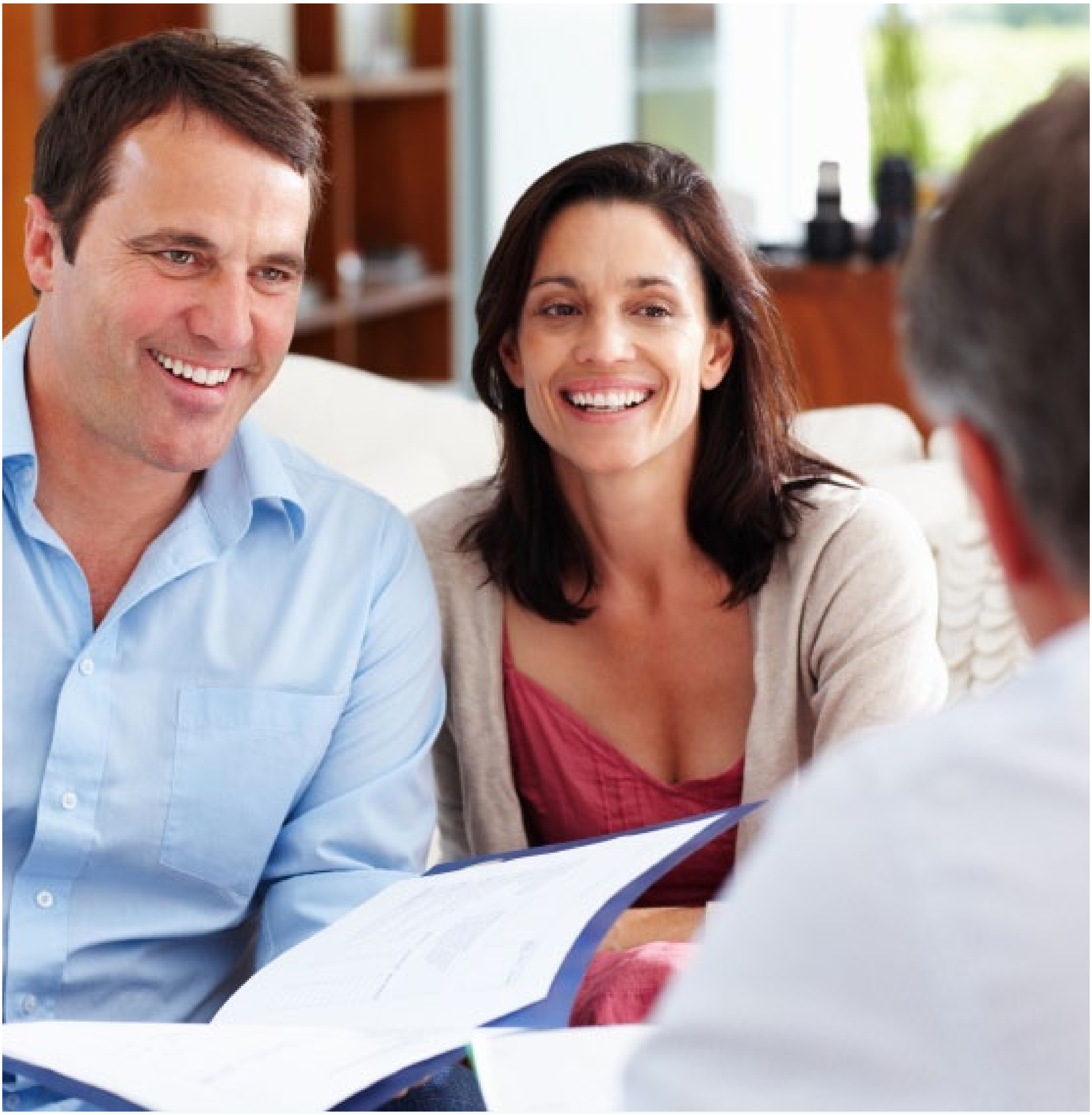
Superannuation



Portfolio Financial Strategies ABN: 740 990 295 26 AFSL Number: 247105
Level 5 Toowong Tower, 9 Sherwood Road, Toowong QLD 4066
T 07 3310 8700 **F** 07 3310 8727 PO Box 2178 Toowong QLD 4066
A Corporate Authorised Representative of Sentry Financial Planning Pty Ltd

We all have superannuation, or at least we all should have superannuation!

