Your Essential 2018 SMSF Guide

InvestSMART | Special Report

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The Changing Landscape For SMSF Trustees

The 2017 year was one of monumental change for Australia's superannuation sector, especially for the 1.1 million trustees and members of self-managed super funds.

There's no question that SMSFs have been squarely caught in the crosshairs of the new legislation that came into effect on July 1, 2017.

Throughout the year, both before and after the changes came into effect, many members sought clarification from our licensed financial advisers through Super Advice and Adviser Q&A on how to deal with the new rules. That's not surprising, because the rule changes are complex and have far-reaching consequences.

So, what were the key changes that came into effect? There were quite a number, but these are the ones which have had the biggest impact on SMSF trustees and members:

- The introduction of a $1.6 million lifetime cap on the amount of assets that can be held in a tax-free pension account, requiring surplus assets to be transferred back into an accumulation account (a 15 per cent tax on accumulation fund earnings now applies);
- The resetting of asset values in pension funds for Capital Gains Tax purposes related to the new pension balance cap rules;
- The removal of the tax-exempt status on income earned from assets supporting Transition To Retirement Income Streams;
- The lowering of the annual non-concessional contributions limit from $180,000 to $100,000, and of the three-year pull-forward rule limit from $540,000 to $300,000; and
- The lowering of the annual concessional contributions limit from $35,000 to $25,000.

SMSF trustees should by now be fully apprised of all the latest rule changes, and the compliance obligations attached to them. If you are not, you can read all of our past articles on the changes contained in our Super Advice content hub. Be warned: those that breach the new rules risk prosecution and penalties from the Australian Tax Office.

But, if you thought these were the end of the superannuation changes, think again. There are more changes on the way, which come into effect from July 1, 2018. We'll explain those in more detail in this special report.

Indeed, this report is your essential guide to all the latest and upcoming changes that come into play during 2018, and includes strategies on how you can maximise the opportunities available for both the 2017-18 and 2018-19 financial years.

We've also included a month-by-month compliance and SMSF tips calendar for your reference, which you should keep on hand to track all your obligations throughout 2018. And there's also a glossary of important superannuation and SMSF terms to refer to whenever you need it.

As always, members with any specific questions on superannuation and retirement can access our Super Advice content and tap into the knowledge of our licensed financial advisers at any time.

I hope you find this report useful.

Tony Kaye

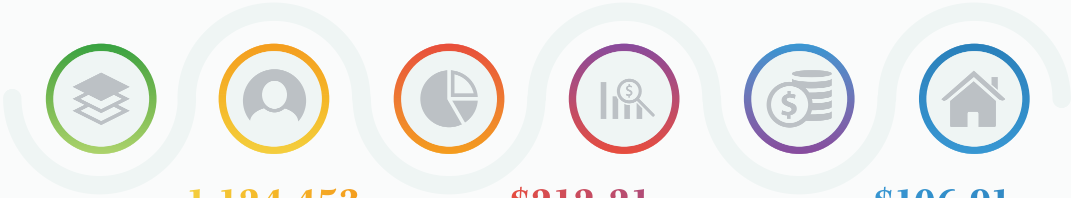
Editor, InvestSMART

The Key Data on SMSFs

Number of SMSFs
596,516

SMSF Assets
$696.73 billion

Cash & Term Deposits
$159.69 billion



1,124,453
SMSF Members

$212.21 billion
Australian Shares

$106.91 billion
Direct Property

Source: Australian Tax Office.

The number of self-managed super funds and members is continuing to increase, as more Australians discover the benefits of owning and operating their own fund.

The key benefit, of course, is having total investment flexibility, and the table below shows exactly where SMSF trustees are investing.

Data from the Australian Taxation Office (the ATO) shows there are currently just under 600,000 SMSFs across Australia, with around 1.12 million members, collectively managing about $670 billion in net assets. On average, a net 7,000 new SMSFs are being opened every quarter after adjusting for fund wind-ups.

Where are SMSF trustees investing?

The ATO, which is responsible for overseeing the SMSF sector, publishes a detailed breakdown of where trustees are investing each quarter.

The data on the right, to the end of June 2017, shows ASX-listed shares account for more than $212 billion of investments, or just under one-third of all SMSF assets. Separate superannuation industry research by InvestSMART shows that the bulk of Australian share market holdings are in the top 20 ASX companies, with Telstra and the Commonwealth Bank the most widely held stocks.

There also has been a strong shift by SMSFs towards holdings in ASX-listed exchange-traded funds, with the most popular being ETFs that cover the S&P/ASX 200 Index. Yet, it's also evident that SMSF trustees are a cautious bunch. Combined, the sector has close to $160 billion sitting in cash and terms deposits, sitting in the accounts of banks and other financial institutions. That's despite the fact that official interest rates remain at record lows, and with no near-term prospect of a rate rise.

Australian property remains a favoured destination for SMSF trustees and, to a lesser extent, overseas property. Commercial property, because it can be both owned and used by a superannuation fund, continues to attract strong investment interest – with trustees owning around $75 billion in non-residential property assets across

> **The number of self-managed super funds and members is continuing to increase, as more Australians discover the benefits of owning and operating their own fund.**

Australia. Residential property is less popular, but still accounts for a sizeable $32 billion in holdings.

Separate to direct property holdings, SMSFs are also heavily invested in both listed and unlisted trusts (many of which are property trusts). In total, there is around $104 billion invested into these types of investment vehicles.

So, taking all the various streams of property assets into account, SMSFs have a collective exposure to property of around $211 billion – just behind the total amount invested into shares.

