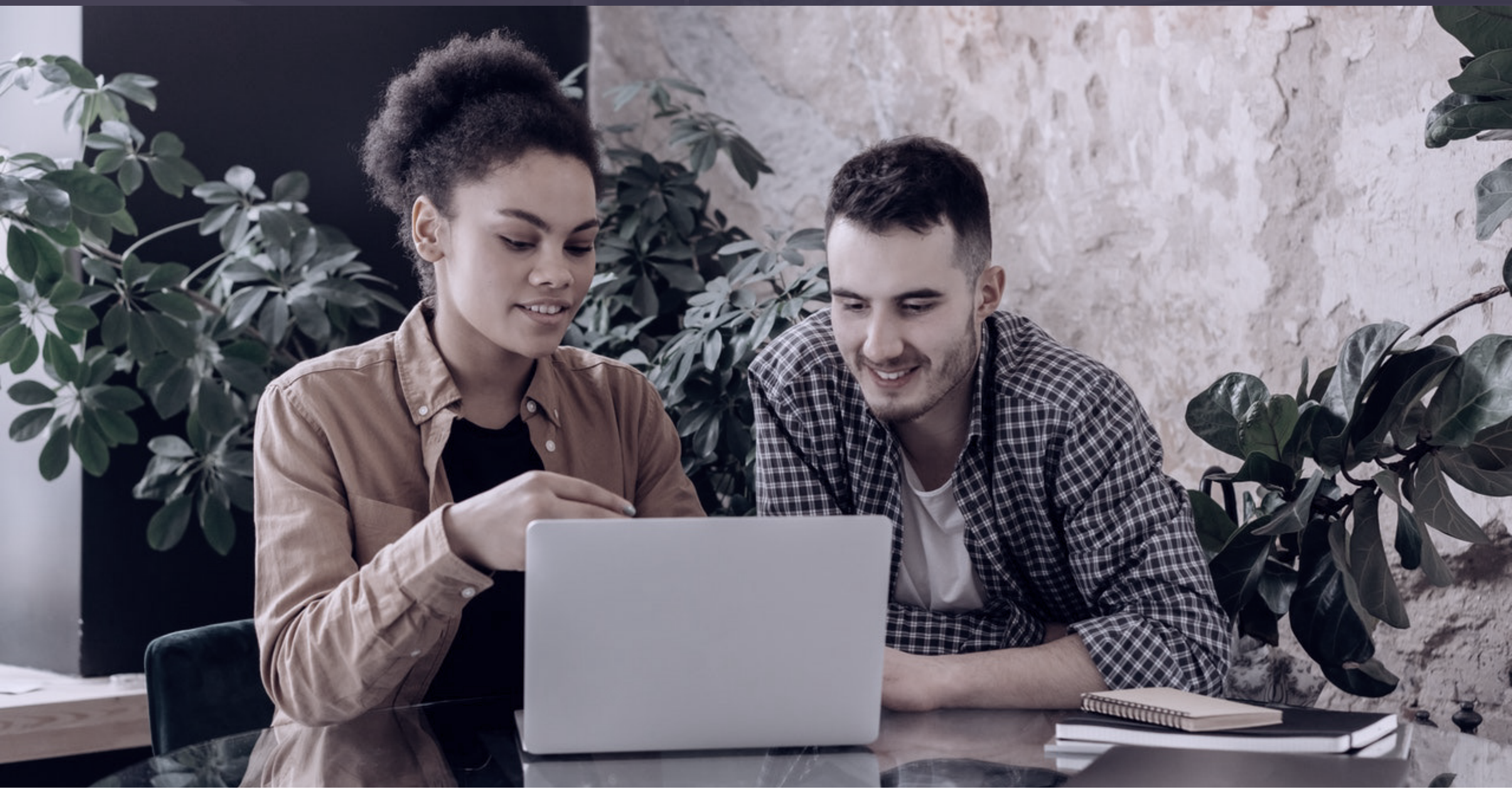
Supervision GROUP

EDITION: APRIL 2022

THE TRUSTEE

The SMSF newsletter that keeps you informed and in control.