The superannuation structure has everything going for it. It is the most tax effective way to derive income and capital gains, it allows us to live a tax free life from the age of 60, someone else has to contribute money into it for our benefit, and it is there to fund our retirement.

Your superannuation is held in a fund which is governed by strict laws. The funds vary in size and benefits, however the most common funds are Industry, Retail and Self Managed Superannuation Funds.

Retail and Industry Funds vs Self Managed Super Funds

RETAIL AND INDUSTRY FUNDS

Funds such as AXA, Tower, REST, Colonial First State, Sunsuper, QSuper, Australian Super, CBus, etc, are retail and industry superannuation funds.

These funds are funds where your super is pooled with that of thousands of other Australians. In these funds you decide how you want your money invested – fixed interest, balanced, growth, for example, however you do not have any control over the direct assets purchased within the various profiles.

The company that managers your money makes their money by charging you administration and management fees. The gross management fee is calculated by multiplying your superannuation balance (commonly referred to as funds under management – FUM) by the company's Management Expense Ratio (MER). The downside of this is that as your fund grows, so do the fees.

SELF MANAGED SUPERANNUATION FUNDS

A self managed superannuation fund is a style of superannuation fund where you take control. You decide on the investments that the fund makes, when to buy and sell investments and how much you wish to allocate to those investments.

The reasons to establish a self managed fund are many and varied, however the main reasons people establish a self managed fund are:

You take full control of your superannuation;

The control allows you the flexibility to invest in a manner that suits you;

You can combine the benefits of up to four people within the one fund;

You can run both pension and accumulation accounts with the one fund;

A self managed fund can result in a significant yearly fee saving to your fund.

The SMSF Structure

CONTRIBUTIONS

ROLLOVERS

INCOME
Interest, Dividends, Rent etc.

SMSF

MEMBERS (1 - 4)

TRUSTEE (Individual/Corporate)

EXPENSES
Accounting,
Financial Planning,
Insurance, etc.

Although you are a member of the super fund, and the money in the fund is held for your benefit, it is the trustees of the fund that manage the funds for you. The point of difference with an SMSF is that the member is also the trustee, either in their own right or as director of a company which acts as trustee.

CORPORATE TRUSTEE A corporate trustee is a company which acts as trustee for your SMSF. Where a company is used as a trustee, each member of the fund must be a director of the company, and each director of the company must be a member of the fund.

INDIVIDUAL TRUSTEES Where your SMSF has individuals as trustees, all members of the fund must be trustees, and all trustees must be members of the fund.

The decision as to whether you should have individuals or a company as trustee for your SMSF is a personal one, however following are the benefits of each.

INDIVIDUAL BENEFITS:

Lower establishment cost

No ASIC reporting requirements

Fewer procedural issues, as there is no need to comply with a company constitution

CORPORATE BENEFITS

Administrative efficiency - if a member dies/leaves/joins the fund, the name in which the investments are held in does not need to be altered.

Liability issues - if an individual is sued as a result of their actions in managing the fund, they will not have their personal assets put at risk.

It is easier for a corporate trustee to ensure that any assets belonging to the trust are not in the name of the members.

What can you do with your money?

The main benefit of a SMSF is the control you receive. This control allows you the flexibility to make investments that are suited to your risk profile, though must be in accordance with the fund's investment strategy.