SMSF ASSETS	VALUE $M
CASH AND TERM DEPOSITS	159,686
DEBT SECURITIES	9,886
LOANS	4,276
LISTED TRUSTS	33,257
UNLISTED TRUSTS	71,455
MANAGED INVESTMENTS	37,695
AUSTRALIAN LISTED SHARES	212,210
AUSTRALIAN UNLISTED SHARES	6,714
LIMITED RECOURSE BORROWING ARRANGEMENTS	28,610
NON-RESIDENTIAL PROPERTY	74,772
RESIDENTIAL PROPERTY	31,761
COLLECTABLES	303
INSURANCE POLICY	107
OTHER ASSETS	17,571
OVERSEAS SHARES	4,371
OVERSEAS NON-RESIDENTIAL PROPERTY	119
OVERSEAS RESIDENTIAL PROPERTY	260
OVERSEAS MANAGED INVESTMENTS	787
OTHER OVERSEAS ASSETS	2,888
Total Assets	**696,728**

Source: Australian Tax Office.

Shifts in asset allocation

Will there be a marked shift in SMSF asset allocations during 2018? Superannuation industry research shows SMSF trustees continue to have a strong bias towards Australian shares and real property. However, the rapid growth in the ETFs sector of the share market has resulted in more capital being allocated to overseas shares via these products. That trend is likely to continue over time as more investors seek to broaden their exposure to offshore markets.

The attraction of holding real property inside an SMSF may diminish, especially as the Australian property market shows further signs of stress. Low rental yields and stagnant prices may be enough of an incentive for SMSF trustees to hunt out better investment returns in other asset classes, especially given the lack of liquidity for those holding physical assets such as real property.

The amount of capital being held in cash and term deposit accounts remains high, and that is also unlikely to change anytime soon despite the low returns from this asset class. Behind this trend is a high degree of investor caution, especially in light of lower growth forecasts for the Australian economy and global geopolitical concerns, with many SMSF trustees willing to forego higher returns to reduce their risk.

Yet, taking a longer-term investment perspective, SMSF trustees should be looking to broad diversification across a range of different asset classes.

The Changes Ahead In 2018

The 2017 year marked some of the biggest changes to Australia's $2 trillion-plus superannuation sector in its history, and self-managed super fund trustees were front and centre of the new rules.

In calendar 2018, SMSF trustees will not only need to rule off their books on the 2017 changes but also prepare for another set of rules that come into effect during the year.

But, unlike the rule changes that came into effect in mid-2017, the changes that will take effect in 2018 will not necessarily affect all SMSFs. That will come down to individual circumstances and the size of account balances.

Nevertheless, all SMSF members will need to ensure that they have adhered to, and taken full advantage of, the various changes that were enacted through legislation on July 1, 2017.

2017-18 Financial Year

SMSFs have until June 30, 2018 to get their house in order for the current financial year.

That means being across all the changes that came into effect on July 1, 2017.

So, what can you do? As always, think about how you can maximise your super contributions. All members of super funds can contribute up to a maximum of $25,000 per year in concessional contributions (taxed at 15 per cent), which includes employer contributions.

Members also can contribute up to $100,000 per year in non-concessional contributions (tax paid), and can utilise the three-year pull-forward rule to contribute up to $300,000 in non-concessional contributions, covering the 2017-18, 2018-19, and 2019-20 financial years.

However, as of July 1, 2017, the amount of non-concessional contributions cap that can be brought forward, and whether a member has a two- or three-year bring-forward period, will depend on their total superannuation balance at the end of June 30 of the 2016-17 financial year.

To be able to use the bring-forward rule at all, a member must be under 65 years of age for one day during the triggering year (the first year), and must have a total superannuation balance of less than $1.5 million.

The remaining cap amount for years two or three of a bring-forward arrangement is reduced to nil for a financial year if one's total superannuation balance is greater than or equal to the new general transfer cap at the end of June of any previous financial year.

2018-19 Financial Year

There are various rule changes that come into effect from July 1, 2018 that SMSF trustees and members should be in tune with.

The first measure, announced in 2017, is a major positive for those who in the past have not been able to take advantage of the full annual concessional contributions limit.

From the start of the 2018 financial year, any fund member with a balance of under $500,000 is able to utilise catch-up concessional contribution provisions. In essence, this means that if an individual is not able to make their full

> **“ For SMSFs with larger superannuation balances linked to pension accounts, the reporting obligations will become more onerous from July 1, 2018.**

$25,000 concessional contributions allowance in 2018-19, they will be able to contribute their full allowance in 2019-20, plus any shortfall from the previous financial year.

The catch-up provisions will eventually span five financial years, meaning that at the end of the 2022-23 financial year fund members will be able to top up their concessional contributions shortfalls all the way back to 2018-19.

The catch-up rule coincides with the removal of another rule – the “10 per cent rule”. The 10 per cent rule meant that anyone who earned more than 10 per cent of their income from being an employee could not make any personal deductible contributions. They had to, in effect, use salary sacrifice through their employers.

Real-Time Reporting

For many self-managed super fund trustees, 2018 will be just another reporting year.

But for SMSFs with larger superannuation balances linked to pension accounts, the reporting obligations will become more onerous from July 1, 2018.

The ATO will require all SMSFs with an account balance of $1 million or above to report any events that have an impact on a member’s pension transfer balance cap – for example, when a SMSF member first starts to receive a pension from their fund.

SMSFs will be required to report to the ATO within 28 days after the end of the quarter in which the event occurs.

The new reporting obligation relates directly to the $1.6 million transfer balance cap that limits the value of assets in a super fund linked to a pension to this amount.

SMSFs with balances below $1 million will be able to choose to report events that impact their members’ transfer balances at the same time as lodging their annual accounting returns.

Those with larger balances will need to report any events that have an impact on their transfer balance cap after the end of each quarter.

What You Need To Do

If you do have an SMSF balance above $1 million, it’s important to contact your accountant and super fund administrator to determine how to manage the new reporting obligations before they come into effect on July 1, 2018.

This will particularly be the case for trustees who regularly withdraw amounts from their pension account. Under the current annual reporting rules, trustees have been able to work out with their SMSF adviser at the end of the year whether pension payments are treated as a lump sum commutation or as an income stream.

