Australian Government
Australian Taxation Office

Starting a self-managed super fund

A guide to help you decide if a self-managed super fund (SMSF) is right for you, and how to set one up

Contents

Is an SMSF right for you?

An SMSF can be an attractive option for people who seek control over their retirement investment.

However, managing an SMSF is a major responsibility and getting it wrong can have financial impacts.

Make sure it is your best option before you start.

When you set up an SMSF, you're in charge – you make the investment decisions for the fund and you're responsible for complying with the super and tax laws.

Managing your own super is a major financial decision. You need to be certain you have the knowledge, time and skills to do it.

This includes spending time on:
- developing and implementing an investment strategy
- administration and record keeping, for example, meeting minutes noting trustee decisions
- completing financial statements and lodging tax returns or reports.

As the regulator of SMSFs, the ATO collects and publishes data about the health and performance of the SMSF sector. These statistics may help you when considering whether to establish an SMSF. They can provide you with indicative information about such things as the type of investments, return on investments and costs incurred by existing funds. You can find these by searching 'SMSF statistics' on our website.

We recommend you seek financial advice from a licenced financial adviser. They can help review your existing investments and work out if an SMSF is suitable given your circumstances. ASIC provides information on how to choose a financial adviser, visit **moneysmart.gov.au/financial-advice**

What is an SMSF?

An SMSF is a trust run for the sole purpose of providing retirement benefits to its members.

A **trust** is an arrangement where a person or company (the trustee) holds assets for the benefit of others (the beneficiaries). A trust must have a trustee, a trust deed, assets and beneficiaries.

When we say '**the trustee**' we are referring to individual trustees or the directors of a corporate trustee.

In the case of an SMSF, the sole purpose is to manage assets of the trust for the benefit of its members (beneficiaries) when they retire. Generally, it is illegal for anyone to benefit from the SMSF outside of this sole purpose.

It can be illegal to:

- access funds early
- invest in a related business
- use the fund's assets – for example, by holidaying in your SMSF's investment property
- be paid for your duties or services as a trustee.

How does it work?

Trustees are usually members

In an SMSF, most trustees in charge of running the fund are also fund members (who become beneficiaries upon retirement).

You are responsible

As a trustee you are personally responsible for ensuring your fund complies with super and tax laws. If it does not comply there are a range of sanctions that may apply including disqualification, penalties and tax consequences. This applies even if you rely on another trustee or an SMSF professional to help run the fund.

Three stages

An SMSF generally has three stages in its lifecycle:

- starting up – work out if an SMSF is right for you, then set up the fund
- running – administer the fund, manage investments and pay benefits
- winding up – finalise reporting and obligations, then close the fund.

Be aware of people promoting early release of super schemes.

They might offer to help you withdraw your super before retirement to pay off a debt, buy a house or go on a holiday. **These schemes are illegal**.

If you or a member access super before you are legally entitled, significant penalties can apply. You will also need to pay income tax on super you access before you are entitled to it.

If it sounds too good to be true, it probably is. Get a second opinion – phone us on **13 10 20** for help.

What are your obligations?

Ensure you fully understand your role and responsibilities under the law.

All trustees are equally responsible for running the fund and making decisions that affect the retirement interests of each fund member, including yourself. This means you are responsible for decisions made by other trustees, even if you're not actively involved in making the decision.

You can appoint an SMSF professional to help run your fund, however, the final responsibility and accountability lie with you, as the trustee.

Trustees must meet specific obligations under the *Superannuation Industry (Supervision) Act 1993*.

Outline of your obligations

Obligation	Detail
Exercise honesty, skill and diligence in managing the fund	As trustee, you must develop the fund's trust deed, and ensure your SMSF complies with both the deed and the rules of the *Superannuation Industry (Supervision) Act 1993* (SISA). The SISA states that as a trustee, you must: ▪ act honestly in all matters concerning your fund ▪ act in the best financial interest of all members ▪ not hinder any trustee from performing or exercising functions or powers ▪ not access or allow others to access benefits early ▪ retain control over your fund. All trustees are equally responsible for managing the fund. That means you are responsible for decisions made by other trustees, even if you are not actively involved in making the decision. If you do not act accordingly and comply with super and tax laws, then: ▪ other fund members may take legal action against you ▪ significant penalties and tax consequences may apply.
Ensure the fund meets the sole purpose test	The sole purpose of your fund is to provide retirement benefits to its members (or to their dependants if a member dies before retirement). In contrast, if anyone directly or indirectly gains a financial benefit from the SMSF (other than increasing the retirement fund for members), then you are breaching the sole purpose test. Examples of breaching the sole purpose test are if you invest in: ▪ rental property for the purpose of allowing a related party to live in that property (even if they pay rent at commercial rates) ▪ artworks or collectibles then display them in your home. Visit ato.gov.au/SMSFinvesting Breaching the sole purpose test is illegal. Your fund could lose its concessional tax treatment and your trustees could face civil and criminal penalties.

