Supervision GROUP

NOVEMBER 2024

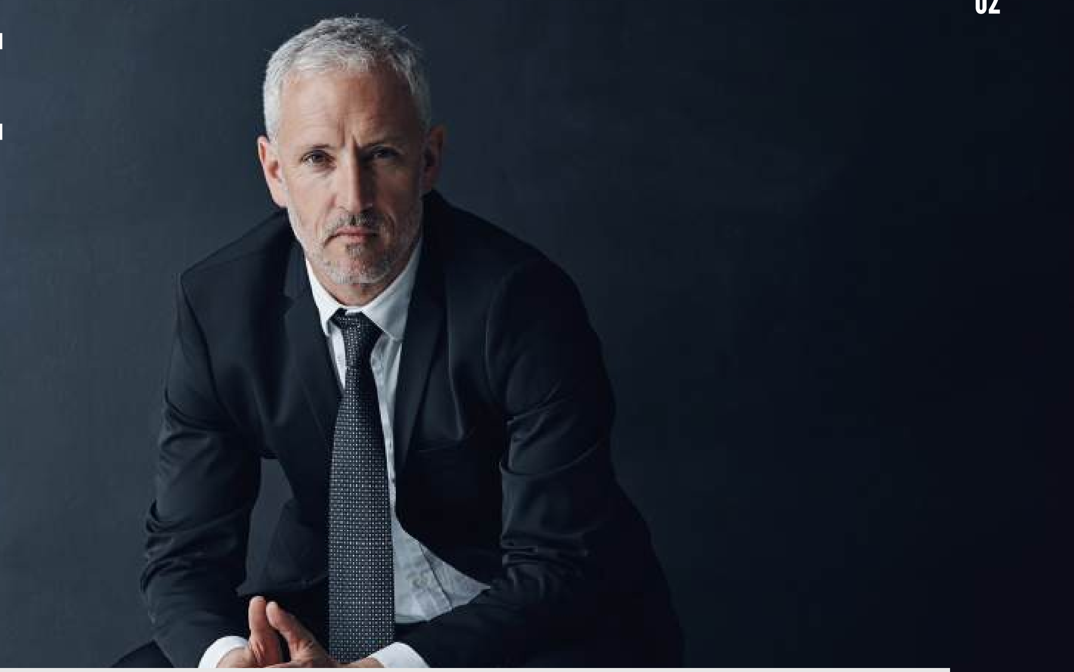
THE TRUSTEE

The publication that keeps you informed and in control.

INSIDE THIS EDITION:

SvG

WELCOME



Welcome to the latest edition of “The Trustee”. if it is your first time, we hope that you enjoy it.

As a reminder, the word **“Trustee”** means

- ‘Decision Maker’,
- ‘The Responsible Person’,
- ‘Administrator of Assets’.

As ‘The Trustee’ of your SMSF, you are all the above.

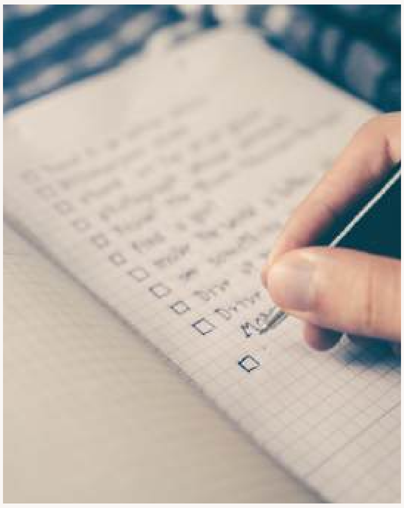
The following questions are important for the Trustee to ask the members of your SMSF. It may be a strange thing to ask, considering you are both Trustee and Member, but separating the needs of the members from the responsibility of the Trustee will improve your decision-making.

In this newsletter you will find:

Deeper understanding how you, as the Trustee of your SMSF, can better navigate these important decisions and ensure your financial strategy aligns with your retirement goals.

1. What are the goals and objectives of the members?

- What age do members want to stop receiving salary and wages and start drawing down on Super?
- If the members are already retired, is the SMSF providing the lifestyle that the members desire or is the lifestyle dictated by the SMSF income?
- How much money will the members need to satisfy their lifestyle requirements and objectives in retirement?
- Is there enough cash in the SMSF to meet the requirements of the pensioners?
- Are the current investments on track to achieve the needs of the members?



