

June 2011



YourGuardian

30 June 2011 - Are you ready?

With 30 June just around the corner it is an ideal time for trustees to take time out to review a number of key areas prior to the end of the financial year.

Contributions

Members should review concessional and non-concessional contributions made into both their SMSF and other super funds.

Concessional contributions are taxable to the super fund and have been claimed as a tax deduction by the member or an employer (superannuation guarantee and salary sacrifice).

The concessional contributions cap is \$25,000 for individuals over the age of 50 and \$50,000 for people over 50 (but less than 75).

Non-concessional contributions are contributions that have not been claimed as a tax deduction and are not taxable to the super fund. The cap for these contributions is \$150,000 for people of all ages (up to the age of 75).

Excess contributions tax of at least 31.5% can apply if these caps are breached individually, while concurrent breaches of the two caps may result in the excessive contributions being taxed at 93%.

SGDaily and SGMonthly clients have their contributions monitored monthly so we can notify clients as they approach their caps.

Contributions are a high risk area and trustees managing funds on an annual basis must monitor them closely.

Government Co-Contribution

Individuals who make a non-concessional contribution into their fund may be eligible to receive the government co-contribution. The government will match contributions up to \$1,000 for those people with taxable income less than \$31,920, with the co-contribution gradually scaled back as an individual's income approaches the threshold of \$61,920.

In-Specie Contributions

At this time of year we see a number of SMSF members transferring shares into the fund as an in-specie contribution. Clients should be aware that the rules governing these transfers have recently changed.

In the past, share registries simply assumed that the transferring owner was the owner who was requesting the transfer.

Under new rules, the ASX now require share registries to verify that the requesting party is in fact the owner of the security.

This means that identification, such as a driver's licence or passport, will need to be provided to the registry if a sponsoring broker is not used to action the transfer.

Trustees of a superannuation fund must now ensure, by providing adequate identification, that an off-market transfer form can be processed by a share registry. If the transfer is delayed or not accepted the contribution is deemed not to have been made, which could have implications for an overall contribution strategy.

Pensions

If you are currently drawing a pension from your fund it is of paramount importance that you ensure the minimum amount is withdrawn prior to 30 June 2011. The minimum amounts have been reduced by 50% for the current financial year.

Pension withdrawals must be made in cash and must physically be taken out of the fund by 30 June 2011. Pension withdrawals can not be accrued.

Not drawing the minimum amount required will result in the fund losing its tax exempt status for the year in relation to that member's account.

If a member is looking to commence a pension on 1 July the trustees should also have property or any other unlisted assets revalued to ensure that the member is commencing their pension with an accurate member balance.



Borrowing in a SMSF

Funds that maintain borrowings with a related party lender need to ensure that the borrowing is held at arms length, and that any loan payments have been made in accordance with the loan agreement by 30 June 2011.

Trust Deed

As the trust deed is essentially the "rule book" for the running of a SMSF it is important that everything that occurs within the fund is allowed by the SMSF trust deed.

It is essential that the trust deed be reviewed on a regular basis to ensure that your superannuation fund can comfortably utilise all the provisions allowed by the SIS Act.

If the deed is several years old it may be appropriate to have the deed upgraded. One of the 'risks' of allowing your deed to age is that your accountant, financial adviser or administrator may assume that the deed allows for strategies permissible under newer legislation when in fact it does not.

Trustees should note that it is their responsibility to ensure that the deed reflects current legislation.

Investment Strategy

As a trustee it is important to ensure that all investments that are undertaken by the SMSF are in line with the investment strategy.

The strategy should be reviewed before investments are made and if a trustee is considering investing outside of the current strategy a new one should be drafted.

The auditor of the fund will compare your asset allocation to your investment strategy at year end and it is important your strategy is accurate and up-to-date.

In-House Assets

It is essential that any in-house assets held by the fund constitute less than 5% of the total fund assets at 30 June.

This could be achieved through:

- the revaluation of any assets such as property or collectibles;
- making additional contributions (within the caps).

If it is not possible to reduce the value of in-house assets below 5% by 30 June, the trustees will need to prepare a written plan outlining how they are going to reduce the in-house assets to the allowed level. This plan will need to be made available to the auditor of the fund for review.

Property

Trustees who hold investment properties within their fund should consider when the last independent valuation was prepared. It is important that property is formally valued at least every three years, particularly so if the fund has members in pension. The auditor of the fund will review the most recent valuation as part of their audit procedures.

Nomination of Beneficiary Forms

A regular review should be conducted to ensure the nomination of beneficiary correctly reflects how you would like your account balance distributed upon year death. These documents are overlooked far too often following relationship breakdowns and other changes to personal situations, as many people forget that superannuation is not automatically dealt with as part of their estate.

Depending on the provisions within the trust deed, binding nominations may need to be updated and witnessed every 3 years. If they lapse, the remaining trustee or legal personal representative will not be bound by your wishes of how to distribute your super monies upon your death.

Many members may not be aware of the changes in May 2009 to allow perpetual binding nominations. It is now possible (within the limits of your trust deed) to make death benefit nominations binding without the need to update and have them witnessed every 3 years.

For more information relating to any topics covered in this edition of YourGuardian, please call **Olivia Long** or **Kimberlee Brown** on **1300 787 576**



Superannuation administration made simple!

 Chartered Accountants

Adelaide
65 Gilbert Street
Adelaide SA 5000

Melbourne
Level 8
350 Collins Street
Melbourne VIC 3000

Sydney
Level 4
95 Pitt Street
Sydney NSW 2000

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

www.superguardian.com.au