Outline of your obligations (continued)

Obligation	Detail
Accept contributions and rollovers in accordance with the trust deed and super laws	You can only accept contributions to your SMSF according to: ▪ your fund's trust deed ▪ the 'contribution standards' in super law ▪ any contribution limits that apply ('contribution caps') ▪ any investment restrictions. Before you can accept rollovers from other funds, your fund must: ▪ have up-to-date membership details in ATO systems (to prevent delays). The simplest way to update your fund's details is through your registered tax agent or online at abr.gov.au ▪ be registered on Super Fund Lookup (see **Step 6**). In addition, you must make sure any contributions and rollovers are: ▪ properly documented, including the amount, type and breakdown of components ▪ allocated to the correct member's account, within 28 days from the end of the month the contribution was received.
Develop the fund's investment strategy and regularly review it	Your fund should have a written investment strategy that: ▪ details your fund's investment objectives ▪ details the types of investments your fund can make ▪ considers the personal circumstances of all fund members ▪ considers the liquidity of assets (how easily they can be converted to cash to meet expenses) ▪ considers whether to hold insurance cover for each member and fund assets ▪ is regularly reviewed and updated so it continues to reflect the purpose and circumstances of your fund and its members. When you make investments for your fund, you need to: ▪ demonstrate how your decisions comply with the strategy and super laws ▪ keep them separate from personal or business investments ▪ ensure they are made and kept on an arm's length basis ▪ keep records of all decisions, including – why a particular investment was chosen – whether all trustees agreed with the decision – how collectables and assets are stored and insured.
Comply with investment restrictions under the super laws	You must comply with investment restrictions under the super laws. For example, in most cases, trustees cannot: ▪ lend the fund's money or provide financial assistance to members or their relatives ▪ acquire assets (with limited exceptions) from related parties of the fund ▪ borrow money on the fund's behalf (with limited exceptions) ▪ lend to, invest in or lease to a related party of the fund (including related trusts), more than 5% of the fund's total assets.
Pay benefits to members in accordance with the trust deed and super laws	You must pay benefits to members (and their beneficiaries) according to: ▪ your fund's trust deed ▪ the super laws. Generally, members can only access benefits once they reach preservation age. It is illegal to access super benefits earlier than legally permitted.

Outline of your obligations (continued)

Obligation	Detail
Value the fund's assets every year	You need to value the assets of your fund at their market value, so you can prepare your fund's accounts, statements and SMSF annual return (SAR). Some classes of assets must be valued and reported in a specific way, and you must have evidence of your valuation available to provide to your SMSF auditor each year. Visit **ato.gov.au/smsfvaluations**
Prepare the fund's financial statements every year	You need to prepare a statement of financial position and operating statement for your fund each year.
Commission independent audits every year	You must have your fund audited each year by an independent approved SMSF auditor who is registered with ASIC. An approved auditor will: ▪ examine your fund's financial statements ▪ assess your fund's compliance with super laws ▪ provide you with a report ▪ report any contraventions of the SISA to us.
Lodge the SMSF annual return (SAR) every year	Once the audit has been finalised you need to complete and lodge the SAR by its due date. See how at **ato.gov.au/lodgingSMSFreturn** Make sure you lodge your SAR on time. If you're more than two weeks overdue, the status of your SMSF on Super Fund Lookup will be changed to *Regulation details removed*. This means you won't be able to receive contributions or rollovers. Once you lodge, your status will be updated to *Complying*.
Pay the fund's income tax liability and supervisory levy	After you have lodged your SAR, pay any tax liability and the annual supervisory levy.
Lodge the Transfer balance account report (TBAR) when appropriate	Use the TBAR to report transfer balance cap events to us. The TBAR enables us to record an individual's balance for both their transfer balance cap and total superannuation balance. Once we receive and process your TBAR reporting for a member, the member and their agent will be able to see this information in ATO online services or Online services for agents. You generally need to start reporting to us when your fund begins paying a retirement phase income stream to a member. For information about what and when to report, visit **ato.gov.au/EBR**
Inform the ATO and ASIC of changes to the fund	You must tell us within 28 days if there is a change in: ▪ trustees ▪ directors of the corporate trustee ▪ members ▪ contact details ▪ address ▪ fund status. The simplest way to update your fund's details is through your registered tax agent or online, visit **ato.gov.au/SMSFchangenotice**

Outline of your obligations (continued)

Obligation	Detail
Ensure the fund's record keeping is accurate and up to date	You must keep proper and accurate records that are: ▪ written in English ▪ capable of verification by us ▪ in a form we can access and understand (for example, not encrypted) ▪ kept for up to 10 years (depending on the type of record). Keeping good records will: ▪ provide evidence that you met your tax and super obligations ▪ provide evidence to support your deductions, capital gains or losses ▪ show how you operate your fund including your investment decisions ▪ provide you with an accurate history of your fund ▪ support the decisions you and other trustees make. Examples of records you must keep include: ▪ administrative records – trust deed – written consents to act as trustee – trustee declarations – investment strategy – minutes of trustee meetings and decisions – change in fund details (including trustees) – audit reports – registration documents (for example, ABN, TFN) ▪ financial and tax records – accounting statements and records – records needed to prepare the SAR and accounts – annual returns – proof of ownership of fund assets – bank account statements – contributions, rollovers and payments – record of each member's account – asset valuations.
Make sure the fund meets the residency rules	Your fund must meet residency rules at all times during the year, or its assets and income will be taxed at the highest marginal tax rate. See **Step 4** for more information.