2. How much risk do the members want to take to achieve their goals?

- Do the members understand the amount of risk that is involved to achieve their goals?
- Do the investments held by the SMSF match the risk profile of the members?
- Does the SMSF need to increase or decrease the amount of risk to meet the member return requirements?
- Can the Trustees reduce risk to the members by insuring themselves against death and temporary disablement?

We always recommend that you seek the advice of a professional financial adviser to guide you through the above questions. Yes, you can do it yourself, but having a qualified person to discuss your answers can open your mind to additional options that you have not considered.

When I speak to clients on the road to retirement (thinking about transitioning out of paid work), most of the clients are not sure how to answer the above questions. This situation provides a great opportunity to discover things about your financial capabilities that will either put your mind at ease or focus your efforts to make changes to reach your goals.

Transition to retirement is an excellent time to engage with a financial adviser. Knowing how to make a living from your SMSF instead of your paycheque is difficult to conceptualise for many people. The process may require a complete rewrite of your SMSF investment strategy to provide the liquid cash to live off. We see doubt replaced by confidence after these meetings and plans are implemented. This feeling of freedom can last for a long time.

If you have read a number of these publications, you will notice our message is consistent and persistent when it comes to the benefit of financial advice. We don’t just believe in it; we know that it works.

If you need to seek further advice to work on your SMSF strategy, please call your financial adviser or myself if you do not have one.

CHRISTOPHER HOMER
Director

CONNECT ANYTIME

Get in touch via the desired contact method below:

SCHEDULE A CALL

We'd love to connect! Send us an email to request a convenient time to answer your inquiry.

GATHER INFORMATION

Feel free to leave a message if you need more information so far. We'd be happy to assist!

FEATURE ARTICLE

UNLOCK PROPERTY INVESTMENT SUCCESS

We are extremely excited to provide an insight from one of our amazing alliance partners IQIWA. Lily and her team are highly successful property professionals with major awards for excellent customer services. Lily has kindly put together an insight into buying the right property for Supervision Trustees. Thank you Lily.

Investing in property is a significant financial decision and selecting the right investment property is crucial for long-term success. Here are 10 key factors to consider:

1. Affordability: Choose a property that fits within your budget. An affordable investment allows you to manage cash flow effectively and hold the property long enough to achieve capital growth.

2. Location: opt for a location with strong growth potential, such as areas with good infrastructure, amenities, and employment opportunities.

ENSURING CONSISTENT RETURNS

3. Tenant Demand: High tenant demand ensures consistent rental income. Check vacancy rates and rental demand in the area.

4. Rental Yield: Assess the rental yield to ensure it covers expenses like mortgage repayments, maintenance, and taxes.

5. Right Product for the Suburb: Match the property type to the suburb's demographic needs. For example, families may prefer houses over apartments.

6. Property Condition: Evaluate the property's condition and potential renovation costs. A well-maintained property attracts quality tenants and reduces maintenance expenses.

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7. Median Price Alignment: Ensure your property's price aligns with the suburb's median to stay competitive in the market.

8. Future Development: Research planned developments in the area, such as government investments in schools, hospitals, or shopping centres, which can enhance property value.

9. Leverage Professional Services: Engage professionals for property selection and management to make informed decisions and efficiently maintain your investment.

10. Long-Term Strategy: Adopt a long-term investment strategy rather than trying to time the market or flip properties quickly. Holding a property allows you to benefit from compound capital growth over time.

By focusing on these factors, you can make informed decisions and find a property that aligns with your financial goals and risk tolerance.

SUPERVISION GROUP UPDATE

Here are a few things that are going on at Supervision Group.

WE ARE EXTREMELY EXCITED TO ANNOUNCE:

- We welcome our first Supervision baby/ies during our 21 year history.
  - Congratulations twice to Joy & JC Sanchez on the arrival of your beautiful twins.
  - We wish you the gift of sleep.
- Self Managed Solutions (Busselton) has been added to the Supervision Group of companies.
  - Welcome to Michelle, Elaine, Tracy, Susan & Kate.
  - This is a great business in the Southwest and helps clients with SMSF and personal tax services.
- Supervision will be in Bali on the 31st of Oct until the 6th of November for a Team Conference
  - We welcome our sponsors – Halcyon Insurance, Jarra Property, Vision Financial Strategies and Generation Life.
  - We will be working with our team and alliance partners to improve our client services.
  - Our office will be attended during this time, but most of our team members will be unavailable for a few days.
- Compliance Program- We have completed 50% of your annual tax returns already.
  - If we have been asking for your documents or information, please follow up so we can get it completed as soon as possible.
- Christmas Closing Times- The office will be closed from 4:30pm Friday the 20th of December and will reopen on 9:00am Monday 6th of January 2025.