From next financial year this will need to be done on a quarterly basis, so before taking any payments it will be important to decide in advance and liaise much more closely with an adviser.

It will also be even more important to keep accurate pension payment records, so having good reporting and record keeping systems in place will be a must to avoid any potential timing issues with the ATO and non-compliance penalties.

SMSF members drawing a pension payment of more than the minimum amount may want to consider withdrawals above the minimum as commutations to maximise the amount in their pension account.

SMSFs And Home Downsizing

The Federal Government announced another new measure in the 2017 Budget as part of a series of initiatives aimed at freeing up housing stock across the country for upsizers and younger families.

From July 1, 2018, individuals aged 65 or over will be able to sell their principal place of residence if it has been held for a minimum of 10 years and deposit up to $300,000 of the proceeds into their superannuation fund account. Couples will be able to deposit up to $600,000.

The existing restrictions on voluntary contributions for people aged 65 and older, including the work test for those aged between 65 and 74 years old, and the ban on super contributions for those aged 75 and over, will not apply. Neither will the restrictions on making further non-concessional contributions for people with account balances above $1.6 million.

For SMSF members, the process will be as easy as transferring house proceeds directly into your fund.

However, before heading down the pathway to downsizing your home, it's very important to tally up both the raw costs and the potential risks. Depending on your circumstances, including where you live and where you intend to buy, and your total assets position, selling up and buying another property could be unwise.

As well as the substantial costs associated with selling and buying a property, home downsizing will likely result in many individuals or couples losing part or all of their existing or future Age Pension income.

Things To Consider

If you are looking at downsizing, there's no obligation to put any of the proceeds into your superannuation fund. The benefit of putting it into super, of course, is that the funds will be added as a non-concessional contribution (tax paid) and any earnings in pension mode will be tax free.

Given the age limitations around the new downsizing measure, it's likely that most people who take up this offer will be in retired and in pension mode.

However, for individuals and couples with low superannuation balances, especially those receiving a part or full Age Pension, it's important to tread very carefully when considering the home downsizing scheme.

While it may seem a sensible strategy to inject more funds into superannuation to capture the benefits of tax-free income in pension phase, the end result could be financially disastrous.

> **“The impact of the assets test thresholds in relation to the downsizing scheme will vary, based on how much net cash is realised in each property changeover.**

Consider that the family home is exempt from the assets test used for calculating pension entitlements, while all other assets outside of the home including superannuation are taken into account. Average superannuation balances at retirement already put many Australians close to or over the pension assets test thresholds.

The thresholds were changed on January 1, 2017 to the limits in the table below. Any pension entitlements for individuals or couples are reduced by $3 per fortnight for every $1,000 in assets above the new limits.

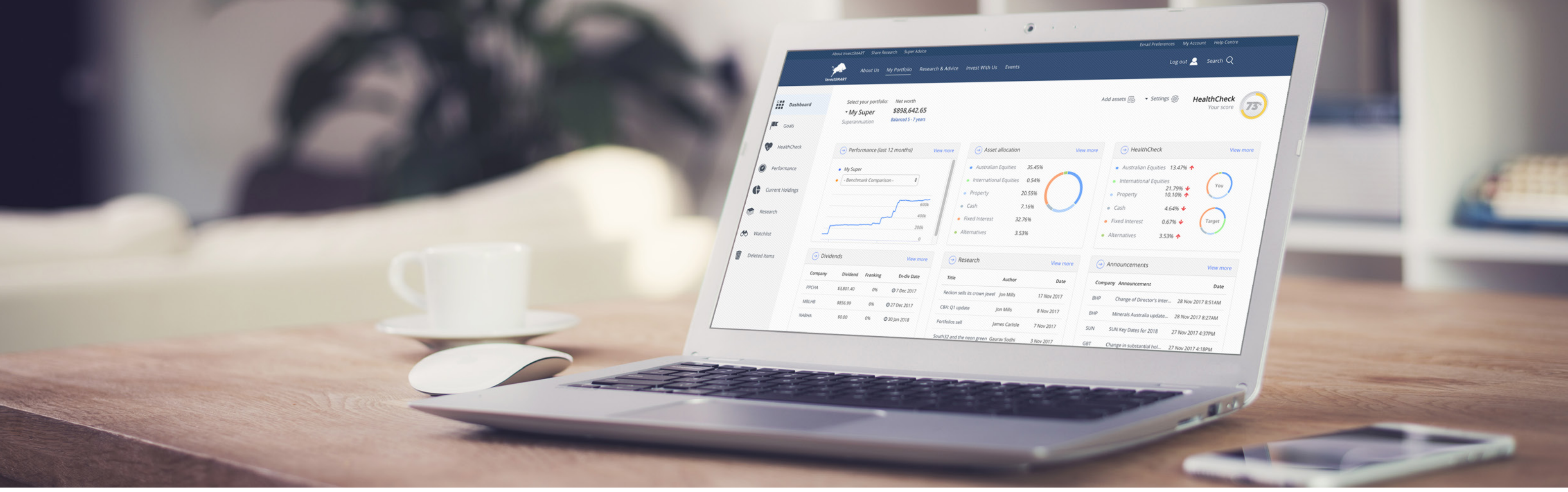
The Assets Test Limits

	HOMEOWNER	NOT A HOMEOWNER
SINGLE	$250,000	$450,000
COUPLE	$375,000	$575,000

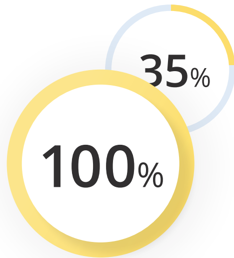
Many singles and couples are likely to exceed the asset limits by selling a home and depositing additional funds into their super account, even after the costs of purchasing another residence.

As such, any tax savings on superannuation income earned in pension phase may be completely offset by the loss of pension entitlements and the costs of downsizing.