Penalties may apply if these things are not done. All trustees are bound by the trust deed and are equally responsible if its rules are not followed, so it is important that all trustees understand their obligations and the contents of the deed.

Consider professional advice

Complying with super and tax laws when running an SMSF can be difficult. Before you start, you may need to speak with a professional.

You may need an SMSF professional to help establish your fund and for the ongoing running of your fund. While you can do a lot yourself, some professional support is mandatory. Choose someone who is qualified, registered and licensed, and right for you and your circumstances.

Remember, even if you use a professional or rely on other trustees to help run the fund, responsibility for the fund still rests with you. All trustees share responsibility equally.

How a professional can help you

Professional	How they can help you
Tax agents and accountants	Prepare financial accounts and lodge the SMSFs annual returns. Check whether your tax agent is registered at **tpb.gov.au**
Fund administrators	Help set up the fund and advise on its structure and operation. Help you manage the day-to-day running of your fund. Meet reporting and administrative obligations during start-up and afterwards.
Legal practitioners	Prepare, review and update your fund's trust deed. Provide advice on whether certain actions are allowed under the law. Represent you in legal proceedings. Provide advice on the legal implications of situations like divorce, estate planning or trustee disputes.
Financial advisers	Help prepare, review and update your fund's investment strategy. Advise the types of investments to consider and what is allowed under the law. A licensed financial adviser offers extra protection because you can seek an independent review if anything goes wrong. Check whether your financial adviser is registered at **moneysmart.gov.au/financial-advice**
Approved SMSF auditors (mandatory)	Examine your fund's financial statements and assess your fund's overall compliance with super laws, including checking that: ▪ investments comply with its investment strategy and super laws ▪ it meets the sole purpose test ▪ any contributions and benefit payments comply with super laws ▪ it has met all lodgment and administrative obligations. Advise you and report to us if they: ▪ find you have breached certain super laws ▪ have concerns about your fund's financial position. Check whether your auditor is registered at **asic.gov.au/smsf-auditor**
Actuaries	Provide an actuarial certificate if required where your fund is paying a pension.

How do I set up an SMSF?

There are 11 steps to set up an SMSF, which are outlined in the following pages.

STEP 1
Choose an SMSF structure

Your structure needs to suit all members' circumstances.

The structure of your SMSF can change your fund's legal requirements.
You need to decide whether to have:

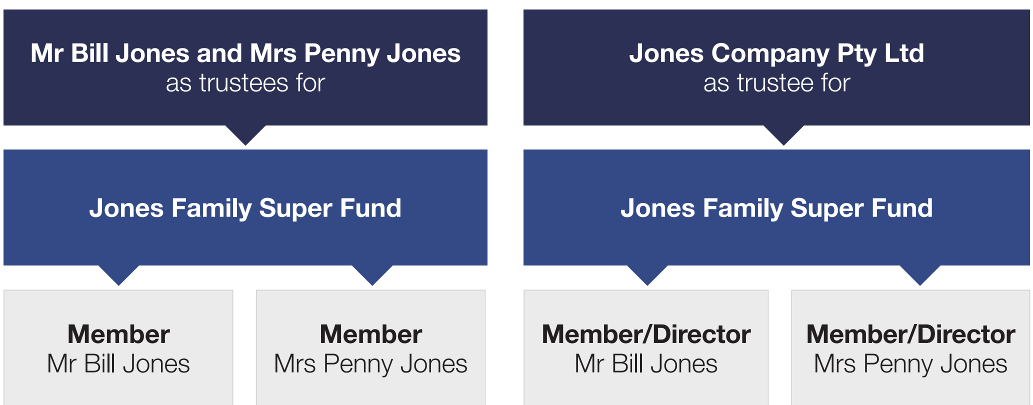
- a single member fund or a multiple member fund
- individual trustees or a corporate trustee.