Quick Stats

Superannuation and SMSF Trends

Growth, Gaps, and SMSF Expansion

Financial planner numbers have declined while Self-Managed Super Funds (SMSFs) have steadily increased.

Australians are actively seeking guidance on super balances and consolidation, with a notable gender gap in balances. SMSFs play a crucial role in the superannuation system, offering greater control over retirement savings.

- Between FY21 & FY23 the number of financial planners declined by 5.7%. In the same time period, the number of SMSF rose by 4.7%.
- “What is a good super balance?” generates more than 500 million Google results
- “If you have multiple super accounts, you could consider consolidating them into one fund, to avoid paying several sets of fees. Having just two super accounts can mean a typical person misses out on as much as $51,000 in retirement.”
- Australian Taxation Office (ATO) figures show that men aged between 50 and 54 have a median super balance of $162,146, while women of the same age have $111,063.
- $1.8m Average SMSF balance (+6.2% in FY24) with average assets per member balance of $955,931 (+6.4% in FY24) – Class 2024 Annual Benchmark Report

01. SMSF Valuation

SMSF’s make up 25.3% of Australia’s total Superannuation value with a value of $990.4 Billion. Industry Funds are the biggest percentage of total superannuation value with 34.8% at $1,366.1 Billion.

02. Continual Expansion

- SMSF continued to grow with 32,472 new SMSF’s in the 2024 FY.
- Corporate Trustee are 68% of total new SMSF establishments.
- The biggest number of SMSF establishments was >$200K-$500K at 36.8% of new establishments.

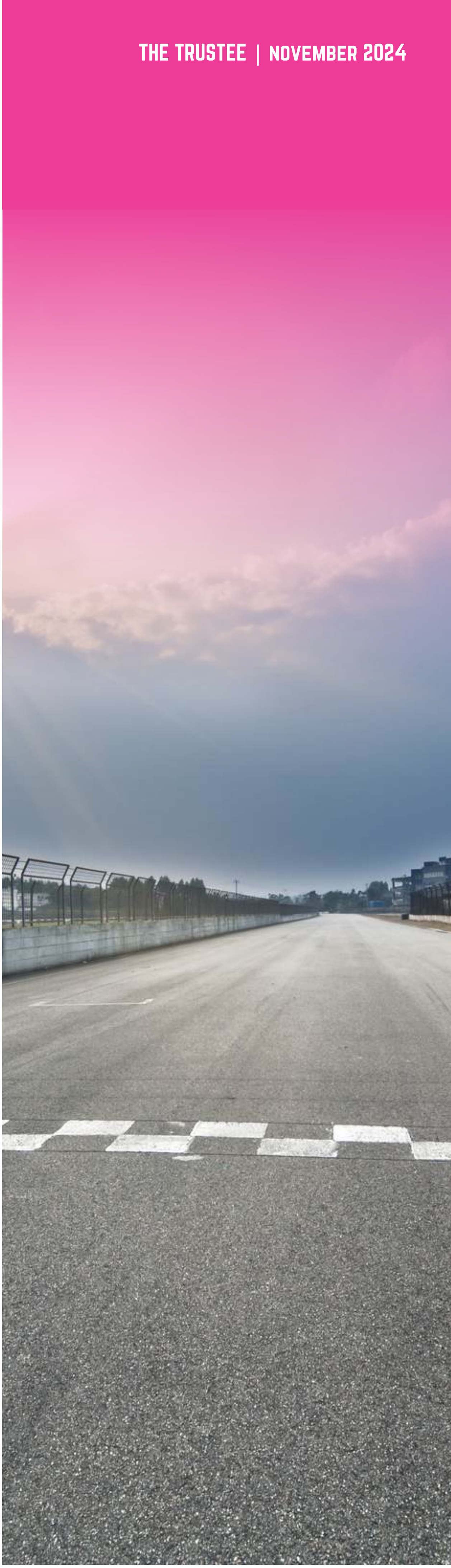
Class Super 2024 Annual Benchmark Report

OLDER AUSTRALIANS DRIVING GROWTH IN NON-CONCESSIONAL CONTRIBUTIONS

Australians nearing or in retirement are capitalising on the removal of the work test by making substantial non-concessional contributions (NCCs), with 50.6% of all NCCs coming from members aged 65 and over. The largest increase was recorded in those aged over 70 -which was up from 7.81% in FY22 to 25.81% of all NCCs in FY23. The dollar value of NCCs for this age bracket was $232 million in FY22, increasing to $936 million (more than 4 times) in FY23.

