

SMSFOA Members' Newsletter

#8 /2014

Practical and Innovative Strategies for SMSFs

A workshop of interest to all SMSF owners. Hosted by the SMSF Owners' Alliance at the ASX in Sydney on Thursday 9 October. Book now – see below for details.

Dear Members

SMSFOA Annual General Meeting

SMSFOA's Annual General Meeting will be held at 4pm on 17 November in Sydney. Formal Notice of Meeting and the Annual Report will be sent to Members.

All Members are invited to attend, while only Principal Members may vote.

Liaison with regulators

"The campaign against SMSFs is a devious attempt by bigger players to try to get money flowing back into the big retail and industry funds. It won't work. SMSF's are the future of superannuation and growth in the self-managed sector will continue at a rapid pace." – Robert Gottliebsen, Business Spectator.

There's no doubt not everybody loves SMSFs. From the big industry and retail funds to left leaning think tanks like the Australia Institute. To counter this, we need rational arguments founded on facts and a seat at the table to get our views across.

SMSFOA has regular liaison with relevant regulators – notably the Australian Taxation Office which is the supervisor of SMSFs and the Australian Securities and Investments Commissions which regulates the providers of investment products. We sit on ASIC's Consumer Advisory Panel.

On tax policy matters, we are a member of the ATO's Consultation Hub and have periodic meetings with senior officials.

In recent high level discussions with the ATO, we've spoken about the importance of policy discussion affecting SMSFs being well informed and based on the facts as opposed to self-interested arguments so it was pleasing to hear senior ATO officials bringing some perspective to the debate and defending SMSFs as a successful form of retirement savings.

Speaking in Canberra recently, the Commissioner of Taxation, Chris Jordan AO, said the focus should be on the majority of SMSFs not just those with high balances.

Here's how the Financial Review reported it:

FINANCIAL REVIEW

Got \$10m in super? 'Good luck' says tax man

PUBLISHED: 17 SEP 2014 09:30:00 | UPDATED: 17 SEP 2014 20:10:39



Tax commissioner Chris Jordan says there are 550,000 self-managed super funds, the average member balance was \$480,000, and the average return of 5 per cent generated \$24,000 a year. Photo: Andrew Meares

FLEUR ANDERSON

Tax commissioner Chris Jordan has warned against over-regulating self-managed super funds, saying investors who legally use the system and manage to "hit the jackpot" are doing nothing wrong.

He said the debate about self-managed funds had been skewed by the focus on wealthy taxpayers and any efforts to stop them using super tax breaks would impact also on the majority of taxpayers who are not wealthy.

As the regulator of the funds, Mr Jordan said there were limits on the amount of money to put in tax-advantaged super funds, "but if someone has hit the jackpot and has got \$10 million in their superannuation fund, well, good luck".

"I read this so often – that the wealthy are getting a big advantage," he said. "But look at the figures, stand back and look at the majority."

He told an Australian National University forum in Canberra that there are 550,000 self-managed super funds, the average member balance was \$480,000, the average return of 5 per cent generated \$24,000 a year.

"I'd hardly say that's wealthy or extravagant," he said.

There's 1.5 per cent of super funds that have between \$5 million and \$10 million so there's 500,000 super funds that have below \$2 million.

Although the average self-managed super fund balance was over \$900,000, many of those funds had more than one member, bringing the average member balance down to \$480,000.

"Let's be careful about shaping a tax system for one person in one self-managed super fund," Mr Jordan said. "Someone, somehow, got an advantage. Good luck to them but let's stick with the majority, the 500,000-plus."

KEY POINTS

- Tax Commissioner Chris Jordan claims most SMSFs are not 'wealthy'.
- The average SMSF balance per member is \$480,000, with a 5 per cent return.

But, predictably, from the Australia Institute:

However, Australia Institute chief Richard Denniss said "you could not engineer a better system" to disadvantage the less wealthy and benefit the wealthy.

"Why would you go to Switzerland or the Bahamas, when you can take \$10 million a year out of super tax-free?" Mr Denniss said. "Fantastic. It's not going to last and the industry is going to fight tooth and nail to keep it."

\$10 million a year? That's some fund. And yes, Mr Denniss, we will fight hard to protect the one million Australians who have, on average, half a million in their SMSF super account.

The ATO's Assistant Deputy Commissioner for Superannuation, Stuart Forsyth, was optimistic about the future of SMSFs, praised their compliance record and announced new ATO tools to help SMSF trustees. He told a Chartered Accountants' Conference:

"SMSFs are here to stay. We can see one million SMSFs down the track." – *The Australian Online*

He said there had been much criticism, but little evidence, of SMSFs investing heavily in residential property and pushing up prices, noting that an apparent increase in limited recourse borrowing arrangements (LRBA's) was the result of a change in the way data is reported rather than a sharp lift in borrowing.

"Less than 3 per cent of SMSFs have LRBA's and less than 2 per cent of SMSF assets are under LRBA's".

Here's the ATO's summary of Mr Forsyth's presentation in which he concludes:

- There is high and improving compliance among SMSFs
- Most trustees are focussed on building the fund for their retirement income

ICAA NATIONAL SMSF CONFERENCE

ATO PR PACKAGE OF MATERIAL

Editorial

SMSFs a success story to celebrate – ATO

Australia's 534,000 strong Self-Managed Superannuation Fund (SMSF) environment has received a glowing report card from the Australian Taxation Office (ATO), which regulates the industry.

But the ATO has made it clear that the "good health" and high levels of compliance within the sector, are underpinned by their engagement with, and support for, fund trustees and their professional advisers.

