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WELCOME!



5pm to 5.15pm: Registration, networking & pre seminar drinks

5.15pm to 6pm: Self Managed Super Overview – What you can & can't do

6pm to 6.30pm: Borrowing for SMSFs, Laurie Bilby – Westpac Bank

6.30pm to 7pm: Wine tasting with Dowie Doole Wines & winemaker Chris Thomas

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Self Managed Super Funds “SMSFs”

What you Can & Can't Do

Presented by Tania Tonkin

22 November 2011

Disclaimer

This presentation is of a general nature only and is not intended to be personal advice. It does not take into account your particular investment objectives, financial situation and needs. Before making a financial decision you should assess whether the advice is appropriate to your individual investment objectives, financial situation and particular needs. We recommend you consult a professional financial adviser who will assist you.

The content is based on our understanding of the current and proposed taxation and superannuation laws. It is current as at 22 November 2011.

This information and certain references, where indicated, are taken from sources believed to be accurate and correct. To the extent permitted by the Law, Lonsdale, its representatives, officers and employees accept no liability for any person that relies upon the information contained herein.

Overview

- What is an SMSF?
- Who does an SMSF suit?
- Summary of rules that apply
- Examples of possible strategies

What is an SMSF?

- Separate entity with own bank account
- Investments held in trust for **sole purpose** of retirement
- *"It's your money but not yet!"*
- Income earned by SMSF taxed at 15%

SMSF Statistics

At 30 June 2011 just over 450,000 SMSFs

Approximately \$420 billion in total assets

SMSFs hold almost 1/3 of total super in Australia

What does an SMSF look like?

- No more than 4 members
- Investments held “in trust” for members
- All members must be trustees, or directors of trustee company
- All trustees/directors must be members
(except single member funds)

Who does an SMSF suit?

- People who like flexibility & control
- Happy with level of responsibility required
- Want SMSF to own specific assets
(eg. business property)
- Protection of assets from business risk

Trustee responsibilities

- Must have an investment strategy
- Financial statements, tax return and audit annually
- Must keep super fund assets separate
- Keep proper records
- Understand the rules

Access to Super

- Preservation age:
 - 55 years if born before 1 July 1960
 - 56 to 60 years if born after 1 July 1960
- Between 55 and 60 years must retire for good
- Between 60 and 65 years, stop working
- 65 years or over, can access at any time

Access to Super

- On death of a member - paid to dependants
- Permanent incapacity
- Temporary incapacity (as income stream only)
- Terminal illness
- Severe financial hardship

How super can be paid

- As one or more lump sums
- As regular income payments, i.e. a pension
- Temporary incapacity can pay a pension only
- Preservation age & still working can pay a pension

Minimum Pension Payments

Age	Normal minimum payment % on account balance	Minimum payment % for 2009 - 2011 income years (50% of the normal drawdown)	Minimum payment % for 2011/12 income year (25% of the normal drawdown)	Minimum payment % for 2012/13 income year (A return to the normal draw down)
Under 65 years	4%	2%	3%	4%
65-74 years	5%	2.5%	3.75%	5%
75-79 years	6%	3%	4.5%	6%
80-84 years	7%	3.5%	5.25%	7%
85-89 years	9%	4.5%	6.75%	9%
90-94 years	11%	5.5%	8.25%	11%
95 years or more	14%	7%	10.5%	14%

Contribution Rules

- Under 65 yrs, can contribute within limits
- Over 65 yrs < 75 yrs, must meet work test
 - Work 40 hours in consecutive 30 day period
- 75 yrs & over currently not able to contribute
 - However note recent announcement

Contribution Limits

- Concessional Contributions:
 - \$25k per year if under 50 yrs at 1 July
 - \$50k per year if over 50 yrs at 1 July
 - Over 50yrs, proposed reduction to \$25k from 1 July 2012 – unless < \$500k in super ?!

Contribution Limits

- Non-concessional contributions:
 - Made from after tax money
 - Up to \$150k per year
 - If under 65yrs, can make \$450k over 3 yr period
- If exceed caps, penalty tax rate applies:
 - 31.5% if exceed concessional contributions cap
 - 46.5% if exceed non-concessional contributions cap
 - If exceed both, could end up paying 93% tax!