Trustees and members need to review their personal circumstances to determine if downsizing works for them, especially those on the cusp of receiving a full or part Age Pension, and it will be critical to receive personal financial advice with respect to social security means testing.



Doing A Portfolio Health Check



New Year's resolutions are not part of the compliance rule book for SMSF trustees and members, and there are no formal reporting obligations for SMSFs at either the end or start of a calendar year.

But if you do make one New Year's resolution for 2018, commit yourself to undertaking a regular health check of your SMSF investment portfolio as the new year ticks over, and to regular portfolio health checks throughout the year.

As a result of market movements, recent investment changes you've made, and of end-of-year stock reweightings in managed portfolios you use, it's highly likely that your portfolio is out of balance, and your overall portfolio diversification health score has deteriorated.

Analysis by InvestSMART during 2017 of almost 60,000 Australian investment portfolios found a majority of investors are heavily exposed to Australian equities and investment property, irrespective of whether they define themselves as being conservative or aggressive in terms of their risk appetite.

Understand your profile and your portfolio

There are two things that SMSF trustees should do.

The first is to get a proper understanding of your "risk profile". If you haven't done one, do a risk profile questionnaire. They are not to put you into a pigeon hole, but to get you thinking about your asset allocation.

The second is to get a proper understanding of what is in your portfolio. Do you know what each asset really is?

This might seem like a silly question ... but you would be surprised by the number of SMSF trustees who don't understand, at a base level, what some of the assets they've accumulated in their portfolio actually are.

(One of the best ways of checking both your risk profile and portfolio assets is via InvestSMART's "**Portfolio Manager**" tool. Enter your assets, and what you'll receive at the end of it is a proper look-through of your portfolio, including of the asset class mix. Some assets might be listed as something other than what you thought they were. But if you get a proper asset allocation out of the exercise, then you might find yourself surprised.)

Once you know what you've got in the four main asset classes – cash, fixed interest, property, and shares – and have done a risk profile, you can see if there is a mismatch between what you should have and what you do have.

Recording the results of these considerations will also be useful for the fund's investment strategy. Too many SMSF trustees have investment strategies in existence that have, as the acceptable portfolio weighting, 0 per cent to 100 per cent across all asset classes. This will be seen as lazy by the ATO during an audit and a sign of trustees not taking the role seriously, or being educated sufficiently to act as trustees.

How much do you have in each asset class? Are you comfortable with those percentages?

Were you surprised at how much of the whole portfolio, or how little, was in shares, property, cash, and fixed interest? From the big picture perspective, do you need to make some wholesale changes there, like shifting 20 per cent of the portfolio back out of equities and into defensives (cash and fixed interest)? Do you have enough international exposure?

Next, it's important to review every asset in your portfolio? You might be holding some assets because they are favourites. They might have performed well over a long period of time. There might be some capital gains in there.

If you're in pension phase, holding onto an asset just because of a large capital gain shouldn't be a consideration. There's no tax to pay on gains in pension mode (except, now, for Transition To Retirement pensions because of the imposition of a 15 per cent income tax).

But, even if you're still in accumulation, the tax on a capital gain is effectively 10 per cent. Is it worth holding onto an asset that might be fully priced, even over-priced, if there is another asset that is under-priced that could deliver you more of what you want for your portfolio?

When to review your investment strategy

If you run a SMSF, it's a legal requirement that you review and detail your investment strategy annually. Investment policy regulations also stipulate it is compulsory for trustees to consider the requirement of insurance for members.

But, in reality, just ticking the compliance box once a year is not nearly enough. A quarterly check is more prudent to ensure your portfolio is on track. More diligent investors should conduct a monthly or even more regular check-ups to eliminate any unexpected portfolio surprises.

Trustees of an SMSF must have an investment strategy in writing. The main thing to understand is that the investment activities of the super fund must be able to be measured against and done in accordance with the strategy.

As a minimum, the strategy should take account of the risk associated with an investment's return. The strategy should also consider the activities of the SMSF and the point that the members are at.

In other words, the strategy must ensure there is sufficient liquidity in the investments to be able to pay all commitments, including tax, administration costs and benefits. As a part of this, trustees should take into account the importance of diversifying the SMSF's investments over the various types of investments.

The Rules Around Investing

One of the major benefits of a self-managed superannuation fund (SMSF) is the flexibility given to trustees to directly invest in whatever they want, except for some restricted investments.

Some of the investment restrictions on trustees are:

- Investments must be purchased and maintained at arms length;
- Investments cannot be purchased from members and related parties, except in limited cases;
- In-house assets cannot exceed 5 per cent of the market value of the fund; and
- Investments must be purchased in accordance with the investment strategy of the fund.

This requirement to have an investment strategy comes from SIS regulation 4.09(2). That section states:

"The trustee of the entity must formulate and give effect to an investment strategy that has regard to all the circumstances of the entity, including in particular:

1. the risk involved in making, holding and realising, and the likely return from, the entity's investments, having regard to its objectives and expected cash flow requirements;
2. the composition of the entity's investments as a whole, including the extent to which they are diverse or involve exposure of the entity to risks from inadequate diversification;
3. the liquidity of the entity's investments, having regard to its expected cash flow requirements;
4. the ability of the entity to discharge its existing and prospective liabilities".

Below is a more detailed explanation of the rules around purchasing assets.

Investments must be made and maintained at arm's-length

Where investments are purchased from members this must be done on commercial and arm's-length terms. In the limited circumstances that an investment is allowed to be used by a related party, such as commercial property, commercial rentals must be paid.

This duty also requires trustees to keep the SMSF's assets separate from their own. In addition, the assets of the SMSF must show the trustee or trustee's names on the ownership documents and preferably also the name of the SMSF.

Investments cannot be purchased from related parties, except in limited cases

The only exceptions to an SMSF purchasing investments from members are when they are publicly listed such as shares, widely held trusts such as unlisted property trusts, or when it is business real estate such as shops or offices. The only other exception is investments purchased under the 5 per cent in-house assets rule.

