Are you thinking of moving your superannuation savings into a self-managed superannuation fund (SMSF)? Here are some things to think about before you do.

What is an SMSF?

An SMSF is a private superannuation fund you manage yourself, regulated by the Australian Taxation Office. SMSFs are different from mainstream funds regulated by the Australian Prudential Regulation Authority (APRA) which pool members’ savings and invest the money for them.

SMSFs can have up to four members. All members must be trustees (or directors if there is a corporate trustee) and are responsible for decisions made about the fund. If you have an SMSF, you are responsible for managing it and complying with all relevant laws.

Your obligations

If you set up an SMSF you must develop and maintain an investment strategy, and manage all contributions and withdrawals.

You must also comply with:

- Superannuation and tax laws, including making sure the money is only used for retirement benefits.
- Record keeping obligations, such as lodging annual statements.
- Reporting obligations including reporting contributions.
- Audit requirements, including having the fund audited by an approved SMSF auditor each year.

What if something goes wrong?

Members of superannuation funds regulated by APRA have important protections if something goes wrong. Many of these will not be available to you if you have an SMSF.

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<tr>
<th>Problem</th>
<th>APRA-regulated funds</th>
<th>SMSF</th>
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<tr>
<td>Compensation</td>
<td>APRA-regulated funds are eligible for compensation where they suffer loss as a result of fraud or theft.</td>
<td>SMSFs are not eligible for compensation if they suffer loss as a result of fraud or theft.</td>
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<td>Complaints</td>
<td>APRA-regulated funds must address member complaints. Where complaints are not resolved members must be offered access to a free and independent complaints resolution service such as the Superannuation Complaints Tribunal.</td>
<td>SMSF trustees/members must resolve their own complaints. This may require costly legal assistance. SMSF trustees/members do not have access to the Superannuation Complaints Tribunal.</td>
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<td>Licensing</td>
<td>The trustee of an APRA-regulated fund must be registered or licensed by APRA. APRA funds are subject to a substantial prudential regime.</td>
<td>SMSFs are subject to a less onerous prudential regime. SMSFs are subject to compliance-based regulation by the ATO.</td>
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Questions to ask yourself before you set up an SMSF

- Do I fully understand all the legal responsibilities I am taking on as trustee?
- Do I have the time, expertise and motivation to actively manage my super?
- Am I confident I can do better than professional investment managers through my investment strategy?
- Do I have enough money to make it worthwhile, given fees and expenses such as accounting, legal, audit or tax advice?
- If something goes wrong, am I satisfied with the lower levels of protection that apply to SMSFs, compared to APRA-regulated super funds?

If you answer no to any of these questions, you are not ready to set up an SMSF.

Setting up an SMSF is a big decision. Do your research and make sure you are ready for the commitment. It is your call, your money and your responsibility.

Need more information?

- Visit www.moneysmart.gov.au for more information on super.
- Order a copy of Thinking about self-managed super? from the ATO website or by calling 1300 720 092.