YOUR SUPER FUND MAY INVEST IN THE FOLLOWING AREAS:

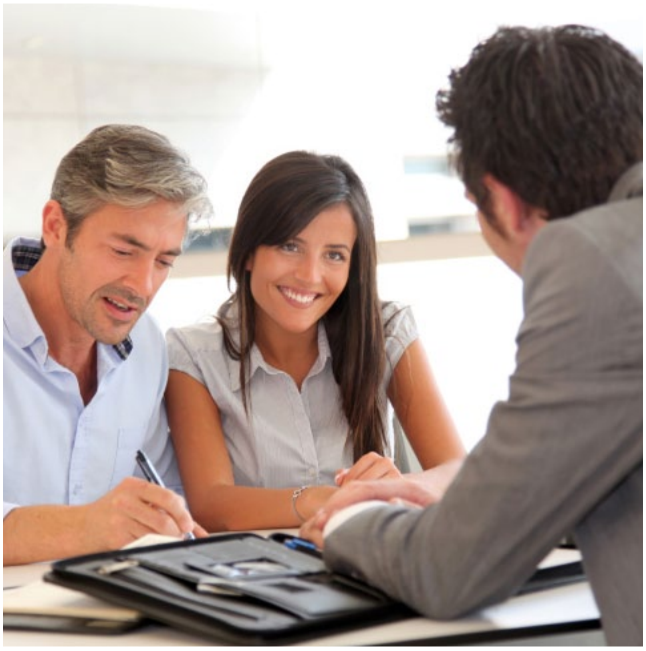
Direct shares/equities, including participation in dividend reinvestment programs and rights issues or any other similar investments offered in this area;

Property trusts and associated investments;

Managed investment and associated products;

Direct property investments, i.e. real estate; and

Any other investment that is legal under the lays of the Commonwealth of Australia and its States and Territories.



When making investments, it is important that you understand the rules, and do not jeopardise the fund by contravening the laws in place.

YOUR FUND CANNOT

Make loans or provide financial help to members or a member's relative;

Acquire assets for related parties, except in limited circumstances;

Borrow money or use fund assets to borrow against unless approved by law;

Operate a business.

You need to prepare and implement an investment strategy for your fund.

THE STRATEGY SHOULD BE REVIEWED REGULARLY, AND SHOULD CONSIDER THE FOLLOWING

Invest in a way to maximise member benefits whilst taking into account associated risks;

Diversity your investment choices across a number of assets and asset classes;

Maintain the fund's ability to pay members benefits and other costs as and when required.

Contribution Limits

Although encouraging us to contribute to super to fund our retirement, the government has also placed caps on the amount you can contribute in any year.

AS OF JULY 1, 2012, the amount you can contribute to your super fund and claim a tax deduction for, (called a concessional contribution), is limited to $25,000.

In addition to concessional contributions, you are also able to contribute to your super fund and not claim a tax deduction. The amount you can contribute in this fashion is $150,000 per annum, or $450,000 in any 3 year period – note there are restrictions on contributions once you reach age 65 and stop working.

Taxation Efficiencies

A major benefit of the superannuation environment is the concessional tax rate.

A FLAT TAX RATE OF 15% is charged to all income within the fund. A rate of 10% is taxed on capital gains where the asset has been held for greater than 12 months. A rate of 0% is taxed on fund income and capital gains where the fund is paying a pension to a member.

What are the minimum requirements to establish and maintain a compliant SMSF?

FIRST AND FOREMOST, we need to establish your fund. The process involves obtaining all the required paperwork (trust deed, minutes of meetings, application forms, etc), applying for an Australian Business Number and Tax File Number for your SMSF, opening a fund bank account and rolling over each of your current super funds into the new SMSF bank account.

THIS PROCESS GENERALLY TAKES 4 TO 6 WEEKS – AND WE LOOK AFTER EVERY STEP FOR YOU!

On an annual basis, your SMSF needs to have a set of financial statements prepared, an independent audit report prepared and tax return lodged.