In-house assets cannot exceed 5 per cent of the market value of the fund

Where investments, loans or other financial transactions involve members or related parties, their total value cannot exceed 5 per cent of the total value of the SMSF.

The values used for this test are the current market values and not the purchase costs. These investments are called 'in-house assets'.

Examples of in-house assets include:

- monies lent to related parties through a private company;
- a car owned by the SMSF leased to a member or related party;
- property owned by the SMSF leased to members or related party;
- artworks and other collectibles owned by the SMSF and kept in a member's home.

In all of these cases of in-house assets their combined total cannot exceed 5 per cent of the total market value of the SMSF. This means, in most cases, only SMSFs with very large member balances and total asset values can look at using the in-house assets rules.

Investments must be valued at market value

Trustees of SMSFs must value the investments of the fund at market value each year. To help trustees of SMSFs with valuing investments the ATO has issued an information sheet "Market valuation for tax purposes" that provides guidance for SMSFs.

For many investments made by SMSFs there will be markets in place, and establishing a value will be relatively easy. Listed shares can use the value shown on the last trading day of the financial year supported by published share tables. For managed funds, the annual statement showing the value can be used.

The requirement to value investments at market value does not mean all investments must be valued by a valuer. In fact, collectables and personal-use assets are the only investments that must be valued by a qualified independent valuer.

Where a property is owned by an SMSF the ATO does not even require a formal valuation by a registered valuer. Instead, in its information sheet the ATO states, "the valuation may be undertaken by anyone as long it is based on objective and supportable data".

The ATO even goes further by outlining the relevant factors and considerations to be considered in arriving at a market value. These include:

- The value of similar properties;
- The amount paid for a property in an arm's-length transaction;
- Appraisals by an independent person;
- The cost of improvements since the property was last valued;
- Using net income yields for commercial properties.

In this situation, the trustees must be able to provide evidence of the valuation process, such as a real estate agent's appraisal, so the auditor of the fund can accept the value used.

The ATO takes a practical approach to how often a property needs to be valued. Unless there is an event that has affected the property since it was last valued, such as a big change in market conditions or a natural disaster, the property does not need to be valued each year.

The exceptions to this are where the fund's trust deed requires annual asset valuations and where a fund has any pension members. In these cases, all assets need to be appraised each year.

In the absence of these events, it is generally accepted a property only needs to be revalued every three years.

It would be wise, however, for trustees to state as a part of the fund's annual investment strategy, that in their opinion the value of properties had not materially increased since they were last valued.

2018 SMSF Compliance Calendar

2018 JANUARY

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
31	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31	1	2	3
4	5	6	7	8	9	10

January is a quiet month overall, but it's a perfect opportunity to review your SMSF investment strategy and perhaps adjust the asset allocations within your portfolio.

Go to the **InvestSMART portfolio manager** to revisit your goals, review performance and current holdings, and conduct a financial health check.

Housekeeping

- Trustees must ensure contributions are distributed to members' accounts.
- Fund expenses must be paid, as required.
- If your fund is in pension mode and paying distributions monthly, make sure all pension payments are made into members' accounts by the end of the month.

Requirements

- January 28. The deadline for employer Super Guarantee contributions to be paid from the December quarter.

2018 FEBRUARY

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
28	29	30	31	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	1	2	3
4	5	6	7	8	9	10

Housekeeping

- Trustees must ensure contributions are distributed to members' accounts.
- Fund expenses must be paid, as required.
- If your fund is in pension mode and paying distributions monthly, make sure all pension payments are made into members' accounts by the end of the month.

Requirements

- February 28. New SMSFs must lodge their first annual return, and pay any tax due as well as an annual supervisory levy to the Tax Office.

2018

MARCH

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
25	26	27	28	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31
1	2	3	4	5	6	7

For most SMSFs, now is a good time to begin preparations for your annual return and/or to contact your accountant for an appointment.

It is also the month to lodge your annual tax return if your account balance exceeds $2 million.

Make any investment changes required, ensuring they are aligned to your trust deed and to your investment strategy.

Housekeeping

- Trustees must ensure contributions are distributed to members' accounts.
- Fund expenses must be paid, as required.
- If your fund is in pension mode and paying distributions monthly, make sure all pension payments are made into members' accounts by the end of the month.

Requirements

- March 31. The deadline for SMSFs with earnings of $2 million or more to lodge their annual return, pay any tax due as well as an annual supervisory levy to the Tax Office.

2018
APRIL

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	1	2	3	4	5
6	7	8	9	10	11	12

Housekeeping

- Trustees must ensure contributions are distributed to members' accounts.
- Fund expenses must be paid, as required.
- If your fund is in pension mode and paying distributions monthly, make sure all pension payments are made into members' accounts by the end of the month.

Requirements

- April 28. The deadline for employer Super Guarantee contributions from the March quarter.

2018
MAY

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
29	30	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31	1	2
3	4	5	6	7	8	9

May is often the busiest month of the year for SMSFs, because it is the tax lodgement deadline for the bulk of fund trustees and members. If you have not prepared your annual accounts, you must do so and lodge them by the end of May.

It is also the date of the annual Federal Budget, and the last few years have shown that changes to the superannuation system are regular and have far-reaching consequences. Monitor any changes that are announced.

Housekeeping

- Ensure there is sufficient cash in your account to make minimum pension payments before June 30.
- Trustees must ensure contributions are distributed to members' accounts.
- Fund expenses must be paid, as required.
- If your fund is in pension mode and paying distributions monthly, make sure all pension payments are made into members' accounts by the end of the month.

Requirements

- May 31. The deadline to lodge annual returns with the ATO for the majority of SMSFs using tax agents. Any tax payable from the previous financial year is due.