Requirements for each structure

	Individual trustees	Corporate trustee
Single member fund structure	Must have two trustees One trustee must be the fund member The member cannot be the other trustee's employee (unless they are also relatives)	Can have one or two directors One director must be the fund member If there are two directors, the member cannot be the other director's employee (unless they are also relatives)
Multiple member fund structure	Two to six members Each fund member must be a trustee Each trustee must be a fund member A member cannot be the employee of another member (unless they are relatives)	Two to six members Each fund member must be a director Each director must be a fund member A member cannot be the employee of another member (unless they are relatives)

Examples

Individual trustees | **Corporate trustee**



How the structures compare

	Individual trustees	Corporate trustee
Establishment costs	The fund can be cheaper to establish as you do not have to set up a separate company to act as trustee.	To set up a company, ASIC charges: - a fee to register a corporate trustee - an annual review fee.
Governing rules	Trustees must follow the rules in: - the fund's trust deed - the super laws - the tax laws.	Directors must follow the rules in: - the fund's trust deed - the super laws - the tax laws - the company's constitution - the *Corporations Act 2001*. Company directors, including directors of an SMSF corporate trustee, will need to obtain a director identification number. Visit **abrs.gov.au/directorID** to find out when you need to apply.
Administration and reporting	Fewer reporting obligations and can be easier to administer. However, changing trustees can mean more paperwork and administrative costs.	While there are some extra reporting obligations to ASIC, it is easier to: - administer the ownership of fund assets - keep fund assets separate from any personal or business assets.
Trustee succession	If your fund has two trustees and one leaves or dies, you must appoint another trustee in their place, or change to a corporate trustee structure so the fund can continue to be an SMSF. If the trustees change, you need to notify the ATO within 28 days.	The corporate trustee does not change if a director leaves or dies. It can operate with just one director. If the directors change, you need to notify the ATO and ASIC within 28 days.
Ownership of fund assets	Fund assets must be held in the name of the fund or the names of the individual trustees, 'as trustees for' the fund. If the trustees change, you must change the name in each asset's ownership document. This can be costly and time-consuming.	Fund assets must be held in the name of the fund or the name of the company 'as trustee for' the fund. If the directors change, the corporate trustee does not change, so the titles of the fund assets are unchanged.

STEP 2

Appoint trustees

Understand and comply with your responsibilities when appointing trustees to avoid penalties for you personally and for your fund.

Not everyone can be a trustee of an SMSF.

Eligibility – who can be a trustee or director of a corporate trustee?

Ensure members are eligible to be trustees or directors.

If a member is 18 years old or over, they can be a trustee or director of a super fund so long as they're not under a legal disability (such as mental incapacity) or a disqualified person. Having a legal disability means you are assessed as not being competent to handle your own affairs.

> To be a trustee or director of a corporate trustee, you must not have any outstanding tax or super affairs, for example any unlodged tax returns and unpaid tax debts.

To knowingly act as a trustee, a trustee director or an office holder of a corporate trustee (such as secretary) while being a disqualified person, is an offence.

To be sure you are not a disqualified person you need to be able to answer no to all of the following questions:

- Have you ever been convicted of an offence involving dishonesty?
- Have you ever been subject to a civil penalty order under the *Super Industry (Supervision) Act 1993*?
- Are you insolvent under administration?
- Are you an undischarged bankrupt?
- Have you been disqualified by the ATO, ASIC or APRA?

Things you need to know if you intend to be a director of a corporate trustee

A company can't be a corporate trustee if:

- a director or other responsible officer of the company (such as a secretary or executive officer) is a disqualified person
- the company has been deregistered by ASIC
- a receiver, official manager or provisional liquidator has been appointed to the company
- action has started to wind up the company.

> A disqualified person cannot be involved in an SMSF in any way, including by using a legal personal representative.

However, a legal personal representative can act on your behalf, if you:

- are under a legal disability (for example, you are under 18 or are considered a legally incompetent or incapacitated person)
- are someone who the representative holds an enduring power of attorney for
- pass away (until the death benefit becomes payable).

Your role and responsibilities under the law

Once you have determined that you are eligible to be a trustee, make sure you fully understand your role and responsibilities under the law.

> We strongly recommend you complete a free online trustee training course.
> Visit ato.gov.au/SMSFcourses

Consent to being appointed as a trustee

Once you understand your roles, responsibilities and obligations, you must formally consent in writing to being appointed as a trustee.

Sign the trustee declaration

Each new trustee must sign the trustee declaration form within 21 days of consenting to becoming a trustee.

By signing the declaration, you are stating you understand your duties and responsibilities as a trustee.

You must also complete this declaration if you:
- have undertaken an ATO approved course of education to comply with an education direction
- are a legal personal representative appointed as trustee or director on behalf of someone else.

You must keep the signed declaration for at least 10 years after your SMSF winds up. Do not send your completed declaration to us unless we ask for it.

To get a copy of the Trustee declaration form (NAT 71089), visit ato.gov.au/Forms/Trustee-declaration

Record identification details

You must provide information on each trustee and member to the ATO in order to be able to operate the SMSF effectively. For example, their name, date of birth, and tax file number (TFN). This information will be required when you register your SMSF at **Step 6**.

If you don't, you can't register your SMSF and:
- your fund can't accept member contributions
- your fund must pay extra tax on some contributions
- members may not be able to receive super co-contributions
- there may be administrative delays if the ATO cannot identify the relevant person.

STEP 3

Create a trust deed

Creating and executing the trust deed legally establishes your fund.

Because an SMSF is a trust, creating and executing the trust deed will legally establish your fund.

Your trust deed is a legal document that sets out the rules for establishing and operating your fund. Your trust deed cannot override the law; however, together with the super laws, they form the fund's governing rules.