ATO Assistant Deputy Commissioner, Stuart Forsyth, says continuing education is critical.

"We have a range of online tools including [eSAT](#) our electronic audit tool, online calculators such as our co-contributions calculator, SMSF lifecycle publications and [SMSF News](#), which keeps you up to date with regulatory and administrative topics, as well as any significant developments of interest to the industry.

"We are also conducting webinars and have added SMSF content to our free [ATO App](#) for smart phones and tablet devices."

The ATO has also released an [online video](#) at the ICAA National SMSF Conference in Sydney, that helps members decide whether their fund should have individual or corporate trustees.

“Most funds have individual trustees, while most professional advisers recommend a corporate trustee structure, which in most cases makes more sense, so the video may help spread that message.”

Despite the upbeat assessment, the ATO warns that borrowing by the fund or loans to members under non-commercial terms is in their sights.

“We have made it clear any dealings between a fund and a related party must be at arms-length.

“We’re particularly concerned when we see SMSFs entering into non-arm’s length limited recourse borrowing arrangements (LRBAs), which in our view can be a strategy to minimise or even avoid tax.

“You can be sure we would apply considerable scrutiny to such arrangements and have indicated income derived from non-arms-length transactions, would be taxed at 45% plus the 2% temporary budget repair levy.” For more information on SMSFs, go to ato.gov.au/smsf.

Hitting back against our critics

It’s good to see SMSFOA members springing to the defence of SMSFs when they are criticised in the media.

From the AFR’s Letters to the Editor – 29 August:

SMSF slurs baseless

The headline ‘Tax-free DIY funds threat to budget (AFR August 26) seems unsourced and inaccurate.

Self-managed superannuation operates under exactly the same tax rules as all superannuation funds and represents only a moderate percentage of the total so it is hard to see that on its own the SMSF movement can be a threat to anything.

But it has been accused of potentially subverting, inter alia, the financial system, the price of house and the industry funds, in each case by parties with special interest of their own.

Now it seems to be accused of subverting the taxation system by anonymous sources with no credible data to back their opinions.

Further, these allegations are being made without allowing a sound rebuttal from the SMSF Owners’ Alliance (SMSFOA), the only representative body.

*Richard Mews
Bellevue Hill NSW*

Well done Richard and they did, running this letter a few days later:

AFR Letters to the Editor – 10 September:

SMSFs are model taxpayers

So SMSFs and foreigners are pushing up residential property prices (“[Two-pronged tax dodge](#)”, AFR Letters, September 8) and dodging tax as well! Maybe house prices have something to do with record low interest rates?

Everybody gets the same tax breaks on their super, SMSF’s included, for good reason – to build savings and reduce pension costs. Tax concessions are not a tax debt, unless you believe we all owe everything to the government. If an SMSF defaults on repayments (where’s the evidence they do?), that’s a problem for the lender, not the taxpayer. The ATO will tell you SMSFs are model taxpayers – only 2 per cent of their returns are audit qualified, compared to around 15 per cent for taxpayers generally.

*Duncan Fairweather
SMSF Owners’ Alliance
Sydney, NSW*

Whenever we see SMSFs unfairly criticised, we’ll respond.

SMSF Workshop coming up in October

We’re running a workshop at the ASX in Sydney on the afternoon of Thursday 9 October that many members will find interesting. It will provide practical information that will be helpful in running your SMSF – it’s not about selling products.

Tickets are \$55 (incl. GST) which will help to sustain our limited finances and keep on fighting for SMSFs.

If you’d like to come along, please click on the link in the flyer below or go to our website:

<http://www.smsfoa.org.au/events.html>

Practical and Innovative Strategies for SMSFs

[View this email in your browser](#)

Upcoming Event hosted by the SMSF Owners
Alliance

**SMSF
Owners'
Alliance**
Limited ABN 96 161 052 464
Not-for-profit public company

SMSFOA Technical Workshop

Practical and Innovative Strategies for SMSFs

Thursday 9 October 2014

1.30pm - 5.30pm

ASX Auditorium

**20 Bridge Street,
Sydney NSW 2000**

SMSF's are used to enhance control of investments and retirement planning - and ultimately, as a key part of estate planning. You'll hear about sound investment strategies to produce a secure retirement income stream while avoiding risky and imprudent investments on poor advice.

SMSFOA is pleased to host this important event which includes presentations from some of Australia's most highly credentialed SMSF advisers - leaders in their field, with proven capacity to provide clear and workable advice while remaining fully compliant with SMSF law and regulations

- Overview of the economic and market settings for the next 12 months - **David Bassanese**, AFR/Chief Economist, BetaShares
- What I'm worried about with investments - Portfolio Construction for SMSFs

- Graham Hand**, Editor, Cuffelinks
- The new way to access unlisted managed funds and diversify your portfolio - the ASX mFund settlement service - **Ian Irvine**, Head of Customer & Business Development – Managed Investments, ASX
 - Optimising the SMSF within the overall family and small business structure (inc CGT concessions for SME) - **Andrew Frith**, Senior Partner, Leenane Templeton/Founder, SMSF Advice Solutions
 - Share Industry Prospects for SMSF Investors – **Karl Siegling**, Managing Director and Portfolio Manager, Cadence Capital
 - Estate Planning and Your SMSF - bulletproofing your estate planning using Binding Death Nominations - **Andrew Frankland**, Principal, Bartier Perry

Tickets: \$55 per person (incl. GST)



For more information on the SMSF Owners' Alliance: www.smsfoa.org.au

or contact: info@smsfoa.org.au

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