Chartered Accountants

SuperGuardian
Superannuation administration made simple!

SuperGuardian Self Managed Super Information

# Top 10 SMSF strategies

## SMSF FACTS

- SMSF's represent nearly one third of Australian superannuation assets
- The average SMSF balance is approximately $518,000
- There are on average 6,500 new funds being established each quarter
- 62% of new trustees are between the age of 34 – 54
- Approximately 75% of SMSF assets are being held in direct investments being – shares, property and term deposits

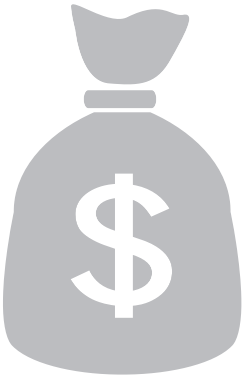
This brochure provides an example of a number of strategies which may be appropriate for clients who have SMSF's. The intention of this booklet is to provide an idea of conversations that could potentially be had with clients. The benefits of each strategy will need to be assessed on a case by case basis.

# Top 10 SMSF strategies

## 1 Pension as a Lump Sum

Involves the payment of the minimum annual pension via a tax free lump sum payment as apposed to income stream payment which would be taxable for people aged under 60. This tax saving is allowable due to legislation permitting $185,000 (2014/15) to be withdrawn tax free over one's lifetime.

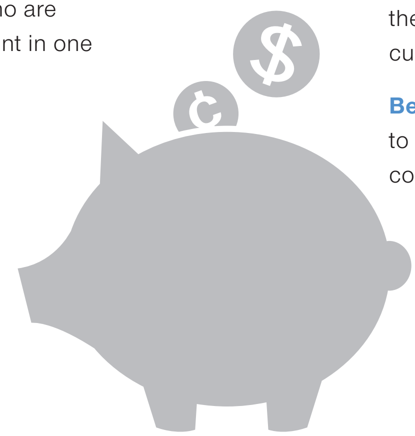
**Suitable for** 55-59 year olds with unrestricted non preserved balances and drawing an account based pension.



## 2 Multiple Pensions

Enables the member to crystallise their taxable and tax free components. When excess pension payments are being drawn above the minimum this strategy allows the pension with the highest taxable component to be run down first and allowing the pension with the higher tax free component to be left to beneficiaries on the death of the member. This is advantageous where there are non dependants that will receive a death benefit (eg. adult children).

**Suitable for** members who are contributing a large amount in one transaction.



## 3 Spouse Contribution Splitting

Provides a superannuation member with the opportunity to split up to 85% of their concessional contributions received within a financial year with their spouse. This provides an opportunity to equalise the retirement benefits between the member and their spouse and take advantage of the current tax concession rules

**Beneficial for** couples that want to transfer part of their eligible contributions to their spouse.

## 4 Registering for GST

By voluntarily registering for GST an SMSF is able to claim back input taxed credits on certain fees such as administration, advice and share brokerage. This means the fund can get a refund of 75% of the eligible input tax credits from the ATO when the business activity statement is submitted.

**Appropriate for** SMSF's who incur large eligible expenses subject to GST.

## 5 Direct Property

The SMSF structure enables members to invest in direct property (residential or commercial) in their super. Direct property has the potential to generate both capital growth and an income stream.  The property can be purchased under a limited recourse borrowing arrangement (LRBA) which enables leverage.

**Appropriate for** people who enjoy property investment.

## 6 Business Real Property

Popular with many small and medium business owners and allows their business premises to be owned by their SMSF. Allows the rental income from the property to be taxed at a maximum rate of 15% or 0% if the fund in full pension mode. This in turn means the capital gain is limited to 10% or 0% if the property is held to retirement. It also offers additional benefits from an asset protection perspective.

**Suitable for** small business owners who own their business premises.

# Top 10 SMSF strategies

## 7 Direct Fixed Income

SMSF's offer the opportunity to invest in direct fixed income securities that may not be available through other super structures. Including direct corporate bonds and ASX listed hybrid securities which can be utilised to increase the income generated by the SMSF portfolio.

**Suitable for** retirees with a moderate tolerance for risk.

## 8 Borrowing

SMSFs can borrow money to purchase a single acquirable asset such as a property, or a collection of identical assets that have the same market value such as a parcel of shares. This is achieved via a limited recourse borrowing arrangement (LRBA). This arrangement involves the lender's recourse being limited to the single asset. Borrowing in an SMSF is not without risk although there are several potential benefits including leverage, tax advantages and asset protection.

**Suitable for** experienced property investors with the ability to service the loan in their SMSF.

## 9 In specie transfers

Involves an individual making a contribution to their SMSF in the form of a parcel of listed securities or business real property with no exchange of money or cash. Although the transfer triggers a CGT event for the individual making the contribution, once the asset is held within the SMSF the income and capital gains generated will be taxed concessionally or even be tax free once the fund is in full pension mode.

**Suitable for** investors who hold shares or property outside of super.

## 10 Segregation of assets

Allows specific assets to be attributed to each member account. Allows assets with large unrealised capital gains (for example business real property which will be sold at retirement) to be moved specifically into pension phase and thus result in tax free earnings for that investment. This is in contrast to the alternative where the investment is pooled with the other assets and potentially resulting in a proportion of the gain being taxed if there is still a member in accumulation phase.

**Appropriate for** SMSFs with members in both pension and accumulation phase or where the members want specific identifiable assets linked to their member account.

SuperGuardian
Superannuation administration made simple!
Chartered Accountants