It details the:

- powers, duties and responsibilities of your trustees
- rights of your members
- fund's scope – what can and cannot be done.

Your trust deed must:

- be prepared by someone competent to do so as it's a legal document
- be tailored to your fund, in order to help meet the objectives of the trustees
- be signed and dated by all trustees
- meet all the requirements of and be properly executed under the relevant laws
- be regularly reviewed and updated so it meets all members' needs and complies with new or revised super laws.

Many SMSF professionals offer packages or kits to make this process easier. If you buy a package or kit, make sure the trust deed complies with the current law and is unique to:

- your fund's objectives
- your members' circumstances.

STEP 4

Check your fund is an Australian super fund

To be a complying super fund and receive tax concessions, your SMSF needs to be an Australian super fund at all times during the financial year.

An SMSF is an Australian super fund if it meets all three of these residency conditions:

1. The fund was established in Australia, or at least one of its assets is located in Australia.

We consider the fund was 'established in Australia' if the initial contribution to start the fund was paid and accepted in Australia.

2. The central management and control of the fund is ordinarily in Australia.

- This means the SMSF's strategic decisions are regularly made, and high-level duties and activities are performed, in Australia. It includes
  - formulating the investment strategy of the fund
  - reviewing the performance of the fund's investments
  - determining how assets are to be used for member benefits.
- In general, your fund will still meet this requirement even if its central management and control is temporarily outside Australia. If central management and control of the fund is permanently outside Australia for any period, it will not meet this requirement.

3. The fund either has no active members or it has active members who are Australian residents and who hold at least 50% of either:

- the total market value of the fund's assets attributable to super interests
- the sum of the amounts that would be payable to active members if they decided to leave the fund.

For more information, including what to do if a member goes overseas, visit ato.gov.au/SMSFcheckausfund

STEP 5
Holding assets

To be legally established, your fund needs to hold assets.

Usually trustees can accept an initial contribution on behalf of a member and hold it with the trust deed. This formal holding of assets allows them to officially register the SMSF and open a bank account (see **Steps 6 and 7**).

You can then build on these assets by having members make contributions to the fund – usually by transferring money or assets. You need to properly document contributions and rollovers, including the amount, type and breakdown of components, and allocate them to the members' accounts within 28 days of the end of the month in which you received them.

Ownership of your fund's assets

As trustee you must protect the fund's investments by holding them separately from any other entity's assets and investments. Make sure the fund has a separate bank account (see **Step 7**).

To ensure the fund has clear ownership of its assets, they should be recorded in a way that:
- distinguishes them from anyone else's personal or business assets
- clearly shows legal ownership by the fund.

The assets can't be held in the name of a trustee or member as an individual. Depending on your fund's structure, fund assets (other than money) should be held in the name of either:
- the individual trustees 'as trustees for' the fund
- the corporate trustee 'as trustee for' the fund.

For example, The Jones Family Super Fund has two individual trustees, Bill and Penny Jones. The fund holds its assets in the name of 'Bill and Penny Jones as trustees for the Jones Family Super Fund'.

In some states, where it is not possible to use the name of the fund, you need to clearly show and document your fund's ownership of the asset. For example, by using a:
- caveat
- legal instrument
- declaration of trust.

For example, The Anderson Super Fund has a corporate trustee, ABC Pty Ltd. The fund's assets are shares and an investment property. The fund holds its shares in the name of 'ABC Pty Ltd as trustee for the Anderson Super Fund'. As they can't legally hold the title for the investment property in the fund name, they hold it in the name of the trustees and have a caveat on the mortgage that the trustees are holding it on behalf of the Anderson Super Fund.

STEP 6

Register your SMSF

You must register your SMSF so it can receive tax concessions and operate effectively.

Once your fund is legally established, you have 60 days to register your SMSF.

To register you need to apply for an Australian business number (ABN) and a tax file number (TFN) for your SMSF.

If you do not register within 60 days, you must provide reasons for the delay in writing to us as your application may be denied. Visit **ato.gov.au/registeryourSMSF**

ABN and TFN

Your fund must register with us for an ABN and a TFN. If you don't do this:
- your fund will not be registered as an SMSF
- your fund will not be entitled to tax concessions
- employers will not be able to claim deductions for contributions they make to the fund.

You can apply for both an ABN and a TFN at the same time. Simply:
- go to the Australian Business Register (ABR) website at **abr.gov.au**
- select 'Apply for an ABN'
- complete the online form – making sure you
  - select that you are 'An ATO regulated SMSF'
  - select that you are 'an indefinitely continuing fund'
  - select that you wish to apply for a TFN
  - enter the date the fund was established
  - nominate an electronic service address (ESA) provider (see **Step 8**).

Your individual affairs need to be up to date or your SMSF registration will be delayed.
We consider factors such as:
- your personal lodgment and payment history
- any history of insolvency
- any crimes related to dishonesty
- your previous SMSF history
- your super balance and income
- information about identities that have been used fraudulently.

If your SMSF registration is selected for a risk review we will review your application and may ask for further documents to support your registration.