Rules regarding assets

- Strict rules apply regarding investments
- Must be in accordance with investment strategy
- Value of “in-house” assets must not exceed 5% of total assets in the fund
- “In-house assets” are a loan to, investment in or lease to a related party

What you can't do

- Lend money to members or relatives
- Access money in super before rules allow
- Personal use of SMSF assets before retirement (i.e. holiday home, sports car, artwork)
- Purchase residential property from members
- Operate a business

What you can do

- Purchase commercial property from members
- Purchase listed shares from members
- Sell assets to members and/or related parties
- Own & lease business property to related parties

What you can do

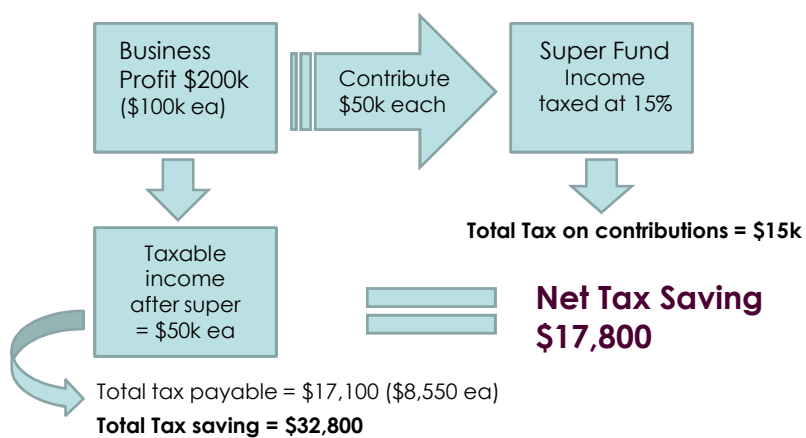
- Invest in a unit trust that does not borrow
- Own assets jointly with individuals/other entities
- Draw an income from super tax free (over 60 yrs)
- Borrow to purchase assets (in limited circumstances)

Example – Super Tax benefits

- Bill & Sue, both 61 yrs old
- Operate business in partnership - \$200,000 profit
- No other income
- Total taxable income \$100k each
- Total Tax payable = \$49,900* (\$24,950 each)