2018 JUNE

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
27	28	29	30	31	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
1	2	3	4	5	6	7

The lead-up to June 30 is also a busy period for SMSFs, particularly in relation to managing contribution levels, assets, and allocations. It is essentially your last chance to organise your affairs before the books are ruled off for the latest financial year.

Housekeeping

- Check concessional contribution levels made during the financial year. If you are able, top up to the maximum $25,000 annual concessional contributions cap.
- Make non-concessional contributions up to the limit of $100,000, or up to $300,000 using the three-year pull-forward rule.
- Review investment strategies, exit underperforming assets and redirect excess cash into higher-yielding investments.
- Sell loss-making assets to offset capital gains.
- Prepay any fund expenses to claim in current financial year.
- Make contributions to allocate to your reserve/ suspense account.
- Trustees must ensure contributions are distributed to members' accounts.
- Fund expenses must be paid, as required.
- If your fund is in pension mode and paying distributions monthly, make sure all pension payments are made into members' accounts by the end of the month.

Requirements

- June 15. The deadline for funds expecting a refund to lodge annual return.
- June 30. The last chance to make additional concessional and non-concessional contributions.

2018 JULY

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4
5	6	7	8	9	10	11

The new financial year begins the annual cycle for the majority of SMSFs. If you have made a non-concessional contribution in the previous financial year, before June 30, this could be opportunity to make another one and to use the three-year pull forward rule to contribute up to three years' worth of non-concessional contributions in one swoop.

If you were holding off on selling assets to avoid a Capital Gains Tax charge in the previous financial year, the new year could be the time to roll over that tax hit.

New Rules

- July 1: Real-time reporting comes into effect for SMSFs with $1 million or more.
- July 1: Home downsizing superannuation measure set to come into effect.
- From July 1: Members will be able to begin utilising the concessional contributions catch-up rules that came into effect in the 2018 financial year.

Housekeeping

- Trustees must ensure contributions are distributed to members' accounts.
- Fund expenses must be paid, as required.
- If your fund is in pension mode and paying distributions monthly, make sure all pension payments are made into members' accounts by the end of the month.
- Review Binding Death Benefit Nomination. This can be done at any time during the year.

Requirements

- If starting a pension any time after July 1, prepare interim accounts and calculate pro rata payments.
- July 1. The deadline for calculating minimum pension requirements for the ensuing financial year based on age.
- July 28. The deadline for allocating contributions made prior to June 30 to members.
- July 28. The deadline for employer Super Guarantee contributions from the June quarter.

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2018

AUGUST

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1
2	3	4	5	6	7	8

Housekeeping

- No mandated SMSF requirements.
- Trustees must ensure contributions are distributed to members' accounts.
- Fund expenses must be paid, as required.
- If your fund is in pension mode and paying distributions monthly, make sure all pension payments are made into members' accounts by the end of the month.

2018

SEPTEMBER

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	1	2	3	4	5	6

Housekeeping

- No mandated SMSF requirements.
- Trustees must ensure contributions are distributed to members' accounts.
- Fund expenses must be paid, as required.
- If your fund is in pension mode and paying distributions monthly, make sure all pension payments are made into members' accounts by the end of the month.
- Conduct a review of your investment strategies at the end of the quarter.

2018
OCTOBER

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31	1	2	3
4	5	6	7	8	9	10

Housekeeping

- Trustees must ensure contributions are distributed to members' accounts.
- Fund expenses must be paid, as required.
- If your fund is in pension mode and paying distributions monthly, make sure all pension payments are made into members' accounts by the end of the month.

Requirements

- October 28. The deadline for lodging annual returns for those not using an accountant or tax agent.
- October 28. The deadline for lodging overdue returns if you do use an accountant or tax agent.

NOVEMBER

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
28	29	30	31	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	1
2	3	4	5	6	7	8

Housekeeping

- No mandated SMSF requirements.
- Trustees must ensure contributions are distributed to members' accounts.
- Fund expenses must be paid, as required.
- If your fund is in pension mode and paying distributions monthly, make sure all pension payments are made into members' accounts by the end of the month.

2018 DECEMBER

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
25	26	27	28	29	30	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31	1	2	3	4	5

Housekeeping

- No mandated SMSF requirements.
- Check fund balance and adjust minimum pension payments if required.
- Trustees must ensure contributions are distributed to members' accounts.
- Fund expenses must be paid, as required.
- If your fund is in pension mode and paying distributions monthly, make sure all pension payments are made into members' accounts by the end of the month.
- Conduct a review of your investment strategies at the end of the quarter.

Glossary Of Terms

Account-Based Pensions

This is a pension paid from a super fund when someone has reached retirement age. These pensions are extremely flexible and tend to be paid in monthly instalments. Depending on a person's age a minimum pension must be taken but there is no maximum. They are extremely popular as they allow members to withdraw lump sum amounts as well as the pension.

Accumulation Fund

A superannuation fund where all of the member's benefits are a combination of contributions made and income earned less administration costs and taxes paid.

Accumulation Phase

The stage a person goes through prior to them retiring when they are accumulating they retirement assets and building up their superannuation.

Allocated Pension (AP)

A pension paid prior to the new superannuation system that was replaced by account based pensions.

Arms-Length Transaction

A transaction between two related or connected parties conducted as if they were unrelated, so that there is no question of a conflict of interest.

Assessable Income

This is the income which a person or entity pays tax on. It includes employment, company dividends, interest, distributions from trusts and partnerships, business profit, rental income, taxable capital gains, foreign income, and any other income required to be shown on a tax return.

Asset Allocation

This is the allocation of a person's investments over the different asset classes often based on this stage in life or that tolerance to risk.

Asset Classes

These are the different types of investments. They include cash, shares, property, fixed interest, and alternatives.

Australian Prudential Regulation Authority

The body established in 1998 to regulate and control the financial services industry. The types of businesses regulated by APRA include banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, friendly societies, and most superannuation funds. Superannuation funds not regulated by it are Self-Managed Super Funds, which are controlled by the ATO.