GST

Consider if you need to register for goods and services tax (GST). Most SMSFs don't need to register for GST because SMSFs mainly make input-taxed sales, and these don't count towards GST turnover.

SMSFs with an annual GST turnover of more than $75,000 must register for GST.
Annual GST turnover doesn't include:
- contributions
- interest and dividends
- residential rent or income generated outside Australia.

However, it does include gross income from the lease of equipment or commercial property.

For more information, visit **ato.gov.au/SMSFGST**

After you register

Shortly after you complete the application, the fund will appear on Super Fund Lookup (SFLU) at **superfundlookup.gov.au** with a status of *Registered*.

Once we have processed your application the:
- notice of compliance will issue and you will receive it in the mail
- status on SFLU will change to *Complying*.

We may contact you for more information before the status of your fund is changed to *Complying*.

Until your application is fully approved and SFLU is updated to *Registered* or *Complying*, your fund will not be able to receive contributions from employers or rollovers from other super funds.

STEP 7

Set up a bank account

You need to set up a unique bank account for your fund that will keep all money and assets separate from any personal or business finances.

You must open a bank account in your fund's name (not yours or any other entity's name) to:

- manage the fund's operations
- accept member contributions and rollovers
- hold earnings or profits from fund investments
- keep fund money and assets separate from any other finances.

You can use the contributions and rollovers in the fund's bank account to:

- invest according to the fund's investment strategy
- pay the fund's expenses and liabilities.

You don't need a separate bank account for each member, but you must keep a separate record of their entitlements (called a member account).

Each member account shows:

- contributions made by or on behalf of the member
- fund investment earnings allocated to them
- payments of any super benefits (like lump sums or income streams).

We strongly recommend using safeguards such as joint bank account signatories to protect the fund's assets.

To open the account, you will need to provide information such as:

- the fund's name, ABN, TFN and address
- the name of each member and their residential address
- identification documents for each member
- the name and Australian Company Number (ACN) of the corporate trustee (if you have one).

You can update your fund's financial institution account details through a registered agent or by phoning us on **13 10 20**.

Remember, as a trustee, you need to make sure your SMSF's bank account is unique to your fund.

STEP 8

Get an electronic service address

You need an electronic service address (ESA) to receive employer contributions.

You need an ESA so your fund can receive super contributions from non-related employers using SuperStream. As employers use SuperStream to pay super guarantee contributions to their workers, you need it in order to receive the money and data they send to your fund.

Your fund will also need to use SuperStream to roll over super to or from the fund. Ensure that your chosen ESA is able to provide rollover services, if it doesn't you will not be able to roll money in or out of your SMSF.

Your SMSF administrator may provide you with an electronic service address or you can use a SuperStream messaging solution provider.

You can update your fund's ESA details through a registered agent or by phoning us on **13 10 20**.

For more information, including a register of SMSF messaging providers, visit ato.gov.au/ESA

STEP 9

Create an investment strategy

Before you start making investments, you must have an investment strategy.

Super laws require you to prepare and follow an investment strategy for your SMSF, which must be reviewed regularly.

An investment strategy sets out:
- your fund's investment objectives
- the types of investments your fund can make.

It provides a framework for making investment decisions to increase member retirement benefits.

A financial adviser can help you prepare the strategy, but the fund trustees are responsible for managing the investments in the best financial interests of its members and in accordance with the law.

There is no prescribed format. The investment strategy must reflect the purpose and circumstances of the fund and its members.

For instance, it should consider:
- diversification (investing in different assets and asset classes)
- the risk and likely return from investments, to maximise member returns
- the liquidity of fund assets (how easily they can be converted to cash to meet fund expenses)
- the fund's ability to pay expenses as well as benefits when members retire
- the members' needs and circumstances (for example, appetite for risk and when members plan to retire).

Your investment strategy should:
- be in writing
- be reviewed regularly to ensure it continues to reflect the purpose and circumstances of your fund and its members
- document any decisions or changes you make during review.

Consider whether to hold insurance cover, such as life insurance, for each member, see **Step 10**.

Once you start making investments, you need to be able to demonstrate how your decisions comply with the investment strategy and super laws.

Find more information about preparing an investment strategy and investing, on the ASIC website at moneysmart.gov.au/how-to-invest

STEP 10
Plan for the future

It is important to protect fund members and their future from the unexpected.

This is general information about insurance and death benefit nominations. For information specific to your circumstances, speak with an SMSF professional.

Member and fund insurance

Consider arranging insurance to protect your fund's:
- members (or their dependants) against death, injury, ill-health or income loss
- assets from financial loss.

Insurance premiums your fund pays may be tax deductible.

Death benefit nominations

A death benefit is the payment of a member's super savings to a nominated beneficiary, if the member dies.

If allowed in the fund's trust deed, a member can use a death benefit nomination form to identify who to pay their death benefit to and in what proportion.

The nomination can be either:
- binding, directing the trustees to pay the death benefit to a legal personal representative or dependant
- non-binding, notifying the trustees of the member's preferred beneficiaries, leaving the trustees to make the final decision.

