

Thought of the Month

New obligations for trustees of Self-Managed Super Funds



Trustees of self-managed superannuation funds (SMSFs) now have some new obligations to comply with as a result of recent amendments to superannuation legislation. These changes took effect from 7 August 2012.

The key changes you need to be aware of include:

Investment strategies

While trustees of SMSFs have an obligation to formulate an investment strategy for their SMSF and invest in accordance with that strategy, legislation now requires trustees to also regularly review their investment strategy, taking into account any changing circumstances of the fund or its members. For example, a member commencing to draw an income stream (pension) from their fund would generally be regarded as a change in circumstances that necessitated a review of the investment strategy.

Trustees are also required to consider the insurance needs of the members of the fund. Consideration of insurance forms part of the investment strategy requirements.

For trustees to comply with this requirement, they need to consider the types and levels of insurance cover, taking into account the personal circumstances of each member and whether the insurance should be held inside or outside the superannuation environment.

Separation of fund assets

Superannuation legislation has always contained a provision that stipulates that assets of a SMSF must be kept separate from assets owned personally by the trustees of the fund.

Trustees should take the time to review the assets held by their SMSF to ensure they are correctly recorded as being owned by the trustees of the SMSF, rather than in their personal names. Where a SMSF has members as the individual trustees, it is important to ensure that the assets are held by the trustees in their capacity as trustees of the SMSF.

Valuation of fund assets

Prior to the introduction of the amending legislation, trustees of SMSFs have been free to record the value of their fund assets at historical cost or market value. However, from the 2012/13 financial year, trustees will now be required to value all fund assets at market value.

This requirement does not necessarily mean that trustees will need to embark on a process of obtaining valuations from independent qualified valuers, but in certain cases this may be necessary.

Need help?

Your qualified financial planner or risk adviser, accredited to provide SMSF advice, will be able to assist you in understanding your obligations that arise from the new requirements.

Furthermore, we can assist you in ensuring your investment strategy is up-to-date, conduct regular reviews and ensure that the insurance requirements have been fully complied with. Where necessary we can also assist by reviewing your SMSF's current investments to make certain the ownership is correctly recorded and we can provide advice and guidance around the valuation of your SMSF's assets.

If you have any queries relating to the above, please contact People's Choice on (08) 9489 2700 or by email on corpsuper@peopleschoicecu.com.au.

Source | Professional Investment Services

Disclaimer

Financial Solutions Australasia Pty Ltd (ABN 36 008 939 599, AFSL 244308), a 100% owned subsidiary of Australian Central Credit Union Ltd registered office 1st Floor, 431 Robert Road, Subiaco WA 6008, did not, in preparing the information contained in this newsletter, take into account the investment objectives, financial situation or needs of any particular investor. Before making any decision regarding the acquisition or disposal of a financial product on the basis of such information, you need to consider whether it is appropriate in light of your needs, objectives and financial circumstances. It is advisable that you obtain professional independent financial advice before making any decision based on the information provided. If the information provided relates to the acquisition or possible acquisition of a financial product, you should obtain a copy of, and consider, the Product Disclosure Statement for that product before making any decision about whether to acquire the financial product. Neither People's Choice Credit Union or its directors or employees give any warranty, make any representation as to, or accept responsibility for, the accuracy, reliability, timeliness or completeness of the information in this newsletter. No responsibility is taken for persons acting on the information provided. Persons doing so, do so at their own risk. No part of this newsletter may be reproduced without the written permission of People's Choice Credit Union.