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## SuperGuardian in the Press



# super solutions

In the wake of superannuation changes, Rosemary Cadden Looks for advice on tax-effective wealth-building

Recent changes to the superannuation environment have made super a more attractive and flexible investment vehicle for Australians, says leading Adelaide-based accounting firm *mhm*. "In the past, many people may have viewed their superannuation purely as forced savings rather than an active and effective investment vehicle," says *mhm* partner Paul Holman. "We are being constantly warned of the need to better prepare for a financially comfortable retirement and super funds are an attractive and tax-effective vehicle that can be used to achieve this outcome. Identifying the right strategy for your individual circumstances can save you considerable amounts of money. But most investors and potential retirees will need professional assistance to navigate their way through what is still a very complex financial playing field."

The biggest two superannuation changes – the introduction of choice and the removal of super surcharge – both took effect from July 1 this year. "Choice has brought increased flexibility, while the removal of the superannuation surcharge presents an outright saving for Australians, particularly among high-net-worth individuals," Holman says.

Super choice allows employees to choose the fund to which their employer contributions will be directed. The removal of the super surcharge increases maximum tax saving on money contributed to super from 18.5 to 33.5 per cent. "While high-net-worth individuals have benefited most from the removal of the super surcharge, lower-income earners have not been ignored, with the Government's co-contribution scheme making personal contributions to super more appealing," Holman says. Workers earning less than $58,000 a year may be entitled to super co-contribution, where the government will contribute up to $1.50 for every dollar contributed by the member.

"There are some significant tax advantages to investing via super," Holman says. "It only attracts a 15 per cent rate of income tax, allowing you more dollars to reinvest and continue to grow your fund balance. But there are disadvantages; the funds are not accessible until retirement, you cannot use funds as security for borrowings and there are complex compliance rules to navigate." The maximum total super contribution amounts (tax-deductible per employer) are: $14,603 for people under 35, $40,560 for 35-to-49-year-olds and $100,587 for those over 50.

### The self-managed fund option

With about 300,000 self-managed superannuation funds (SMSF) in Australia, and another 2500 new ones starting each month, it is clearly a popular choice for many to control and decide where and how to invest their money for retirement – though they can't completely do it alone. It is part of the compliance rules that any plans to include stocks and shares in an SMSF need to be part of a well-planned investment strategy. Olivia Molina, marketing manager of SMSF specialists SuperGuardian, suggests that those who don't use a financial adviser should consider using a DIY Fund Administrator.

Molina suggests that small business owners and people nearing retirement could benefit greatly from setting up a SMSF. Benefits include customising savings and investment strategies with a variety of investments, allowing you to decide whether you want your retirement fund paid in a lump sum, fixed amounts, or a combination of both; and getting advice from a different financial adviser without affecting your portfolio. The cost of managing your own fund can also be less, and you have the security of every investment being held in your name.

BankSA Head of Financial Planning John Dorward says self-managed superannuation is an excellent alternative for people who take an active interest in their investments and who have a good grasp of the legal requirements involved. "Many people choose self-managed superannuation thinking it will be cheaper than a public offer with greater financial reward, however it isn't necessarily the most cost effective option, as there are significant set-up fees and other ongoing charges," he says.

To set up a self-managed superannuation fund you need a trust deed, costing about $500. You also need to appoint a fund administrator, such as an accountant, which can cost $1500 a year. In addition to these costs, the Australian Taxation Office (ATO) requires that all self-managed superannuation funds undergo an annual independent audit – and there is significant paperwork to consider.

"By law, every self-managed superannuation fund must be accompanied by a documented and detailed investment strategy that takes into consideration how you intend to generate income and the growth rate you hope to achieve," Dorward says. "And you may not be able to transfer all of your personal assets. For example, shares can be transferred "in specie" (Capitol Gains Tax may apply), but personal property cannot. You may be able to transfer certain business assets, such as business real property (again capital gains tax may apply). This is a bonus for self-employed people and small business owners. But the ATO conducts random audits on self-managed superannuation funds, so you need to be aware of the legal aspects of a self-managed fund and ensure that you comply with these."

### Lost superannuation members

More than $7 billion worth of superannuation money is waiting for "lost members" to claim. The Lost Member Register, maintained by the Tax Office, currently lists about five million people who have been reported by their superannuation funds as lost. The money remains with the funds where they were originally entrusted.

Superannuation funds report members as "lost" when they have received returned unclaimed mail for the member, or when the account has not had any activity for some time. To search for lost superannuation, use the free SuperSeeker service, available online on the Tax Office website at www.ato.gov.au or via a phone service on 13 28 65. SuperSeeker uses your tax file number to find any lost accounts you may have recorded on the Lost Members Register. It will also search Tax Office records, such as the Superannuation Holding Account Special Account, and any unclaimed superannuation guarantee in your name. You can contact your current superannuation fund and ask it to conduct a search on your behalf using SuperMatch.

### Swapping funds and consolidating

Swapping to a superannuation fund that looks attractive or consolidating into one fund is not always a good idea. There's much current publicity about increased choices and the ability to pick and choose your preferred super fund – but remember, just because you can, it doesn't mean you should. Following an extensive survey of financial planning bodies, ASIC has regulated that if a client is already in a super fund, a financial planner must compare this with any fund he or she is recommending. This includes comparisons of fees, past returns, charges, commissions, insurance aspects and ownership.

On average, each person working in Australia has four super fund accounts. Statewide Superannuation Trust chief executive officer Frances Magill says this has happened through people changing jobs and making choices. "That's four lots of fees and charges – but be careful before consolidating that you aren't losing a benefit, such as insurance, which may be important for your situation," Magill says. Industry funds, such as Statewide, grew out of the trade union movement with support from employer organisations. Good returns enjoyed by members stem from industry funds not aiming to make profits from members.

Recent changes mean that many of these industry funds are now available to anyone – although financial planners have been slow to add industry funds to their list of recommendations to clients. "What we are noticing is that most planners don't take up our offer of detailed information, because they have ties with their dealer distribution and therefore don't have other products on their list," Magill says.