

Self-managed superannuation funds and Small APRA Funds

A small superannuation fund is a super fund that has no more than four members. The members are usually related and each member has a high level of control over their superannuation investment.

Within a small fund, investments are not limited to a menu of managed funds or direct shares like a retail fund, but can be any kind of investment, provided the fund adheres to certain guidelines established under the Superannuation Industry (Supervision) Act 1993 (SIS Act), the fund's trust deed and its documented investment strategy.

It is generally suggested that the minimum balance of a small super fund be around \$200,000, given the fixed cost of fund audits and statutory returns.

There are two types of small superannuation funds: self-managed superannuation funds (SMSFs) and Small APRA Funds (SAFs).

Key features of an SMSF

- Unlimited investment options (subject to the SIS Act, the fund's trust deed and investment strategy). Investments may include private company shares, small cap shares, unlisted managed funds, direct property, collectables and business real property purchased from a related party.
- All members of the SMSF must be trustees and all trustees must be members (different rules apply for single member funds). This means that the member takes on the responsibility of the trustee function.
- The fund is regulated by the Australian Taxation Office (ATO).

Key features of a SAF

- There are no related party issues between employees, employers and associates under a SAF.
- The fund is regulated by the Australian Prudential Regulation Authority (APRA).

- Trustee duties and responsibilities are provided by an approved trustee such as Australian Executor Trustees (AET). For additional information on trustee responsibilities, please refer to the AET fact sheet entitled 'Who can be a trustee of a self-managed superannuation fund and what are their duties?'.
• The trustee must be licensed and authorised by APRA.

Benefits of SMSFs and SAFs

- Low cost structure – compared to retail superannuation funds and master trusts.
- Tax planning – ability to control capital gains tax (CGT) realisation.
- Asset protection – possible protection from creditors in the event of bankruptcy.
- Retirement income options – tailored to your individual needs.
- Estate planning – ability to control how benefits are paid to your beneficiaries.
- 'In specie' asset transfers – you can transfer assets that you own personally, such as listed securities or business real property, into your small super fund.
- Seamless conversion from accumulation to pension phase.

Additional benefits of a SAF

- Because the trustee function is performed by a specialist trustee company, member risks associated with maintaining fund compliance are minimised and not held by the member.
- Fund assets can be held on a flexible basis between fund members, which can help with estate planning.
- A disqualified person can be a member of a SAF but not an SMSF.

What are the differences between an SMSF and a SAF?

Features	SMSF	SAF
Fund regulator	ATO	APRA
Title to assets	Held in name of trustee	Held in name of trustee
Maximum number of members	Four	Four
Identity of trustee	Fund member(s)	Licensed trustee
Potential related party issues ¹	✓	✗
Member protection under 'culpability test'	✗	✓
Investment control	✓	✓
Tailored investment strategy	✓	✓ However, trustee may impose restrictions
Responsibility for fund compliance	Trustee	Licensed professional trustee such as AET
Non-resident member compliance risks ²	✓	✗
Complaints resolution through Superannuation Complaints Tribunal	✗	✓
Financial assistance funding scheme	✗	✓
Trustee remuneration ³	✗	✓
Need for standard financial reports	✓	✓
Annual regulatory return	✓	✓
Surcharge assessments by ATO or self assessment	✓	✓
Supervisory levy	\$150	\$500
Disqualified person as member	✗	✓

- 1 A related party refers to any member or standard employer sponsor of the fund and their associates.
- 2 There are no additional benefits for non-residents who wish to make contributions to a SAF versus an SMSF. However, SAFs may assist with the central management and control of non-residents.
- 3 Trustees do not receive remuneration for providing trustee services to an SMSF. This does not apply to remuneration received from services provided by the trustees within their professional lives.

Would you like further information?

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