SMSF Owners' Alliance
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SMSFOA Members' Newsletter

#2 /2014

Dear Members

In the second of our regular newsletters this year, we cover the major submission we have just lodged to the Financial System Inquiry headed by David Murray and other current issues we are addressing.

SMSFs a force for good in the economy

The Financial System Inquiry (FSI) has been charged with the responsibility of preparing a blueprint for the future role of the financial system as an efficient enabler of a strong Australian economy.

Our submission outlines the contribution that superannuation generally and SMSFs in particular make towards achieving this objective.

We point out that SMSFs are an efficient and well-functioning part of the financial system and, unlike the major managed funds, invest nearly all of their assets in Australia.

The stability and long-term investment horizons of SMSFs should make them attractive sources of capital for growing companies and infrastructure projects. We suggest ways in which debt capital markets can be made more appealing to SMSFs.

But we also stress that SMSF investment in government, corporate and infrastructure bonds must be on their merits as sound investments in the interests of SMSF beneficiaries and there must be no element of biased or forced investment.

Our submission says the Government should encourage a savings culture and endeavour to provide a more certain and efficient superannuation framework, without sudden changes in taxation treatment of super that shake confidence.

We note that SMSFs are good taxpayers, with a very low incidence (2%) of auditor contravention reports.

In keeping with the philosophy of self-responsibility that underpins SMSFs, we argue the Government should not provide any guarantee or other financial support to superannuation funds in the event of any investment losses.

Specific recommendations include:

- Contribution caps should be restored to their former levels of $50,000 per year for under 50s and $100,000 for over 50s.

- For greater flexibility and to help those with broken work patterns, the annual cap should be replaced with a rolling 3-year cap.
- The arbitrary limit of four members per SMSF should be changed to cover an individual member and his/her immediate family.
- SMSFs should be able to continue to be operated in Australia while a beneficiary is overseas.
- The ATO supervisory levy should be examined as part of the Government's 'red tape' review.
- Regulation of financial advisors should provide a more transparent view for SMSFs of the difference between product sellers and providers of impartial advice

SMSFOA members are encouraged to read our full submission to the Financial System Inquiry which is attached for your convenience and also posted to our website www.smsfoa.org.au

SMSFs need to know who they are dealing with

SMSFOA has written to the Government to make the point that SMSF trustees need to know the difference between a 'financial advisor' who is selling a particular product and one who is offering impartial advice in the best interests of the investor.

This question is topical as the Government is considering changes to the *Future of Financial Advice (FOFA)* legislation. This review is now in the hands of the Acting Assistant Treasurer, Senator Mathias Cormann.

We have suggested that if the Government is to make any changes to FOFA, they should be to the effect that only a professionally qualified and accredited member of a professional body subject to a code of conduct should be permitted to use the title Financial Planner/Advisor.

Then SMSF trustees can be more certain that the advisor is offering independent advice in the best interests of the fund's beneficiaries and is not beholden to any particular product provider.

Higher standards of transparency for trustee companies that manage large funds

SMSFOA's submission to the Government's current review: *Better Regulation and governance, enhanced transparency and improved competition in superannuation* argues that the trustee companies that control the large APRA-regulated industry and retail funds should be required to follow the same standards of transparency and governance that apply to listed companies.

Official figures show Australians have more money ($970 billion) invested in major superannuation funds than they have deposited in banks ($643 billion). APRA's supervision of these funds should be as stringent as its supervision of banks.

We suggest that the chair and the majority of directors of such trustee companies should be independent.

We also say that fund members should be given more information, in a simple format, about the fund in which they have entrusted their superannuation savings, including all fees and tax allocations that are charged to their account.

Many SMSFs invest in APRA-regulated funds and we believe it is important for them, and particularly their professional advisers, to have access to as much information as possible about the performance and management of these large funds.

You can find SMSFOA's submission on the 'Advocacy' page on our website – www.smsfoa.org.au

ATO regulatory costs should be scrutinised

SMSFOA has written to the Inspector General of Taxation suggested that he add the ATO's Supervisory Levy to his proposed New Work Program. As members may recall, last year SMSFOA challenged a 50% increase in the maximum Levy the ATO can charge to SMSFs.

We pointed out that the ATO had not adequately explained in a *Cost Recovery Impact Statement (CRIS)* how it differentiated between the cost of SMSF supervision and the cost of processing fund tax returns.

We have asked the Inspector General to look into the ATO's costing model.

Membership renewal gremlins

As SMSFOA has clocked up our first full year in operation, members have been receiving invitations to renew their membership. We are heartened by the very positive response of members who support our work and wish to renew.

However, as some members who have renewed their membership of SMSFOA recently know, we have been experiencing some technical problems with our website based membership management system. This has caused some inconvenience to members, including repetitive reminder notices.

Please bear with us as we resolve these issues with the system. In the meantime, it would be helpful when members renew to send a brief email to: admin@smsfoa.org.au noting the name of the member (individual or fund name), date of payment and method of payment. Thank you for your patience and consideration.

Next Newsletter

We'll aim to get another newsletter to you in April.

SMSFOA Members' Newsletter #2/14.

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