INSIDE THIS EDITION

Est. 2002

Welcome

On behalf of the whole Supervision team, thanks for joining us for another edition of "The Trustee". Our 10th edition. If you have missed previous editions of this publication, all the back issues are available on our *website here*. We welcome all of our new SMSF clients that have joined us in the past 2 months. It is great to have you come onboard; we hope that your SMSF experience is enhanced by this publication and our online tools.

This edition deals with what to do in the final months before the 30th of June. Whilst the market has dictated how your SMSF has fared so far this year, you can still impact your SMSF's bottom line by making some adjustments. Your financial planner is the best person to give advice, but Supervision is here to help with the tax side of the equation if required. If you don't have an adviser, we can support you in your search.

Whilst we look ahead to the 2022 financial year and plan for great outcomes, it is important to note that some tax returns are yet to be completed for 2021. According to all in the industry, it has been a particularly tough year to meet deadlines. If you are still waiting for your return to be completed, please bear with us, we are working as hard as we can to complete your work before the deadline. Alternatively, if our team have already reached out to you for information, we would appreciate those requests being met as soon as possible. Please note that we have until the 30th of June to lodge your work.

We would welcome you join us in the office for a face-to-face meeting if required to discuss anything in this newsletter.

We hope that you avoid COVID and stay in great health over the next 2 months. See in the next edition.

P.S. Sorry we had to postpose the Property Seminar. We want to hold the event in a time where we can achieve the best possible numbers. Circumstances prevent that at the moment, but it won't be long.

Christopher Homer
Director

Feature Article – SMSF Tax Planning Meeting

Now is the right time to consider SMSF tax planning. There are so many things to consider when it comes to making the most out of your SMSF. Here are a few items that you might want to consider for your SMSF.

Contributions

Concessional Contribution limits have lifted to $27,500. In addition to the annual limit, any unused contribution caps since 2019 are bought forward into the current financial year. This means that if you have not contributed to your Superannuation since 2019, you may be eligible to contribute up to $107,500 per member into your SMSF. Non-Concessional Contributions are also available to our clients. The current limit is $110,000 per year or $330,000 bring forward. *Concessional contributions over and above employer contributions are tax deductible to the member in their personal name. Particularly handy if you have lots of tax to personally pay this year.

*There are eligibility requirements, so please do not contribute large amounts into Superannuation without speaking to your licenced financial adviser or Supervision about your contribution limits.

Pension Withdrawals

If you have a pension and you have not withdrawn your pension minimum for the year, please remember that you have until the end of the financial year to withdraw your minimum. If you have not made your minimum pension payment, you will be emailed with details. Please remember that failure to pay yourself a pension will have serious taxation consequences, leaving your SMSF income taxable. Pensions withdrawal requirements in 2023 have remained at 50% of ordinary rates. This is due to the Government recognising that many pensioners may have suffered from portfolio declines due to COVID. For the majority of SMSF's with fantastic gains, it allows you to retain more cash in your SMSF to invest for future growth.

Pension Withdrawals over Minimum

If pension members are withdrawing over their pension minimums each year, allocating pensions to members with higher taxable components is a great tax saving strategy for the next generation. If members have accumulation and pension accounts, in many cases it is possible for the member to take lump sum payments from their accumulation account instead of treating it as pension drawings. This will maintain a higher percentage of tax free income in the SMSF.

Spouse Contribution Splitting

If you want to even up members balances in your SMSF for a variety of reasons, it is possible for one member to split their contributions with their Spouse. For example: Sally has contributed to her SMSF in the last financial year, it is possible to send her contributions to her spouse Greg in the following financial year. Sally's original contributions will still be counted towards her cap, but Greg's member balance will be boosted by the agreed amount contributed by Sally minus tax. Depending on your personal circumstances there may be great reasons to transfer (split) members contributions. Age, pension caps, and access to pensions are all reasons to spouse split.