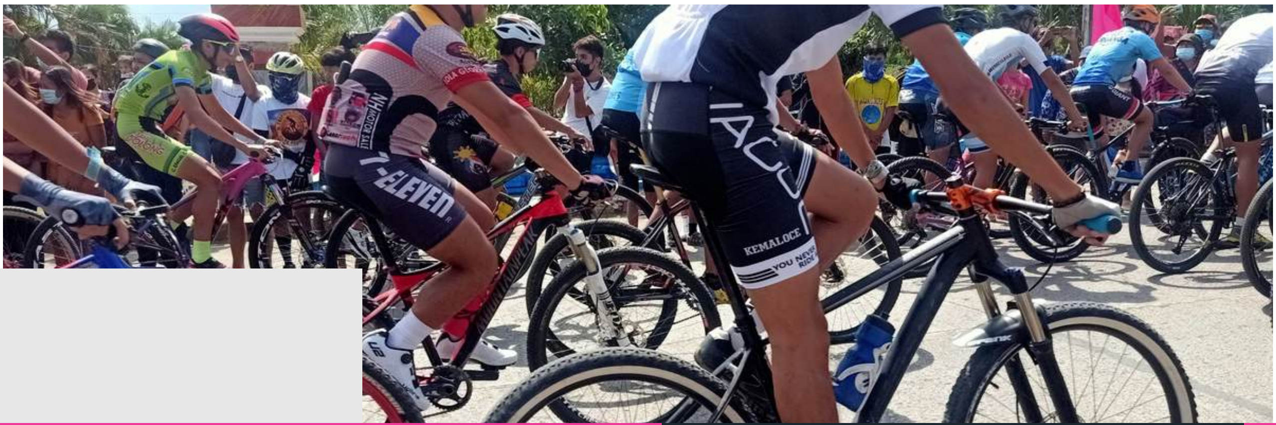
This suggests a shift towards more tactical and complex contribution strategies in retirement and could indicate that older Australians are increasingly seeking and receiving financial advice and taking advantage of the changing legislation.

This again illustrates the opportunity for SMSF Trustees to engage with strategies that optimise their tax efficiencies and enhance overall retirement outcomes.



A Growing Trend in Portfolio Diversification

ETFs gain traction as an investment choice for SMSFs



Core asset class in SMSF portfolios

ETF popularity continues to rise, with 32.6% of Class SMSFs now investing in ETFs – representing the only major asset class growth in FY24. ETF asset allocation also increased by 0.7 percentage points, making up 5.4% of total Class SMSF assets. Based on the total industry SMSF assets of $990 billion, ETF investments by SMSFs have grown by an estimated $7.0 billion in FY24.

Investments Soar Among SMSFs in 2024

ETFs are increasingly favoured by SMSFs due to their low cost, transparency and diversification benefits. These characteristics make ETFs a preferred investment option for SMSFs seeking to manage portfolios efficiently and effectively. Notably, SMSFs have significantly contributed to the growth of the ETF industry, accounting for approximately a quarter of the $200 billion in assets under management across the ASX and Cboe exchanges by the end of June 2024.

Are you a Generation X?

52.9%

Generation X are now aged between 43 & 57 years of age. This generation has set up 52.9% of the new SMSF's, which is the highest percentage cohort. This fact is correlating with Gen X getting closer to retirement and thinking how they can maximise their superannuation.

Gen X are now starting to think about Superannuation after many have gotten through raising children and may have received some form of inheritance.

If you are in this position, we believe that now is the best time to start you plan towards retirement.

Superannuation with tailored tax planning process

Contributions Tax Planning

Smart Super Savings

Our tax planning service empowers clients to make smart Super contributions—ensuring they maximize tax savings within their unique budget and financial goals. With a results-driven fee structure, clients only pay if they save.

What do we do, when we assist with your contributions?

1. We check your contribution cap for the year (everyone's contribution cap is unique and changes from year to year).
2. We add up all your contributions into Superannuation till that point in the year.
3. We estimate your personal tax as it currently stands (without making any additional contributions).
4. We calculate the total tax savings if the maximum contribution is made.
5. We show all the tax savings at reduced contributions levels- so you can make the right call for yourself within your budget.

The cost is $275 per calculation and that is only charged if you can save more than $1000 in tax, otherwise its free.

Why not gain some knowledge and work out how much tax contributing to Super can save you.

Book a meeting now otherwise you may miss your opportunity.