To create a death benefit nomination, speak with an SMSF professional.

STEP 11

Prepare an exit plan

Having a plan for when to wind up your SMSF will make it easier for you if the unexpected occurs. Consider the individual circumstances of your fund and its members, as each fund will be different.

It's important to think ahead. Sometimes things change or go wrong, so having a plan to wind up your SMSF will help. Make sure every trustee agrees and supports your exit plan. Ensure the agreement with the exit plan is recorded, for example by documenting the decision in meeting minutes, or by having the trustees sign it. Keep your exit plan with the fund's records.

Some common situations that might make you decide to wind up your fund:

- changing circumstances – for example, you can't effectively manage the fund due to lack of time, permanent incapacity or failing health
- poor performing investments – for example, if the fund's investments are incurring a significant loss, or the fund is unable to meet ongoing costs
- all members have left the fund – for example you have paid out all their benefits, they have rolled over all their benefits into another fund or they have passed away
- disputes between trustees – for example, relationship breakdown, differing opinions on how the fund should be run or the other trustees have acted in bad faith
- the fund no longer meets residency rules – for example the trustees have moved overseas.

Considerations for your exit plan

Check if there are rules in your fund's trust deed about how to handle specific life events.
You should consider the following in your exit plan:

- members' instructions to deal with their benefits upon their death, including the validity of binding death benefit nominations
- appointing an enduring power of attorney
- the estimated costs of winding up, keep this amount available when considering rollovers and payments
- the liquidity of the fund's assets for
  - making rollovers
  - paying benefits
  - final costs
- whether all trustees can access the fund's records and electronic transaction accounts, confirm
  - who will keep the fund's records once wound up
  - whether there is a backup.

Review your exit plan regularly

Just like your investment strategy, your exit plan is not a set and forget document.

Set aside some time to review your plan and make any updates. Regularly assess your fund, and each member's circumstances.

Questions to ask:

- Is an SMSF still the right option for all members' retirement savings?
- Do all trustees still have the capacity and time to manage the fund?
- Is it still cost-effective?
- Does your trust deed allow for the actions in your exit plan?

You may want to speak with an SMSF professional to help you decide.

Ensure you have informed us of any changes to your SMSF, for example if there is a change in trustees, members or contact details. Visit **ato.gov.au/SMSFchangenotice**

Help and more information

How your SMSF is regulated

The ATO and ASIC are co-regulators of the SMSF sector.

Australian Government
Makes the laws

ATO
Regulates SMSFs in accordance with super laws and administers the tax system.

ASIC
Regulates financial services to protect consumers and manages SMSF auditor registration.

The ATO and ASIC administer the laws

ATO

The Australian Taxation Office is a key regulator for SMSFs. We are responsible for administering the super and tax laws and ensuring compliance. We will make it as easy as possible for you to comply with your obligations and protect the future benefits of fund members.

For information on how we can help you, visit ato.gov.au/SMSF

Our compliance approach

The majority of SMSF trustees do the right thing but sometimes things just go wrong. When that happens, our primary focus is to guide and support trustees who want to get themselves back on track and willingly comply with the super laws. But there are occasions when strong enforcement responses are necessary.

The treatment we apply will depend on the nature of the breach and the trustee's attitude to their obligations. In serious cases, we can make a fund non-complying. This has a significant tax consequence where the fund assets and income are taxed at 47%, rather than the 15% that applies for complying funds.

If we believe a trustee is unable or unwilling to perform their role adequately, we will disqualify them. This prevents them from acting as a trustee of any super fund. We may take these actions in conjunction with other enforcement options, for example in instances where there are severe breaches of the law, we can also move to prosecute the trustees.

For more information about how we deal with non-compliance, visit ato.gov.au/SMSFcompliance

ASIC

The Australia Securities & Investments Commission is the consumer protection regulator for financial services, including:

- investing
- super
- deposits
- insurance
- financial advice.

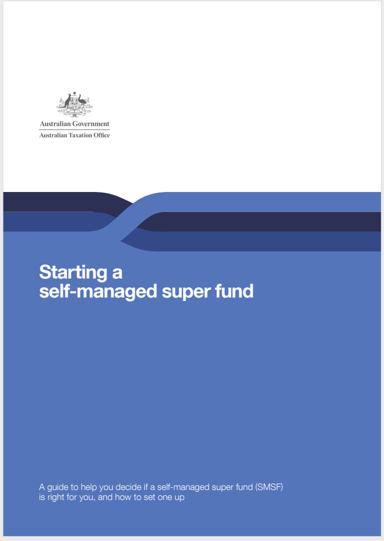
It regulates and enforces laws that promote honesty and fairness in financial products, services and markets, as well as Australian companies.

ASIC also:

- licenses financial advisers
- registers SMSF auditors
- regulates Australian companies, including companies that are corporate trustees of an SMSF.

There will be three guides in this set

Read our guides to help you understand each stage throughout the life of your SMSF.