Offsetting Capital Gains

Please see the article "Investment Losses – How to Tax Plan in SMSF".

Estate Planning, Wills & Enduring Power of Attorney

Giving a trusted person an enduring power of Attorney when you lose capacity to act can be the difference between large tax payments and NIL. This type of planning is not necessarily expensive or complicated. If you haven't had conversations with your partner or children about your SMSF and how to avoid negative consequences of untimely death or incapacity, then now is the right time to start that conversation.

Investment Losses – How to Tax Plan in SMSF

It is normal in any diversified SMSF portfolio that some investments don't realise their intended return. Subsequently, a decision needs to be made by the Trustees whether to hold or sell. Of course, you want to avoid losing money in the first place, but even the most thorough due diligence can't beat bad luck or the market.

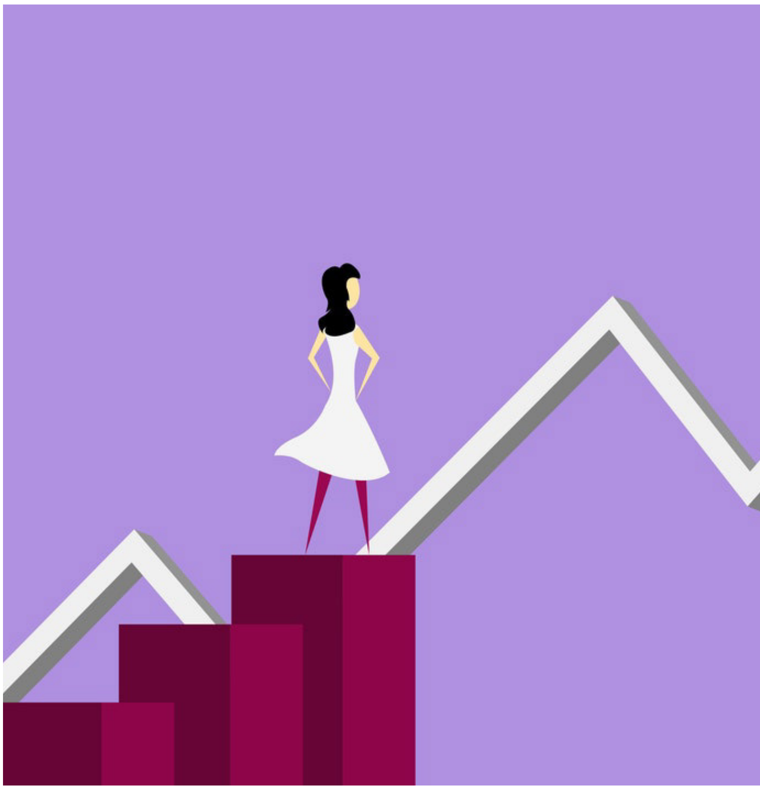
There are a few reasons why you may want to consider selling those assets at a loss. If you decide to sell you can make the best out of a bad situation. This article is going to focus on Capital losses (bolded) as the other reasons don't require much in the way of explanation.

- **Create Capital Losses and Minimise Capital Gains**
- Release remaining liquidity (sell for cash) to purchase other assets
- Reducing the number of investments to improve focus on current or new investment opportunities
- Remove the psychological reminder of investment failure

Create Capital Losses and Minimise Capital Gains

Realised Capital Losses occur when an asset is **sold** for less than it was purchased for. You can use these losses to offset any realised capital gains (when you **sell** assets for more than it was purchased for). Notice that we have bolded the word **sold/sell**. If assets have not been realised (sold) no tax implications result.

Realised capital losses can be kept indefinitely (carried over from year to year) until they are exhausted (used to offset capital gains) or the SMSF is in 100% pension phase. When an SMSF is wound up any carried forward capital losses are forfeited.



