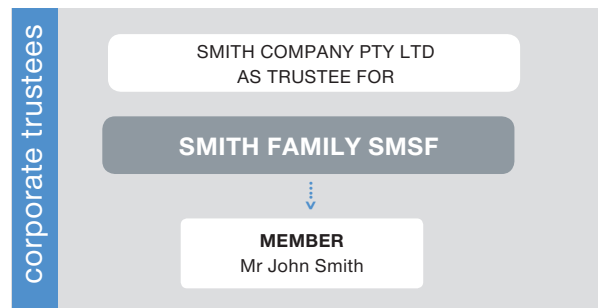
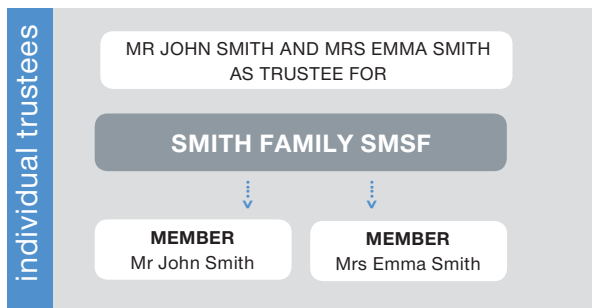


# Deciding on your SMSF trustee

Deciding on the type of trustee which will be responsible for your SMSF is important. There are two types of structures available:

- Individual Trustees – Where the members of the fund act as the fund Trustees
- Corporate Trustee – Where the members of the fund appoint a company to act as Trustee – and those members are Directors of the company.



## Individual Trustees

If you choose to have individuals acting as the trustees of your self managed super fund, the fund must have:

- Four members or less
- Each of those members must also be a trustee
- Unless they are related, no member may be employed by the other member
- Trustees are not paid for their role as trustee of the fund.

### Single member funds and individual trustees

You are permitted to set up a fund with only one member. However, you are still required to have two individual trustees. The member of the fund is one trustee and the other can be either a relative of the member, or any other person who does not employ them. The second trustee need not have a balance in the super fund, and has the same rights and responsibilities as the trustee who is a member of the fund.

Consider carefully when appointing a second person to act as trustee for your single member super fund. The role entails legal rights and responsibilities in relation to the SMSF, the same as the trustee who does have money in the fund, so the position is not to be taken lightly. They may also have significant control over your super fund monies in the event of death. The alternative is to set up a corporate trustee and be a sole director and secretary, and this is discussed next.

## Corporate Trustees

You may choose to incorporate a company to act as trustee for your SMSF. If so the following is required:

- Fund is to have four members or less
- Each member must also be a director of the company
- No member is an employee of another member, unless they are related
- Neither the corporate trustee, nor the directors of the corporate trustee are remunerated for their service as trustees.

### Single member funds and a corporate trustee

The sole member of an SMSF can set up a company to act as the trustee of their super fund. In this instance they do not require an additional person to act as trustee of their fund as they can be the sole director and secretary of the company. This alleviates the risk of involving a second person if you are the sole member of your super fund.

Please note there are risks involved using an existing company to act as the trustee of your super fund – unless it is available to act solely as the corporate trustee of the super fund and is not used in any other capacity.

## Super Tips

If you are going to borrow money, you should consider a corporate trustee structure for your fund. Not only do the majority of banks prefer an SMSF with a corporate trustee, in some cases they also provide a higher loan value ratio (LVR) for corporate trustee funds.

