

ISSUES & ANSWERS

SELF-MANAGED SUPERANNUATION

As a flexible investment mechanism with advantageous taxation concessions, self-managed superannuation funds are popular for persons wishing to control the allocation and manner of investments for their use in retirement planning. Income and capital gains of a complying superannuation fund under the Australian Taxation Office (ATO) guidelines are generally taxed at no more than 15%. Contributions to the Superannuation Fund are tax deductible up to age based limits (see below).

An active role over the management of the assets is required to obtain the best returns possible.

Structure

1. Trustees (Generally the fund members) operate and have responsibility to the Superannuation Fund members and also the ATO.
2. Trustees determine the allocation of investments to meet the potential needs of the superannuation fund members.
3. A company can be a trustee or individual(s) can be trustees.

Operations

4. The investment selection can be in land, property, shares, collectables or loans. Detailed records must be maintained.
5. Financial accounts must be prepared and audited annually at a cost of approximately \$1,000.
6. An annual Supervision Fee payable to the Australian Taxation Office is \$45

Benefits

7. Upon reaching retirement age of 60 years, the trustee commences pension payments for a fund member. At present an amount of \$20,000 can be received and no income tax is payable due to concessional treatment of the pension. This is applicable if there is no other taxable income. Special treatment is also available for lump sum payments.
8. Taxation paid on investment earnings can be reduced from 15% if franked dividends are received from Australian share investments.
9. Cost efficient treatment of insurance policies in the form of tax deductible pensions.
10. Protection of family assets in the event of bankruptcy.
11. No up front commissions on direct investments.
12. Up to 5% of the gross value of the fund can be loaned to the employer sponsor.

Employer Contributions

Current deductible amounts based upon employee's age are:

Under 35	\$10232
35 to 49	\$28420
50 and over	\$70482

Self- Employed Contributions

\$5000 plus 75% of the excess over \$5000