10 golden rules for self-managed superannuation funds

– a great place to start before setting up an SMSF

A self-managed super fund (SMSF) is your own personal superannuation fund that can give you total control over how your super benefit is invested. SMSFs continue to remain popular as they allow people to make their own investment choices for their retirement rather than leave their superannuation to be invested by others. However, while SMSFs are great for some people, they don't suit everyone because with control comes responsibility.

There are many things to consider when choosing an SMSF. The following 10 golden rules are a great place to start.

What are the 10 golden rules?

1. Ensure that it's the best option for you	Setting up an operating an SMSF is a major financial decision. The responsibility for running the fund and complying with the law rests solely with you as trustees. You need to consider whether you have the time, knowledge and skill to manage your own super and the assets and money to make the fund viable. Choosing an SMSF is a very important decision, so we recommend you see a qualified and licensed professional to help you decide if it's the right super fund for you.
2. Trustees roles and responsibilities	An SMSF must have four or less members. Being a member of the fund also means you must be a trustee. You can have a company as a trustee but all members must be directors. All trustees are responsible for the running of the fund and should act in the best interests of all fund members when making decisions. Most importantly, the trustees need to comply with the superannuation and taxation laws to ensure the fund retains its complying status and is entitled to the superannuation tax concessions.
3. Ultimate responsibility and accountability	Trustees can engage SMSF professionals to complete mandatory obligations and tasks including taxation returns, administration, reporting and auditing. Some of these professionals can include an accountant, administrator or a financial adviser. Even though trustees can engage the services of professionals, they are bound to retain control over the funds and will have ultimate responsibility and accountability for the fund.
4. The SMSF must be a complying Australian super fund	For an SMSF to be considered as a complying super fund and receive tax concessions, the fund needs to meet the definition of an 'Australian superannuation fund' for tax purposes. The fund must satisfy three tests to be classified as an Australian superannuation fund. The fund must have: • been established in Australia or the assets of the fund are located in Australia • satisfied the central control and management test • satisfied the active member test.
5. Choose a retirement planning strategy	An SMSF can allow you to use many different retirement planning strategies in order to reach your goals and objectives. It is essential to seek professional advice from a financial adviser to ensure you maximise your SMSF and retirement planning goals and objectives.

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6. Set and define your investment strategy	A trustee of an SMSF is required to prepare and implement an investment strategy for the fund. An appropriate strategy will establish investment objectives and detail the investment methods the fund will adopt in order to achieve these objectives. The investment strategy is also required to consider the risk insurance needs of members.
7. Do not break any investment rules	The trustee must be aware of relevant restrictions that prevent SMSFs from making certain investments. Examples include borrowing in particular circumstances and lending money or providing financial assistance using fund resources to a member or a relative. It is essential to seek advice from a financial adviser to help ensure the trustees set, execute and review an appropriate investment strategy.
8. Remember the sole purpose test	The sole purpose test for an SMSF aims at ensuring investments are maintained for the purpose of providing benefits to fund members upon their retirement and not for any other purpose. The trustees of an SMSF must comply with the test to maintain the taxation concessions available. An example of a possible contravention of the sole purpose test is where members of the fund and their family occupy a holiday home owned by the fund.
9. Keep things separate	The trustees of an SMSF must ensure the assets of the fund are kept separate from their personal financial affairs. This means you need separate bank accounts and investments.
10. Follow the rules	An SMSF is a trust and the trust deed contains the governing and operating rules of the funds. An SMSF must also adhere to other regulatory requirements such as superannuation and taxation laws which need to be consulted in conjunction with the trust deed. When setting up a fund, the deed should be constructed by a professional such as a solicitor specialising in SMSFs. Your deed may also need updating by a legal professional over time to reflect the changes in superannuation laws.

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