How can you use this information to help you reduce your SMSF tax bill this financial year, with a few months of the financial year remaining? Let's examine one example, where you have already made a profit on the sale of one share holding and you want to reduce your capital gains tax before the end of the financial year. The first example shows the impact of not having capital losses, the second shows the tax savings of realising a loss on a share that is not part of the SMSF investment strategy.

Without Capital Losses (Carried Forward or During the Year)

Total Capital Gain for the year = $50,000 (Buy BHP $150,000, Sell BHP $200,000 held for 24 Months)

LESS

Total Capital Losses for the Year and unapplied capital losses from earlier years = $0

LESS

the CGT discount and any other concessions. = $16,666.66 (1/3 Discount for assets held for more than 12 months)

EQUALS

Taxable Capital Gain = $33,333.34 ($50,000 less $0 less $16,666.66)

Total Tax = $5,000 ($33,333.34 X 15%)

With Capital Losses (Sale of an unwanted Asset)

Total Capital Gain for the year = $50,000 (Buy BHP $150,000, Sell BHP $200,000 held for 24 Months)

LESS

Total Capital Losses for the Year and unapplied capital losses from earlier years = $10,000 (Buy DST $20,000, sell DST $10,000 held for 3 years)

LESS

the CGT discount and any other concessions. = $13,333 (1/3 Discount for assets held for more than 12 months $40,000 X 33.33%)

EQUALS

Taxable Capital Gain = $26,667 ($50,000 less $10,000 less $13,333)

Total Tax = $4,000 ($26,667 X 15%)

Result

Not only can you realise cash of $10,000 from the sale of an asset, but you can also save $1,000 in tax that you will be able to use to purchase another asset. In effect your $10,000 loss is reduced to $9,000 and your available investment into another asset is $11,000 instead of $10,000.

Rationale

The above tax planning is dependant on the basis that the investment you sell is not going to make your intended profit and it is only a matter of time before you sell that asset. Bringing forward that loss into a year with capital gains is a legitimate strategy. Alternatively, creating or manufacturing a loss or a series of losses for the express purpose of offsetting gains is not the right thing to do and could be considered tax avoidance. From a financial perspective, The Trustee is unwise to sell an asset at a loss ($10,000 in the example above) just to save ($1,000 in) tax if the asset is only suffering from a short-term valuation issue. The distinction between planning and avoidance is important to understand.

Selling Your SMSF Property?

There has been a noticeable increase in the number of SMSF's selling their SMSF property assets. When asked, many clients are taking advantage of increased valuations on their properties and current market shortages. After many years of depressed market conditions mainly in WA, the sun is finally starting to peer out and some are taking advantage of the current conditions. We would urge any SMSF Trustees considering selling their SMSF investment property to seek professional advice before doing so. If you don't have a financial adviser, please contact us and we can put you in touch with our expanded network. If you have decided but need assistance with the sale or settlement, we have alliance partners that can assist.

ATO Foreign Withholding Certificate

If an SMSF sells a property over $750,000, the seller needs to apply for an ATO certificate to declare that the owner is not foreign. If a certificate is not presented, then the settlement agent of the purchaser is obliged to withhold foreign owner's tax on the sale.

The process is relatively straight forward (online certificate) however there is a choice to make when it comes to the entity for which the certificate is created. When you have borrowing in place (LRBA) you will need to ask the ATO for a certificate in the name of the **LRBA corporate trustee** in order to comply. As you know this company is not registered for an ABN or TFN, so the ATO will need to manually process your application.

