Australian Government
Australian Taxation Office

Setting up a self managed super fund (SMSF)

Fast facts

What is an SMSF?

A self-managed super fund (SMSF) is a trust. An SMSF is run for the sole purpose of providing retirement benefits to its members or their beneficiaries if a member dies before retirement.

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 trustee can be either individual trustees or a corporate trustee.
- A trust deed. A trust deed is a legal document that sets out the rules for establishing and operating your fund.
- Assets. An SMSF isn't legally established until it has assets.
- Beneficiaries. The sole purpose of an SMSF is to provide retirement benefits to its members or their beneficiaries.

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

The Australian Taxation Office (ATO) is the regulator of SMSFs which means they're responsible for ensuring compliance with the super and tax laws.

It's important you understand how to operate an SMSF because it can be illegal to:

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

When SMSF trustees do not comply with super and tax laws, there are a range of actions the ATO may take including disqualification, penalties, and tax consequences.

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.

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.

Before you set up an SMSF you should consider whether it's the best option for you.

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

Some of these obligations are:

- manage the fund honestly and with skills and diligence
- ensure the fund meets the sole purpose test
- accept contributions and rollovers in accordance with the trust deed and super laws
- develop the fund’s investment strategy and review it regularly
- comply with investment restrictions under the super laws
- pay benefits to members in accordance with the trust deed and super laws
- value the fund’s assets every year
- prepare the fund’s financial statements every year
- arrange an independent audit every year
- lodge the SMSF annual return (SAR) every year
- pay the fund’s income tax liability and supervisory levy
- lodge a Transfer balance account report (TBAR)
- make sure your fund is an Australian super fund
- notify the ATO and the Australian Securities & Investments Commission (ASIC) of changes to the fund
- ensure the fund’s record-keeping is accurate and up to date.

Penalties may apply if trustees don’t meet their specific obligations under the super laws including the Superannuation Industry (Supervision) Act 1993 (SISA).

All trustees are equally responsible for running the fund and making decisions that affect the retirement interests of each fund member.

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

Make sure an SMSF is your best option before you start.

The steps to set up an SMSF

- Choose an SMSF structure. The structure of your SMSF can change your fund's legal requirements. You need to decide whether to have individual trustees or a corporate trustee.
- Appoint trustees. You must understand and comply with your responsibilities when appointing trustees to avoid penalties for you personally and for your fund.
- Check your fund is an Australian super fund. To be a complying super fund and receive tax concessions, your SMSF must be an Australian super fund at all times during the financial year.
- Create a trust deed. A trust deed needs to be prepared outlining the rules and conditions under which the SMSF will operate.
- Holding assets. To be legally established, your fund needs to hold assets.
- Register your SMSF. You must register your SMSF so it can receive tax concessions and operate effectively.
- 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.
- Get an electronic service address (ESA). You need an ESA to rollover super into or out of your SMSF, and to receive employer super contributions
- Create an investment strategy. Before you start making investments, you must understand the investment requirements and develop an investment strategy.
- Plan for the future. It's important to protect fund members and their future from the unexpected and you should consider insurance and death benefit nominations.
- Prepare an exit plan. Having a plan for when to wind up your SMSF will make it easier for you if the unexpected occurs.

Record-keeping requirements

Keeping good records is more than just knowing which records to keep and for how long. It involves having a system for organising and maintaining records that makes it easier for you, and any SMSF professional you use, to:

- complete the fund's independent audit each year
- prepare financial statements, and
- lodge your fund's annual return.

It may also help reduce audit and administration costs for your fund.

Each SMSF is unique, with its own investment strategies to achieve its objectives. You should consult with a professional licensed adviser when setting up a record-keeping system so it suits your fund.

Remember, as a trustee it's your responsibility to ensure proper and accurate tax and super records are kept.

There are different requirements for how long you must keep SMSF records. Depending on the type of record, this may be for a minimum of either five or ten years.

Notify the ATO and ASIC of changes

It's really important that you keep your fund details up to date as missing or mis-matched details can cause processing and payment delays.

A key protection measure the ATO has deployed to address fraud and scams is to issue alerts via text and email when certain actions are initiated. Most importantly, the ATO sends an alert when a rollover is requested, so if you receive an alert and you're not aware of the request, you need to contact your super fund immediately to stop the rollover.

The ATO also sends an alert when a change of details is requested, such as adding a new member to an SMSF or the SMSF bank account details are being changed.

This is why it's vital you make sure your trustees individual contact details such as their mobile number and email address are kept up to date with the ATO.

You need to notify the ATO within 28 days if there are any changes to your fund.

Those with a corporate trustee structure must also inform ASIC.

Consider professional advice

You may need an SMSF professional to help you establish your fund, for the ongoing running of your fund and to help you wind up 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.

Even if you use a professional to help with your fund, responsibility for the fund still rests with you.

Help and more information

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

You can request specific advice on how the super laws apply to a specific SMSF transaction or arrangement.

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