# Deciding on your SMSF trustee



Setting up your self managed super fund	Individual Trustees	Corporate Trustee
Administrative cost	The fund can be less costly to establish as you don't have to set up a separate company to act as trustee.	It can be more costly to set up the fund initially as you need to establish a company to act as trustee (if you don't already have one).
Single member funds	You can have a single member fund if you have two individual trustees (you can't be the only trustee).	You can have a single member fund and be the sole director of the trustee company.
Governing rules	The trustees need to follow the rules in the following: <ul style="list-style-type: none"> <li>- the fund's trust deed</li> <li>- the superannuation law</li> </ul>	Directors of the corporate trustee need to follow the rules in all of the following: <ul style="list-style-type: none"> <li>- the fund's trust deed</li> <li>- the superannuation law</li> <li>- the company's constitution</li> <li>- the company law</li> </ul>
Ongoing administration and reporting	Individual Trustees	Corporate Trustee
Administration	The fund has less reporting obligations, but changing trustees can mean increased paperwork and administrative costs.	Having a corporate trustee can make it easier to: <ul style="list-style-type: none"> <li>- administer the ownership of fund assets</li> <li>- keep the assets of the fund separate from any personal or business assets</li> </ul>
Reporting	As a trustee, you need to: <ul style="list-style-type: none"> <li>- lodge a self managed super fund annual return for the fund</li> </ul>	As a director of the corporate trustee you have reporting obligations to ASIC, in addition to the reporting requirements of individual trustees. You need to pay an annual review fee to ASIC.
Changes to trustees and members	Individual Trustees	Corporate Trustee
Administration of fund assets	Fund assets should be held in the name of all individual trustees as trustees for the fund. If there is a change in trustee, you need to: <ul style="list-style-type: none"> <li>- change the name on the ownership documents (such as a title deed) for each fund asset</li> <li>- notify all relevant authorities/registries</li> </ul> This process can be time-consuming and costly if your fund owns many assets, such as a wide range of shares, or property	Fund assets should be held in the name of the company as trustee for the fund. If there is a change in directors, you don't have to change the name on the ownership documents for each fund asset (as the trustee still retains the same name).
Becoming a single member fund	If your fund has two trustees and one leaves or dies, you need to appoint another trustee in their place for your fund to continue to be an SMSF.	If the company has two directors, and one leaves or dies, you don't have to replace them (a corporate trustee can have a single director). The trustee doesn't change if a member/director dies or leaves the fund.
Paying benefits to members	The trust deed needs to allow the fund's sole or primary purpose, to provide old age pension. Your fund can pay lump sum benefits provided the trust deed specifically allows it to.	Your fund can pay benefits in the form of a lump sum or pension.
Penalties	Individual Trustees	Corporate Trustee
ATO Administrative Penalties	If the ATO determine your fund has breached the super law, new administrative penalties apply to each trustee of the fund. Each individual trustee is personally liable for the penalties, which can be up to \$10,800 each, depending on the contravention.	As the penalties apply per trustee, with a corporate trustee, there is only one trustee and, therefore, one penalty.

*Adapted from the Australian Taxation Office publication 'Setting up a self managed super fund'.*

# Deciding on your SMSF trustee

Too often the direct costs associated with establishing a company to act as the corporate trustee of a SMSF is the overriding reason why individual SMSF trustees are appointed.

The administration, operational and estate planning benefits of a corporate trustee are often not fully identified or considered. While the set up costs of a SMSF with individual trustees will always be less than a SMSF with a corporate trustee, the administration and estate planning complications and costs which may be incurred by the trustees later on also need to be considered. Only once all of these costs have been considered can the most cost effective option truly be identified.

## Minor members

The ATO considers that a fund with a corporate trustee with one or more members under the age of 18 will not satisfy the definition of a SMSF in section 17A of the SIS Act unless a legal personal representative has been appointed as a director of the corporate trustee in place of the member who is under age 18.

As an individual is not automatically a legal personal representative of another individual simply because they are the parent or guardian of that individual, in the case of an SMSF with a corporate trustee the parent or guardian will need to go through the formal process of appointing a legal personal representative for minor members.

Once appointed, the legal personal representative must then be appointed as a director of the corporate trustee of the SMSF in place of the member who is under age 18.

## ASIC reporting obligations

SuperGuardian can act as the ASIC agent and facilitate the preparation of your annual ASIC return. We maintain responsibility for ensuring all company compliance obligations are being met.

## Summary

It is important for people to understand the advantages and disadvantages of each type of trustee structure and be able to apply this knowledge to their individual circumstances.

For further information please call 1300 787 576.



---

Any information that is financial product advice is provided by SuperGuardian Pty Ltd (AFSL No. 485643 ). The advice provided is general in nature and is not personal financial product advice. The advice provided has been prepared without taking into account your objectives, financial situation or needs and because of this you should, before acting on it, consider the appropriateness of it having regard to your objectives, financial situation and needs. You should carefully read and consider any product disclosure statement that is relevant to any financial product that has been discussed before making any decision about whether to acquire the financial product. Please refer to the SuperGuardian FSG <http://www.superguardian.com.au/superinfo/financial-services-guide/> for contact information.

---

**Postal**  
GPO Box 1215  
Adelaide SA 5001

**Telephone**  
1300 787 576 (National)  
08 8221 6540 (Adelaide)

**Facsimile**  
08 8221 6552 (Adelaide)

**Email**  
[info@superguardian.com.au](mailto:info@superguardian.com.au)

**Adelaide**  
65 Gilbert Street  
Adelaide SA 5000

**Melbourne**  
Level 4  
152 Elizabeth Street  
Melbourne VIC 3000

**Sydney**  
Level 13  
333 George Street  
Sydney NSW 2000