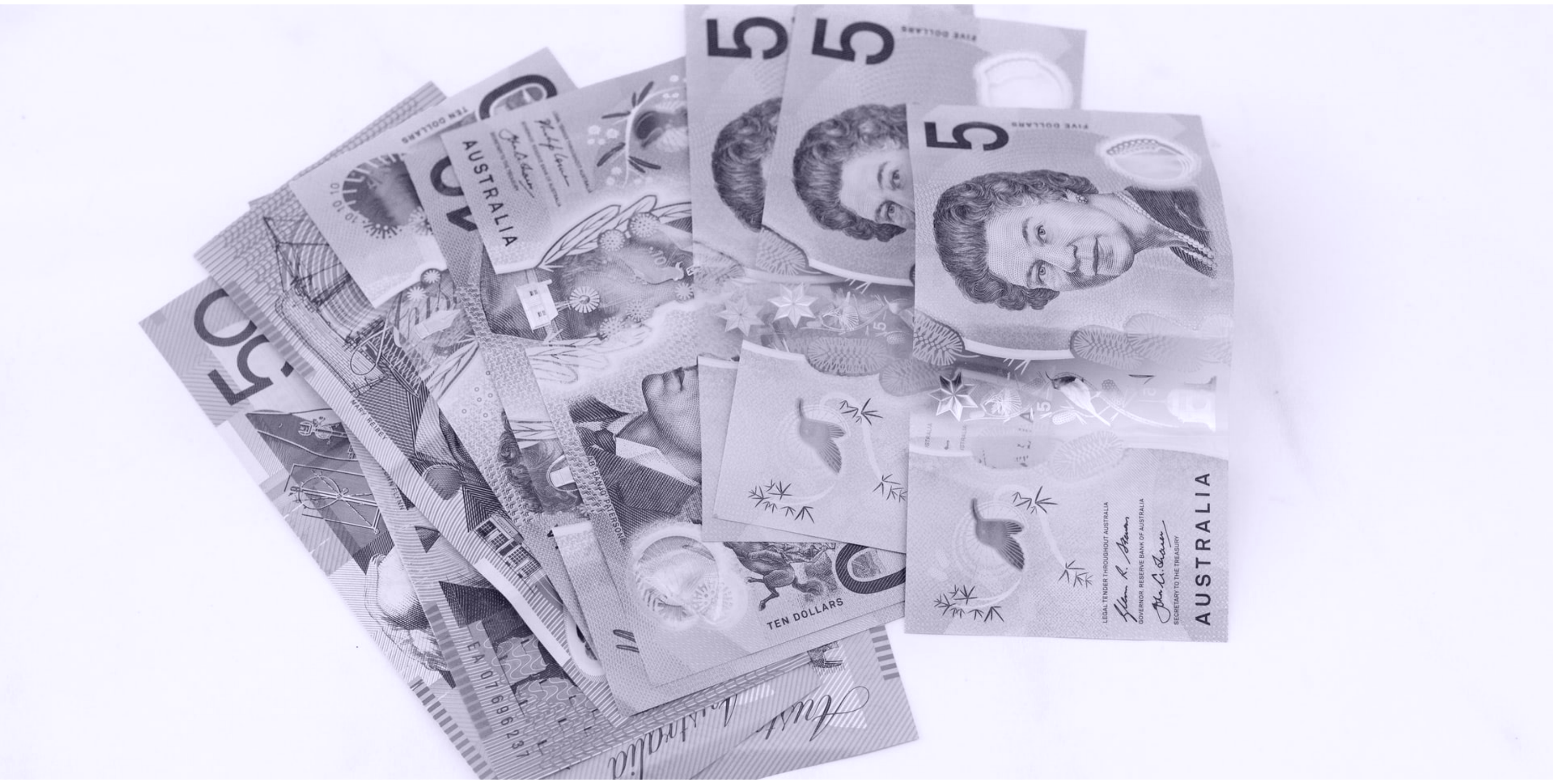
So, if you are selling your SMSF property with an LRBA in place, then you will need to allow up to 28 days for the ATO to process the certificate.

If you are unsure, please call or email for some guidance and we can assist you.

Multifactor Authentication Login Required – "My Portfolio" Class Super

From the 1st of July 2022, Class Super will require all users to use multifactor authentication to access "My Portfolio". This is a requirement of the ATO and Class Super (your SMSF software provider) must comply. We are familiar with the system in our office, but we understand that you may not be. Google Authenticator is a free app on your phone. The idea is simple. When logging into your computer, you use your phone to verify your identity which increases the likelihood it is you. Without this additional authentication, you will not be able to log in.