Australian Taxation Office

The body set up to administer the various Federal taxes, including income tax, capital gains tax, and the goods and services tax, it is also responsible for regulation and control of Self-Managed Superannuation Funds, and the administration of legislation relating to Superannuation Guarantee and Super choice.

Benefits Phase

The phase a superannuation fund goes through when a member retires and commences taking superannuation benefits in the form of a pension. It is sometimes to referred as the draw down phase.

Bona Fide Redundancy Payments

These are payments by an employer to an employee that has been made redundant. For a person to be redundant the position they previously worked in cannot be given to another employee.

Capital Gains Tax (CGT)

The tax payable when an asset, such as property, shares, collectibles, investments etc, is sold for a profit. It relates to assets purchased since 19 September 1985.

Capital Gains Tax Exempt

Some assets do not have capital gains tax paid on them. These include assets purchased before 19 September 1985, a person's home, cars, and active assets available for the small business retirement exemption.

Catch-up Contributions

From July 1, 2018, individuals with superannuation balances of less than $500,000 will be able to access their unused concessional contributions cap space to make additional concessional (before-tax) contributions. Individuals will be able to access their unused concessional contributions cap space on a rolling basis for a period of five years.

Commercial Funds

These are the super funds run by insurance companies and financial institutions for a profit.

Commutation

The conversion of an account based pension into a lump sum that is either paid out or rolled back into a super fund in accumulation phase.

Complying Superannuation Fund

A superannuation fund that meets all of the relevant Government standards set out in the Superannuation (Industry) Supervision Act, and that has elected to be regulated under the Act. A complying superannuation fund is eligible for concessional tax treatment.

Concessional Component

The part of payments from either super funds or employers that are made up of redundancy payments, invalidity payments and payments from approved early retirement schemes paid prior to July 1, 1994.

Concessional Contributions

Super contributions made by employers or self-employed people. They also include salary sacrifice super contributions. A tax benefit is obtained when these contributions are made. This tax benefit depends on who makes the contributions but varies from zero to 30 per cent for individuals and 15 per cent for companies. The tax benefit is the difference between the tax rate paid by the person or entity making the contribution and the 15 per cent tax paid by a super fund.

Concessional Tax Treatment

The benefits that complying super funds receive resulting in tax being paid at 15 per cent on all contributions and income, and 10 per cent on any qualifying capital gains. In addition, when in pension phase they pay no tax.

Condition of Release

The conditions laid down by law that enable a trustee of a superannuation fund to pay out benefits to members. The conditions of release are met depending on a person's age, employment status, and other circumstances specified in the SIS Act.

Contributions Phase

The initial phase a superannuation fund goes through when it receives employer or member contributions.

Deductible Contributions

See Concessional contributions.

Default Option

This is the super fund that a person ends up with when they do not choose where they want their super contributions to go to.

Defined Benefit Fund

A superannuation fund where a member's final benefit is dependent on a stated or defined benefit calculation. This could be a multiple of the member's final average salary. These funds tend to be provided by large companies and government organisations and do not apply to SMSFs.

Early Retirement Schemes

These are often schemes used by employers when wanting to decrease their work force. Under the scheme all employees are offered the chance to resign and retire.

Eligible Termination Payment (ETP)

A payment from an employer or a superannuation fund to an employee upon retirement, resignation, retrenchment, or disablement. It can either be taken as a lump sum payment or in some cases can be "rolled over" into a superannuation fund.

Industry and Union Funds

Prior to the introduction of the Superannuation Guarantee system by the Hawke government superannuation funds tended to be provided by commercial funds. Since then unions and industry groups have set up funds where the aim is to not make a profit but to provide benefits to members. They often cover a specific industry or a range of industries.

In-house Asset

This is an asset of a super fund that is a loan to, or an investment in, a related party of the fund, an investment in a related trust of the fund, or an asset of the fund subject to a lease or lease arrangement between a trustee of the fund and a related party of the fund.

Invalidity Payments

A payment by either a super fund or an employer when a person ceases employment as a result of partial or total disablement. It can be paid as either a lump sum or an income stream such as a pension.

Investment Phase

The phase a superannuation fund goes through before it reaches pension phase. During this phase it receives contributions and income from the investments made.

Low Income Tax Offset (LITO)

This is the tax offset that reduces income tax payable by individuals depending on their total taxable income.

Lump Sum Benefit Super Fund

A super fund that can either make lump sum payments to members or pay a pension.

Market Linked Pensions

A pension introduced under the Howard Government that could be paid by self-managed super funds as a complying or lifetime pension.

Net Capital Gain

This is the amount of a capital gain made on the sale of an asset that must be included in assessable income. It is the gain remaining after deducting any applicable concessions such as the 50 per cent general concession, where the investment has been held for longer than 12 months, or any of the small business CGT concessions. In a super fund one-third of the gain is deducted resulting in super funds paying 10 per cent on an eligible capital gain.

Non-Arm's-Length Income

This is income diverted into a SMSF to avoid tax. As such it is taxed at the top marginal tax rate in the super fund.

Non-Commutable Pensions

A pension such as a TTR pension that cannot be converted into a lump sum payment, they can however be rolled back into a superannuation fund in accumulation phase.

Non-Complying Superannuation Fund

A super fund that does not meet all of the operational regulations laid down by APRA and the ATO. These super funds pay tax on all contributions, income, and accumulated benefits at the top tax rate.

Non-Concessional Contributions

These are contributions to a super fund for which no tax deduction has been allowed, they are in other words a super contribution made from after tax paid monies.

Pension Phase

Once a super fund starts to pay a pension it ceases to be in accumulation phase. The pension paid could be a TTR pension or an account based pension. Super funds in pension phase pay no income tax. Members have the ability to split their superannuation balance into components so that part of their fund can be in pension phase, while the other part is in accumulation phase.