Schedule A Call | Gather Information

JUST THE FACTS WITH SHISH

Hi Everyone,

We're dedicated to make your SMSF compliance and tax return requirements a minor part of your SMSF experience.

Our team is focussed on providing the best experience for you at the highest possible standard, so that you can get on with creating an awesome investment strategy.

Hi, its Shish back again. My role is reviewing your SMSF returns each year, examining financial statements and compliance issues for all clients. Hopefully you enjoy my insights.

SMSF Property Owners

Each year we navigate between the Trustees and the Auditor of your SMSF. Property is one of the areas where auditors must double check to make sure the Trustees are abiding by the rules. Here are some of the things that they need to check.

1. Property Ownership
A title search is required to make sure that at the end of the financial year the SMSF still owns the property. Also is the property owned in the name of the SMSF? The risk is that Trustees have sold the property and taken the money without putting the proceeds back into the SMSF. If a check is not done, this could occur.

2. **Lease Documents – Up to Date**
If your lease is with a related party, Auditors will require valuations to determine if the lease is at arm's length. If agreements are not being followed, the Trustee should be making every attempt to make bring the tenants back to the lease agreement.

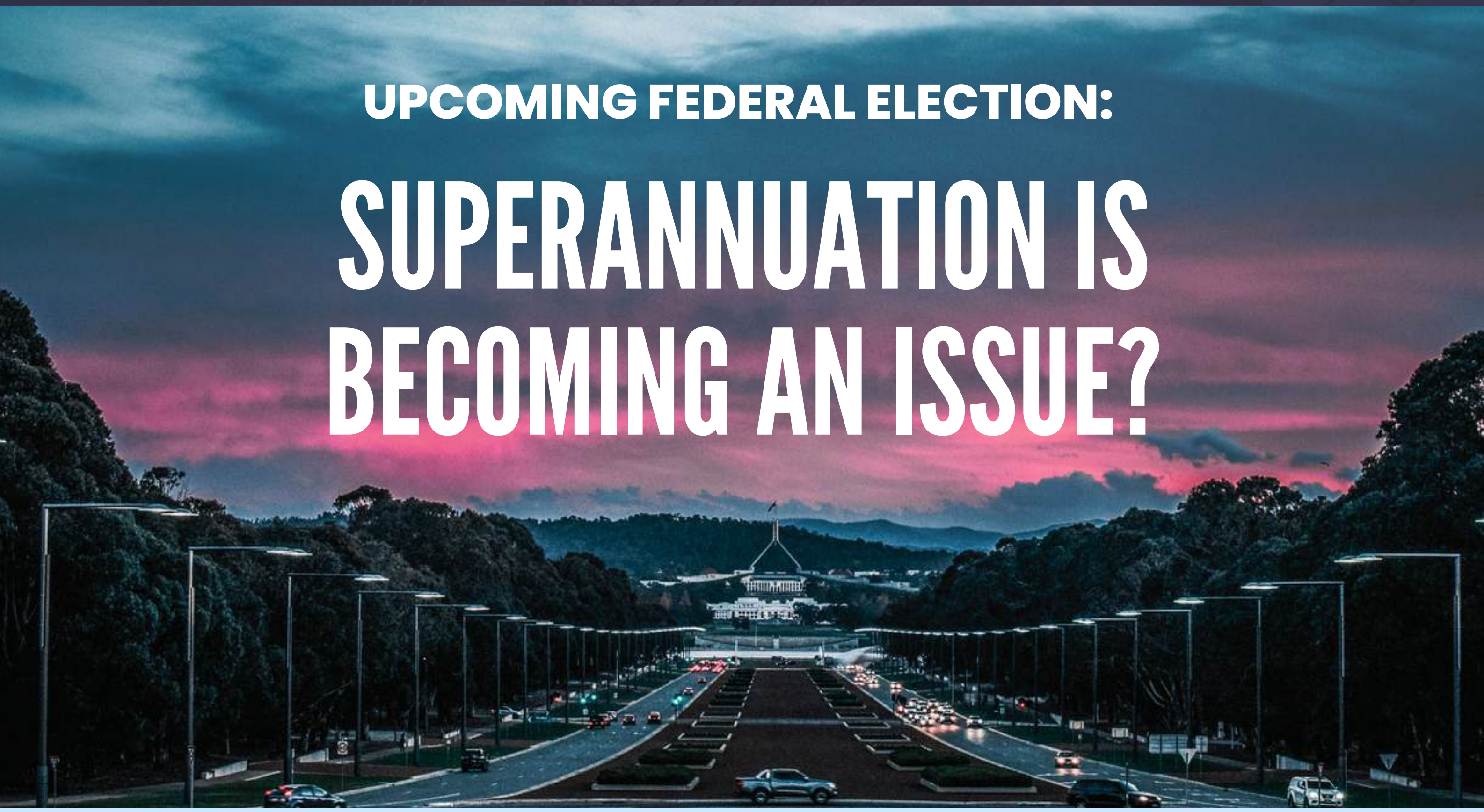
3. Require Formal Valuation?
Commercial properties are difficult to value and can be expensive to value on an ongoing basis. The ATO is concerned that commercial properties are not being revalued enough to inform the Trustee about the value of their investment. Curb side appraisals need to include previous sales to provide substance for the valuation.