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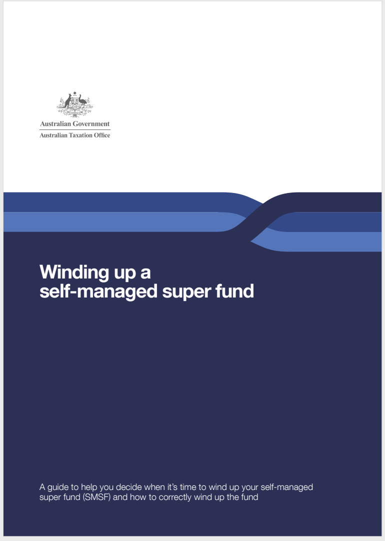

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Information and learning resources

As a key regulator for SMSFs, we can help you understand your duties and legal responsibilities as a trustee.

We provide information through various channels, refer to our:

- website – ato.gov.au/SMSFsetup
- videos – ato.gov.au/SMSFvideos
- webinars – ato.gov.au/SMSFwebinars
- news and alerts – ato.gov.au/SMSFnews
- other resources including Q&A, case studies, checklists, and more – ato.gov.au/SMSFresources

For definitions or explanations of terms, visit ato.gov.au/definitions

SMSF support services

If you are having difficulties or think you have made a mistake, contact us as soon as possible through our early engagement and voluntary disclosure service. Visit ato.gov.au/SMSFdisclosure

You can request specific advice on how the super laws apply to a specific SMSF transaction or arrangement, visit ato.gov.au/SMSFspecificadvice

You can also visit our online peer-to-peer forum to discuss your SMSF and general super questions with other trustees and professionals in the sector, visit community.ato.gov.au

If you need to phone us

Phone our superannuation line on **13 10 20** from 8am – 6pm Monday to Friday.

For help in other languages, phone the translating and interpreting service on **13 14 50** or **+61 392 688 332** if calling from overseas.

If you are deaf or have a hearing or speech impairment, phone us through the National Relay Service (NRS) using the below numbers and ask for the ATO number you need:

- TTY users, phone **13 36 77**
- Speak and listen (speech-to-speech relay) users, phone **1300 555 727**
- internet relay users, connect to the NRS at relayservice.com.au

Checklist

STEP 1
Choose an SMSF structure

- [ ] Choose between single or multiple members
- [ ] Choose between individual or corporate trustee
- [ ] Register a company if you are using a corporate trustee structure
- [ ] For corporate trustees make sure you check when you need to apply for a director identification number, visit abrs.gov.au/directorID

STEP 2
Appoint trustees

- [ ] Make sure all trustees pass the eligibility criteria
- [ ] All trustees should understand their role and responsibilities
- [ ] All trustees must consent in writing to be a trustee
- [ ] Ensure all trustees have signed a trustee declaration within 21 days of consenting to becoming a trustee stating they understand their duties and responsibilities
- [ ] Record all trustee and member identification details
- [ ] Record corporate trustee details (legal name, ACN/ABN, TFN, address and date of registration)

STEP 3
Create a trust deed

- [ ] Create a trust deed unique to your fund's objectives
- [ ] All trustees must read and understand the deed
- [ ] Ensure all trustees sign and date the deed
- [ ] Regularly review and update the deed so that it continues to meet members' needs

STEP 4
Check your fund is an Australian super fund

- [ ] Ensure your fund meets the residency rules
- [ ] Seek professional advice on how to meet residency conditions if members are planning to go overseas for an extended period

STEP 5
Holding assets

- [ ] Document the fund assets
- [ ] Check the fund has clear ownership of its assets
- [ ] Record each member's benefits

STEP 6

Register your SMSF

- [ ] Apply for an ABN and TFN (within 60 days of your SMSF being legally established)
- [ ] Register for GST (if needed)

STEP 7

Set up a bank account

- [ ] Open a bank account in the fund's name
- [ ] Update the fund's bank details

STEP 8

Get an electronic service address

- [ ] Check the register of SMSF messaging providers or contact your SMSF administrator to get an ESA
- [ ] Update the fund's ESA details through the ABR
- [ ] Check the ESA is able to provide rollover services

STEP 9

Create an investment strategy

- [ ] Consider the right investment approach for your SMSF based on your members' circumstances
- [ ] Create and document an investment strategy

STEP 10

Plan for the future

- [ ] Consider arranging insurance to protect fund members
- [ ] Consider arranging insurance to protect fund assets
- [ ] Consider completing a death benefit nomination

STEP 11

Prepare an exit plan

- [ ] Consider circumstances for winding up
- [ ] Check if there are rules in your fund's trust deed about how to handle specific life events
- [ ] Consider members' instructions to deal with their benefits upon their death
- [ ] Consider appointing an enduring power of attorney
- [ ] Estimate the costs of winding up
- [ ] Consider the liquidity of the fund's assets
- [ ] Ensure all trustees can access the fund's records and electronic transaction accounts
- [ ] Review your exit plan regularly

Starting a self-managed super fund

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