

Thinking about DIY Super?

Some vital questions that should be answered before starting a self-managed super fund (SMSF)

For some people, a self-managed super fund (SMSF) may seem like a compelling idea. However, setting up your own SMSF brings with it a variety of responsibilities and obligations, not to mention the additional time demands. There are strict rules, regulations and reporting requirements (and there are stiff penalties for non-compliance) and considerable associated costs that must be taken into account. This fact sheet considers a number of questions you should have answered before setting up a self-managed super fund.

Are you comfortable with being fully responsible for managing your own super fund?

If you establish a self-managed fund, you are the Trustee and are ultimately legally responsible for all the decisions made for your fund. The responsibilities that fall on you as Trustee include:

- maintaining accurate records and showing these to the auditor and the ATO if they ask to see them
- reporting changes to certain aspects of your fund within strict timeframes
- preparing and implementing an investment strategy
- being familiar with the legislative requirements and making sure you continue to meet them.

- specific annual reporting to the Australian Taxation Office (ATO) to ensure your fund remains compliant

When setting up an SMSF, your fund must have a trust deed and an investment strategy document. The trust deed specifies the rules under which your fund operates (along with superannuation laws). The investment strategy document spells out your investment objectives and how your fund intends to achieve them. If your fund has more than one member, these documents must meet the interests of all members. The documents must also comply with superannuation law and require regular monitoring to ensure they continue to meet the needs of all your SMSF members.

If you're a member of a complying super fund (such as NGS Super, which we will use for comparison purposes throughout this fact sheet), all of these activities are done on your behalf by the NGS Super Trustee. NGS Super – like most other super funds – is managed by a trustee board of directors who jointly make decisions on behalf of members regarding Fund management. NGS Super is guided by many specific strategies and objectives around investments and compliance and is supported by the considerable expertise of a team of experienced advisers.

Do you have the money to manage your own super fund?

Generally, for an SMSF to be viable and cost-effective, you need assets of at least \$200,000¹. As a broad rule of thumb, an SMSF may cost around \$2,000¹ a year to manage, although this amount may actually be more after you take account of costs such as accounting, legal, tax and audit support. Add these costs up over the number of years you expect to manage your fund and then think about the investment returns you'll need to achieve for your self-managed fund to cover costs and still grow savings for your retirement.

Compare this to NGS Super's administration fee of \$65 per year. There are other costs you'll incur in addition to the administration fee and these are detailed on your annual member statement and the *Member Guide* (which is available on the website) – you can use these for further comparison.

One other considerable saving offered by NGS Super is the cost of insurance. NGS Super provides flexible insurance cover at a competitive cost, usually without the need to show evidence of good health for standard cover. And, we were awarded *Money* magazine's Best of the Best Award for "Best value insurance in super" in 2009, 2010 and 2012.

¹ Thinking about self-managed super, Australian Taxation Office, p. 5, March 2009

Do you have the time and the know-how to manage your own super fund?

With an SMSF, you need investment skills and the time to make the best investment decisions for your fund. As mentioned earlier, an important consideration when running your own SMSF is whether you'll be able to earn investment returns that exceed the cost of running your fund and which will provide you with enough money for a comfortable retirement.

Over time, you need to monitor these decisions and alter them as market and economic factors change and as you move closer to retirement. There are also other specific obligations you must meet as a Trustee (as already outlined earlier) which will demand additional time.

With NGS Super, by contrast, once you've chosen your investment option(s) and put your contribution strategy in place, your super doesn't take much time and thought on a day-to-day basis. However, we do recommend that you keep an active interest in your super no matter who it's with!

Do you understand the risks associated with investing?

If you're managing your own super, you may be significantly more limited in your ability to diversify your investment, potentially exposing yourself to higher levels of investment risk as a result. Additionally, to gain the significant tax concessions super funds enjoy, your fund must comply with strict tax and super laws. Your super fund can only be used for building retirement savings and for no other reason. Keep in mind that severe tax and legal penalties apply for non-compliance.

By contrast, NGS Super's size and your ability to choose a mix of any of the twelve investment options offered by the Fund mean you have control over the level of investment risk you accept for your super. We manage around \$4 billion of super savings, offering important diversification opportunities for all our members. Our Risk Management Framework provides further safeguards in managing the different risks that can affect your investment.



Is an SMSF the right option for you?

Setting up and maintaining an SMSF is a complex task which requires time, effort, knowledge and considerable ongoing costs. If you are considering setting up a self-managed fund, think carefully about why you want to save for retirement this way. Consider the features, benefits and cost savings that NGS Super currently offers you and be realistic about what you can achieve yourself and whether you have the time, skills and money to do it yourself. Gaining expert advice before you take any action can go a long way to ensuring you don't make a costly mistake.

	SMSF	NGS Super
Investment choice	Make your own investment selections or seek and pay for the assistance of an investment expert to help you do so.	Choose any combination of the Fund's twelve investment options tailored to different investment needs and covering a wide range of asset classes.
Investment management	You set your investment strategy and objectives and determine the level of risk you're comfortable with before investing your retirement money.	Each of NGS Super's twelve investment options has its own strategy and objectives. The options offer a range of risk profiles to suit the needs of a wide variety of investors. Simply choose the option – or combination of options – that suit your needs.
Insurance cover	Source your own personal insurance cover, which will generally be at retail cost and which will require evidence of good health before insurance is provided.	Award-winning, low cost, flexible insurance cover provided to you, usually without the need to show health evidence for standard cover. Death and Total and Permanent Disablement cover up to \$2,000,000 is available.
Compliance with super legislation and regulations	It's your responsibility to ensure that your fund always complies with relevant superannuation law and regulations.	Compliance with legislation and regulations largely happens "behind the scenes" – NGS Super looks after this side of things on your behalf.
Record-keeping and reporting	You are responsible for maintaining accurate records and reporting to relevant authorities such as the ATO annually.	NGS Super looks after record keeping and reporting for you. The Fund ensures these aspects of running the Fund are addressed on your behalf.
Eligibility for government compensation	SMSFs are not eligible to participate in the government compensation scheme covering fraudulent losses.	NGS Super is an APRA-regulated superannuation fund and would be eligible for government compensation in certain circumstances e.g. if a loss arose from a fraudulent act by an investment manager.

Do you need more information?

Since setting up a self-managed super fund is a complex undertaking, we recommend that you seek advice from a licensed financial adviser who has expertise in self-managed super funds before you make any decision about starting one.

How to contact us

Visit our website www.ngssuper.com.au, or contact our Customer Service Team or your local Client Relationship Manager at any time. We're here to help you.

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Important information

This is general information only – it does not take into account your objectives, financial situation or needs.

Please assess your own financial situation, read the *Member Guide* (Product Disclosure Statement) for any product you may be thinking of acquiring and consider seeking professional advice before acting on this information.

The NGS financial planning service is offered to members of NGS Super (ABN 73 549 180 515) through an arrangement with Mercer Financial Advice (Australia) Pty Ltd (ABN 76 153 168 293) (MFA) which holds Australian Financial Services Licence No. 411766 authorising the provision of financial advice.