Reminder: All costs incurred by the self-managed super fund (SMSF) must be paid from the SMSF bank account in order to avoid any compliance issue .

EDITORIAL

UPCOMING FEDERAL ELECTION:

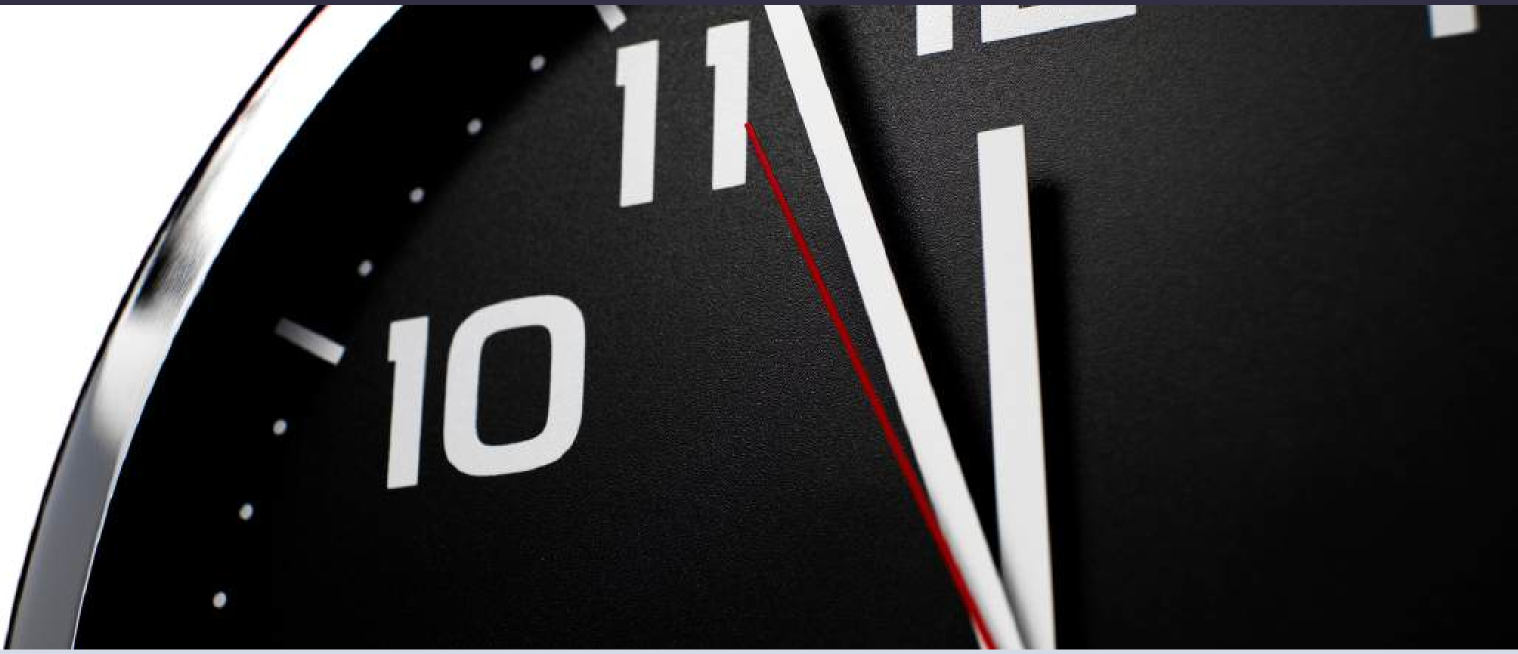
SUPERANNUATION IS BECOMING AN ISSUE?



THE UPCOMING FEDERAL ELECTION IS HIGHLY PROBLEMATIC FOR PEOPLE WORKING IN THE SUPERANNUATION BUSINESS LIKE ME.

