



Well Balanced Advisory

Self-Managed Super Funds (SMSF)

Advantages and Requirements — Client Guide

A self-managed super fund (SMSF) is a private superannuation fund that you run yourself, giving you direct control over how your retirement savings are invested. This guide summarises the key benefits of an SMSF alongside the legal and practical requirements involved in setting one up and running it. It is general information only and does not take into account your personal circumstances — please speak with us before making any decisions about your superannuation.

Advantages of an SMSF

Investment control and flexibility

- Choose your own investments — shares, term deposits, direct property, unlisted assets, collectables and more, within super law limits.
- Build a tailored investment strategy that reflects your own risk appetite, timeframe and values (including ethical or direct investing preferences).
- React quickly to changing markets or personal circumstances, rather than waiting on a large fund's processes.

Pooling of family resources

- Up to six members can belong to one SMSF, allowing couples or family members to combine balances and share costs.
- Larger combined assets can open access to investments — such as direct commercial or residential property — that would be impractical alone.

Cost efficiency at scale

- Because many SMSF costs (accounting, audit, ATO fees) are largely fixed rather than percentage-based, a fund with a healthy balance can be more cost-effective than paying percentage-based fees in a retail or industry fund.
- Industry guidance generally suggests a combined starting balance of around \$200,000 or more for an SMSF to be cost-competitive — below this, fixed running costs can erode returns.

Tax planning opportunities

- Access the same concessional superannuation tax settings as other funds (including up to 15% tax on fund earnings in accumulation phase and potential tax-free earnings in retirement phase, subject to caps), with more direct control over timing of contributions, pensions and capital gains.
- Greater flexibility to manage capital gains tax outcomes by timing the sale of assets within the fund.

Estate planning

- Greater flexibility to structure death benefit nominations and pay benefits in the form (lump sum, pension, or a combination) that best suits beneficiaries.
- Ability to hold and deal with more complex or specific assets (such as a family business property) as part of a broader estate plan.

Direct property investment (including business premises)

- An SMSF can purchase business real property, which can then be leased back to a related-party business at market rent — subject to strict rules.

Requirements of Running an SMSF

Establishment requirements

- Structure: choose either individual trustees (all members must be trustees) or a corporate trustee (a company acts as trustee, with each member as a director).
- Trust deed: a legally compliant deed must be prepared, setting out the rules under which the fund operates.
- Membership: up to six members are permitted; all members must be trustees (or directors of the corporate trustee) and vice versa.
- Registration: apply for an ABN and TFN for the fund, generally within 60 days of the fund being legally established (i.e. holding assets).
- Bank account: open a dedicated SMSF bank account, separate from members' personal accounts, to receive contributions and rollovers and pay expenses.
- Electronic Service Address (ESA): required to receive contributions and rollovers electronically via SuperStream.
- Elect regulation: elect for the fund to be regulated by the ATO.

Ongoing compliance obligations

- Sole purpose test: the fund must be maintained solely to provide retirement benefits to members (or their dependants on death).
- Investment strategy: prepare, regularly review and follow a written investment strategy covering diversification, liquidity, risk and insurance for members.
- Independent audit: arrange an annual audit by an ASIC-registered SMSF auditor before lodging the fund's annual return.
- Annual return: lodge the SMSF annual return with the ATO each year (covering income tax, member contributions and regulatory reporting), even where no tax is payable.
- Record keeping: retain financial statements, minutes of trustee decisions, and other records — generally for at least 5–10 years depending on the record type.
- Valuations: value fund assets at market value each year for financial reporting and member benefit purposes.
- Residency: the fund must meet ongoing residency conditions to remain a complying Australian superannuation fund.
- Restrictions on related-party dealings: strict limits apply to acquiring assets from, lending to, or transacting with members and related parties (with limited exceptions such as business real property purchased at market value).
- Borrowing restrictions: the fund can generally only borrow via a compliant limited recourse borrowing arrangement (LRBA), and only for specific permitted purposes.
- Insurance consideration: trustees must consider whether to hold life, total and permanent disability, or income protection insurance for members.

Trustee responsibilities and costs

- Time and expertise: trustees are legally responsible for all decisions and compliance — this typically demands more time and financial knowledge than a retail or industry fund.

- Ongoing costs: budget for accounting, audit, ATO supervisory levy, and any advice, legal or administration fees, regardless of fund performance.
- Penalties for non-compliance: the ATO can impose administrative penalties, disqualify trustees, or make a fund non-complying (triggering significant tax consequences) for breaches of super law.
- Trustee education: new and prospective trustees should ensure they understand their legal duties before establishing a fund; regulatory proposals may introduce mandatory trustee education or testing prior to registration.

A note on suitability

An SMSF is not right for everyone. It suits people who want direct control over their investments, have sufficient time and confidence to meet their obligations (or budget to pay for professional support), and generally have a balance large enough to make running costs worthwhile.

We can help you weigh these advantages and requirements against your personal circumstances before you decide.

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