**excludes medicare levy*

Example – Super Tax benefits

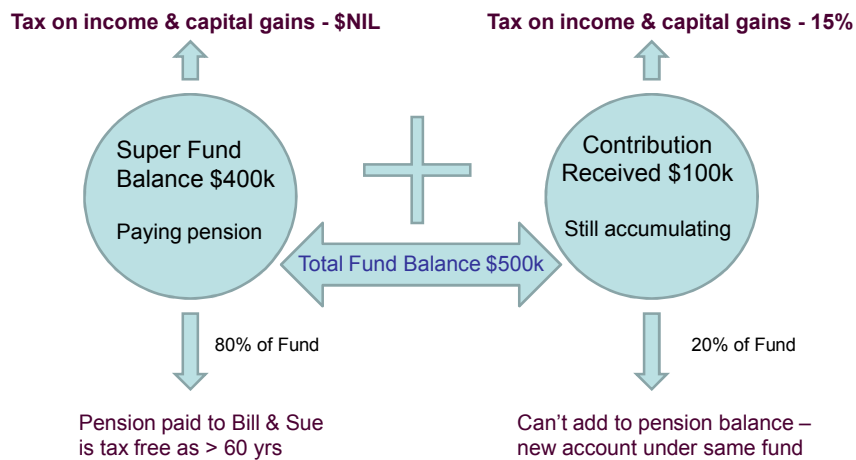


Example – Franked Dividends

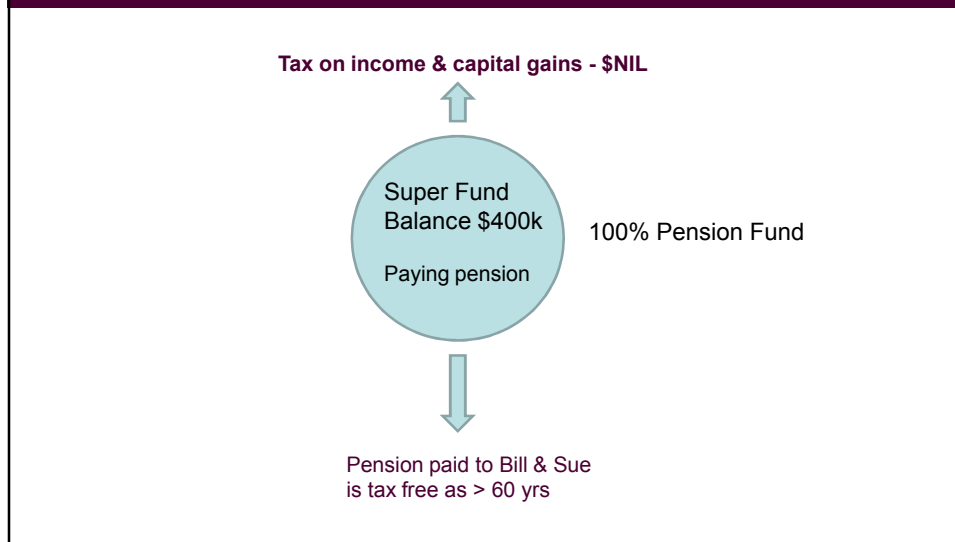
- Super Fund invests in XYZ Co Limited
- Receives fully franked dividend \$14k
- Franking credits attached \$6k

Dividend Received	\$14,000		
Add: Franking credits	\$ 6,000		
Taxable Income	\$20,000	→	
			Tax Payable (15%) \$3,000
			Less: Franking crs \$6,000
			Tax Refund \$3,000

Example – Pay pension from SMSF



Example – Pay pension from SMSF



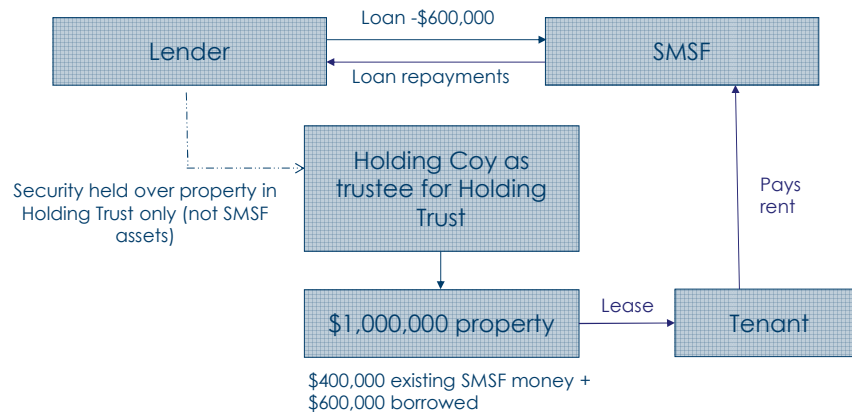
Example – Franked Dividends

- Super Fund invests in XYZ Co Limited
- Receives fully franked dividend \$14k
- Franking credits attached \$6k

Dividend Received	\$14,000		
Add: Franking credits	\$ 6,000		
Taxable Income	\$20,000	→	
		Tax Payable (0%)	\$ NIL
		Less: Franking crs	\$6,000
		Tax Refund	\$6,000

Example – Borrow to buy property

- SMSF purchase property for \$1m



If your SMSF borrows...

- Must be in line with investment strategy
- Must be for purchase of “single acquirable asset”
- Can’t use borrowed funds to improve asset
- If a member dies, how will benefits be paid?
- Will SMSF have enough cash to repay loan?

Conclusion

- SMSFs are not suitable for everyone
- Suit people who want control & flexibility
- Consider benefits vs costs
- Tax and other advantages available
- Be aware of your responsibilities as trustee
- Always seek advice!



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Thank You!