The two choices on offer don’t provide any real choice. Both parties have decided to promote policies that if passed will have major implications for Superannuation.
If you take the time to consider the detail, both offerings should bring up ethical problems for voters to decide which is the lesser of two evils.

The Government, if returned is set to introduce a new tax on people with over $3 Million in Superannuation. As I like to say, “sounds reasonable” but to make the tax unavoidable, the rules are against all current taxation conventions. Taxing “unrealised gains” has no equivalent in today’s taxation law. Being required to pay tax on money not earned is a dangerous concept to give to lawmakers. Eyeballs in Canberra will be fixed to see if people comply. A meek response may open the gates for future application to other investments and structures.



For SMSF's, this tax is a ticking time bomb that could require larger SMSF's to sell assets to pay the tax. Again, sounds reasonable, but what if the asset is a family farm (or other large property asset)? Market valuations will now take centre stage, rather than the income that the asset produces. If the asset has a massive uptick in valuation but the cash income produced remains the same, the additional tax will still be payable. How is the tax going to be paid? The design of the tax gives people two choices, take your money out of Super completely (if you are eligible) or pay the tax. Even if you can take your money out, it still gets added back at the end of the year and the Government cash register rings.

Is it ethical, to introduce a tax which retrospectively penalises people after they have followed the rules and become successful? There is a moral hazard in encouraging Australians to contribute as much as they can into Super, only to find more tax to pay once they have achieved their goals. This measure is being sold under the guise of fairness, but how is it achieving that goal when the tax proceeds will never make its way into the Superannuation accounts of people with low or insufficient Superannuation balances.

But let's be real, the 3-million-dollar tax was never introduced to "even up" the playing field. The treasury numbers of tax revenue raised by the new tax don't promise a mountain of riches in the grand scheme of things. It is a signal to constituents that the Government is "doing something" about people making too much money in Superannuation. It is more a vote catching slogan (rather than a proper policy) that looks like Robin hood, only Robin keeps the money for himself.
The funny thing is most people believe they could never reach $3 Mill in Super, why should they care? "Sounds Reasonable", until it happens to be you. No indexation will see to that.
In the opposite camp is a ragged bunch of Superannuation deniers who allowed people to access their Superannuation early to satisfy their "present day needs" during COVID. Online gambling and NFT investments were the big winners out of that adventure. A Policy blunder wrapped up in bow for another generation to open.

READ MORE

And whilst we are talking about future disasters, they are doubling down with withdrawals from Superannuation to buy your first property, adding petrol to the bon fire that is residential housing prices.
More available cash is not what the property market needs. It is bad enough that parents and grandparents (bank of Mum & Dad) supply more money to a shrinking property supply, pushing up prices. How will releasing Superannuation money improve this situation? I'm sure that it scored high in focus group of 20–35-year-olds, who must be resigning themselves to a lifetime of rent. Lower Super-tick, higher property prices- tick. **Where is the win?**

SUPERANNUATION SHOWDOWN

This policy stance does not surprise when some within Liberal ranks openly advocating for the compulsory nature of Superannuation to be dismantled. A win for the libertarian, but a loss for the working poor who find it hard enough to save in their everyday life, little alone an abstract concept like retirement. If you don't care about the working poor, the pragmatist in you must realise that a mandatory universal retirement savings system (AKA Superannuation) will save the taxpayer eventually.

SUPERANNUATION RESET

So, there we have it. The government has created policy around a perception of fairness depending on how much money you have, and the other trying to produce policy on popular ideas without the responsibility of longtail consequences. A tough choice indeed. If it wasn't so serious, you would be laughing at the impossible position us voters are in.

Okay, so if the above is broken, what should take its place?

1. Pick a date in 30 years time that massively scales back the old age pension for working people.

- Remove as much expectation from people that a safety net will exist, encouraging self-sufficiency.
- Imagine your focus if you knew there was no security blanket when it came to retirement.

2.Make contributing to Superannuation more attractive to people with lower incomes.

- Lower the Superannuation Contributions tax rate down from 15% or give them a co-contribution which effectively pays back the tax they have already contributed.