Pension Transfer Balance Cap

See Transfer Balance Cap

Post-June 1994 Invalidity Payments

The portion of an ETP paid to a person upon ceasing employment as a result of them not being able to be employed ever again in a capacity for which they are reasonably qualified because of education, training, or experience.

Pre-1983 Superannuation

This is the superannuation that related to a member's pre-July 1, 1983 service. This was calculated by dividing the value of member's superannuation by the total number of days they had worked, and multiplying that by the number of days worked prior to July 1, 1983. Since July 1, 2007 pre-1983 superannuation became one of the components of tax free superannuation benefits.

Preservation Age

The age at which a superannuation fund member can access their superannuation if they meet a condition of release such as retirement.

Preserved Benefits

A superannuation fund member's benefits that they cannot access because they have not reached preservation age, or met any other conditions of release.

Proportionate Method

If an SMSF's assets are not specifically set aside for paying a super income stream benefit, the SMSF must determine the amount of exempt income using the proportionate (unsegregated method). An SMSF with unsegregated assets needs to obtain an actuarial certificate that certifies the proportion of income that is exempt.

Regulated Superannuation Fund

A super fund that meets all of the regulations laid down by the SIS Act, as such they receive all of the tax benefits of a complying superannuation fund.

Related Party/Relative

This is an individual or an entity that is related to an entity a member of a super fund. This can include family members or entities that a family member or relative has an ownership in. A relative includes a parent, child, adopted child, grandparent, grandchild, sibling, great-uncle, great-aunt, niece, nephew, first cousin of the member, spouse, or former spouse.

Reportable Super Employer Contributions

These are the super contributions that an employer must include on individuals PAYG summary certificate that shows the value of superannuation contributions made as a result of salary sacrifice arrangement. These contributions are now counted in some tests when assessing a person's eligibility for tax and other concessions.

Retirement Age

This is the age at which people can access superannuation. For anyone born before July 1, 1960 it is 55 and increases to 60 for people born after June 30, 1964.

Retirement Exemption

A tax exemption available to qualifying taxpayers for capital gains made on the sale of active business assets.

Reversionary Beneficiary

The person who receives a pension as a result of being the nominated beneficiary upon the death of the original pensioner.

Reversionary Pension

A pension that is payable to a nominated beneficiary upon the death of the original member.

Roll-over

The process where a super fund member transfers their superannuation or an employer Eligible Termination Payment, usually before retirement, into a superannuation fund, approved deposit fund or deferred annuity.

Salary Sacrifice

In addition to the mandated super contribution by employers, employees can give up or sacrifice part of their salary or wage and contribute this as an extra super contribution. By doing this they make extra super contributions generally taxed at 15 per cent. New rules mean employees can now use their after-tax dollars to make concessional contributions and then claim a tax refund at the end of each financial year based on the difference between their marginal tax rate and the 15 per cent concessional tax rate.

SAPTO

The Seniors and Pensioners Tax Offset. To be eligible for this tax offset, you have to meet certain conditions relating to your income and eligibility for an Australian Government pension or allowance.

Segregated Method

Your SMSF has segregated assets if you have set aside certain assets so that the income from these assets can be specifically identified as having the sole purpose of paying a super income stream benefit. The ordinary income and statutory income that an SMSF earns from segregated current pension assets is tax exempt.

Self-employed

A person who does not have any superannuation contributions made on their behalf by an employer, or only receives minor employer superannuation contributions.

Self-Managed Super Fund (SMSF)

A super fund regulated by the ATO that has no more than 4 members that are also the trustees of the fund.

Separately Managed Accounts (SMA)

A new way of investing in the share market where a share specialist buys shares on behalf of the investor with the ownership of the shares being in the investors name.

Superannuation Benefits

These are a member's benefits in a super fund.

Superannuation Guarantee System (SGS)

The system requiring employers to contribute 9.25 per cent superannuation for employees that earn more than $450 in a month. This contribution rate is set to increase.

Superannuation Industry Supervision Act (SIS)

This is the Commonwealth legislation that sets out the regulations that govern the activities of superannuation funds, approved deposit funds, and other retirement funds that entitles them to receive concessional tax treatment.

Super Choice

A system introduced under the Howard Government designed to create more choice and flexibility for superannuation fund members.

Super Guarantee Charge (SGC)

The Super Guarantee Charge, a penalty imposed by the ATO when an employer fails to make a super contribution.

Taxable Superannuation Benefits

These are a member's benefits in a super fund that are taxable if taken before they reach 60 and include concessional contributions and accumulated income.

Tax Free Pensions and Benefits

These are pensions or benefits paid by the Centrelink or the Department of Veterans Affairs and include such things as a disability support pension, carer payment and a wife pension.

Term Allocated Pension

A complying whole of life pension also known as a Market Linked Pension.

Total Income

This is the term used when assessing a person's eligibility for the Government Co-contribution scheme. It includes all assessable income, including employment and investment income, plus the total of any reportable fringe benefits and superannuation benefits a person received during the year.

Transfer Balance Cap

The limit on the total amount of superannuation that can be transferred into the retirement phase, incorporation all superannuation account balances. The current transfer balance cap is $1.6 million, but this will be indexed periodically in $100,000 increments in line with the CPI.

Transition To Retirement pension (TTR)

A pension paid by a superannuation fund to members in the form of a non-commutable pension once they reach retirement age without having to resign from their employer.

Trustee

An individual or company that acts as trustee for a trust such as a superannuation fund, unit trust, or family discretionary trust. Trustee are responsible for the day to day running of a trust and for a superannuation fund ensuring all of the relevant regulations are met.

Undeducted Contributions

The former name of non-concessional contributions.

Untaxed Schemes

A superannuation fund that does not pay tax on contributions or earnings. They are usually run by Governments and public service organisations, such as the police, for the benefit of their employees.

Whole of Life Pension

A superannuation pension paid until a member dies.