Doing it your way

Self-managed super – is it for you?

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For many Australians, super is one of the biggest investments, if not the biggest investment, they will ever have. That's why most people keep their super money in professionally managed super funds.

However, some people want the hands-on control that comes with a self-managed super fund. Of course, with added control comes added responsibility and workload.

Self-managed super funds can be suitable for people with a lot of super and extensive skills in financial and legal matters. You must be prepared to research and track your super investments regularly if you want to manage it yourself. Super is your investment for your retirement, so don't rush in.

How self-managed super works

You can set up your own private super fund and manage it yourself, but only under strict rules regulated by the Australian Taxation Office (ATO). They are sometimes called a 'self-managed super fund' (SMSF).

An SMSF can have one to four members. Each member is a trustee.

Running your own fund is complex so think carefully before setting one up.

If you set up a self-managed super fund you must:

- Carry out the role of trustee, which imposes important legal duties on you
- Use the money only to provide retirement benefits
- Set and follow an investment strategy that ensures the fund is likely to meet your retirement needs
- Keep comprehensive records and arrange an annual audit by a qualified auditor

Smart tip

Don't forget to take out separate life insurance cover if you have a self-managed super fund.

If you're running a self-managed super fund, you will typically need:

- A large amount of money in the fund to make set-up and yearly running costs worthwhile - usually around $200,000
- To allow for ongoing expenses such as professional accounting, tax, audit and legal advice
- Plenty of time to manage the fund
- Financial experience and skills so you are more likely to make sound investment decisions
- Separate life insurance, including income protection and total and permanent disability cover

You can pay an adviser a fee to do the administration for your self-managed super fund. However, you cannot pass on the responsibility of being a trustee.

Think carefully about your decision

If you're considering setting up a self-managed super fund you need to do your research and understand your obligations.

Questions you should ask yourself before setting up your SMSF

Will you save money or waste it?

For example, if you pay $1,000 in professional fees to administer a self-managed super fund with $10,000 in retirement savings, your expenses will be a whopping 10%.

You need to be sure you have enough money to absorb the fees; otherwise your retirement savings could disappear within a few years.

Will you lose valued benefits?

Super funds usually offer life and disability insurance and a range of investment options. If you set up a self-managed super fund you will have to organise and purchase these yourself.

Will your SMSF outperform your current fund?

Super funds use professional managers to invest your super money. Can you do better than the professionals?

What if something goes wrong? Sometimes things can go wrong, for example, you may lose money due to fraud. Unlike other superannuation funds' members, you will not have access to any special compensation schemes.

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Do you know enough?

- Do you know all your legal responsibilities?
- Are you on top of the investment market?
- Do you know the tax implications?
- Ultimately you will be responsible for your fund even if you have received incorrect advice from professionals.

If you're thinking of running an SMSF, consider completing the Self Managed Superannuation Fund Trustee Education Program. It is free and designed to assist trustees in understanding their role and responsibilities.

If you're thinking about setting up a self-managed super fund because you're not happy with your current fund, consider changing to another fund first.

Be wary of promoters who approach you to set up a self-managed super fund with the aim of withdrawing some or all your super to pay off debts. These arrangements are illegal.

Self-managed super resources

The ATO and ASIC have developed a guide for people who are thinking about self-managed super.

The ATO has a section about self-managed super funds and a range of other useful resources, that you can download from their website or order a hard copy.

Ask us for a copy of the ATO guides on self managed super funds.

If you do get a self-managed super fund get advice from an expert, for example a member of the Self-Managed Super Fund Professionals' Association of Australia (SPAA).

If you're thinking about setting up a self-managed super fund you need to be 100% committed. Before you make that decision, do your research and ask yourself what the real benefit is.

*Disclaimer: This article is generic in nature. All investment decisions should be considered wisely and based on your personal and financial circumstances. Seek proper advice before committing to any course of investment action. This is not deemed as advice.