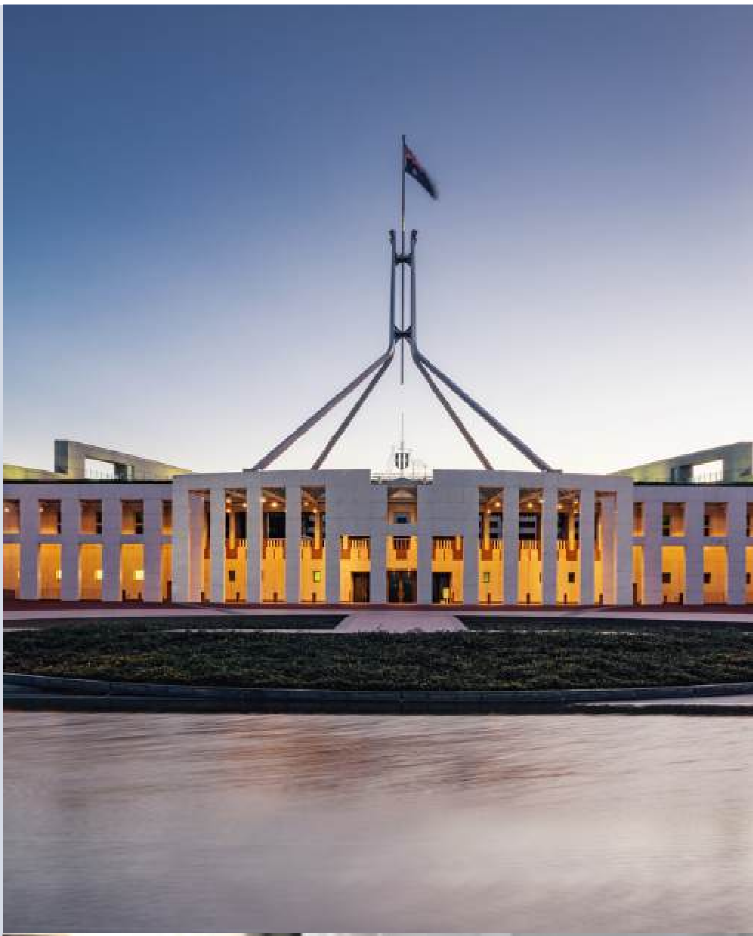
3.Remove all disincentives to build your Superannuation to whatever level you deem appropriate.

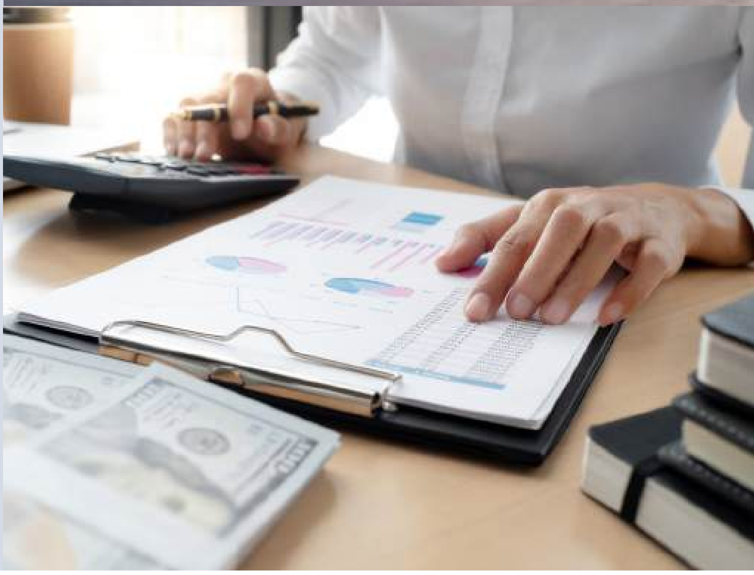
- Remove caps that set arbitrary limits to what can be stored in Superannuation.
- If you earned it and saved it for a rainy day, that should be yours to enjoy.

4.Radically increase the tax on inheritance of Superannuation from one member to a non-dependant (adult children).

- Eventually we all die, leaving a Superannuation balance to be inherited by others who did not contribute to your Superannuation account.
- If the tax on non-expired Super was higher than 17% and around the 50-60% band (for inheritances over $250K), people may decide to spend it (or pass it out to children earlier) while they are alive.
- A large tax acting as a disincentive would ensure that the money comes out of Super prior to death and recirculates in the economy to be taxed at marginal rates. The largest Super accounts would not be seen as desirable, and planning would take place accordingly.

When will Governments realise that their actions and tinkering only create mixed messages which dampen enthusiasm and trust in the system which is fundamentally awesome.





REMINDER:

Review your investment strategy document.

Now is the right time to review your investment strategy document, if you need help please call the office and make an appointment.

THE TEAM BEHIND SUPERVISION GROUP

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Shishpal Rana
SMSF Manager

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Bookkeeper

Mark Pena
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Reach out anytime

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We'd love to connect! Send us an email to request a convenient time to answer your inquiry.

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