Fee Schedule



Over the years we have tried to include everything in one monthly fee. Unfortunately, that has been difficult because some duties are specific to a minority of SMSF’s, and it would be unfair to spread the cost to those that do not require that service. For example, property owners are required to supply auditors with an annual title search which cost $46. It is our intention to always provide outstanding value for money and where we can avoid sending more invoices we will.

Your Monthly fees **are not increasing unless you have been notified**, the monthly fees below reflect the current rates we advertise on our website.

https://supervision.com.au/self-managed-super-fund/fee-schedule/

For some SMSF’s there may need to be some adjustment up or down, depending on what you have invested in recently. It is normal for some readjustment in monthly fees considering the SMSF’s activities.

Getting Started

Establishment	$990*
Transfer Existing SMSF	FREE**
Roll Overs	$220/Roll Over

Up & Running

Take Control	$125/Month
More Flexibility	$200/Month
Total Peace of Mind	$275/Month

From Time to Time

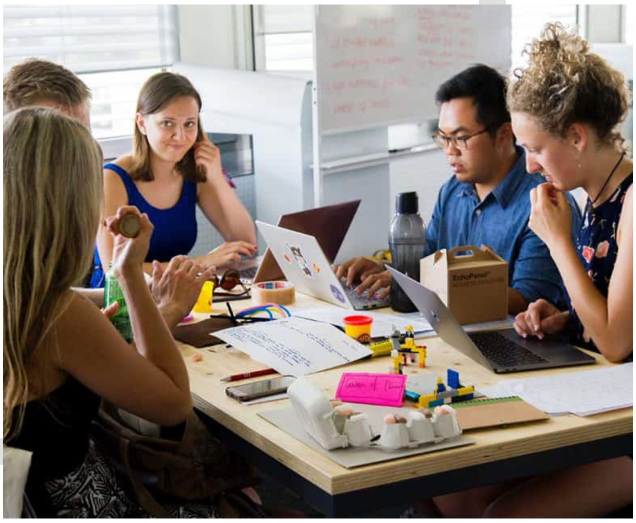
Actuarial Fee	$165/Certificate
Adding a Member	$250
ASIC Company Search	$30/Search
Centrelink Schedule	$55/Schedule
Contravention Report - First	$275
Contravention Report - every contravention after	$55
Corporate Trustee Conversion	$990
GST Registered Funds	$250/Annum
Investment Strategy Builder - Facilitated	$195/Strategy
Investment Strategy Builder - Online Only	$95/Strategy
Pension Establishment	$250/Pension
Property Title Search	$46
Quoted Accounting Work	$250/Hour
Removing a Member	$250
SMSF Corporate Secretarial	$220/Annum
Trust Deed Replacement	$330
Unlisted Company Search	$30

If you know your friends are paying more than the above, please let them know that Supervision is an alternative that could save them money over the long term. We provided a full explanation of what our fees cover in the last edition of this publication.

Supervision Group – Other Services
Are Your Business Systems Disconnected?

From Eftpos, Accounting, Time and attendance, quoting, Payroll and CRM to mobile on the go palm of your hand tools - If your business is running with disconnected systems - then $$ are flying out the door.

Did you know we have a Business Systems team here at Supervision?



Led by Karen Houghton and focused on doing business better, our clients get real-time business insights. From Full services Bookkeeping solutions to Virtual CFO services at a fraction of the cost of a full-time in-house accountant.

Karens over 20 yrs experience in the industry, starting as a bookkeeper, then business owner employing a team of 12 to provide bookkeeping and CFO services to hundreds of SME's.
Holding seats on various Boards and being a Senior Judge with the Telstra Business Awards for 14 years means Karen has a keen eye for best practice and knows good business.

Karen's particular focus is a connected business. She makes systems that are operating independently of each other - Actually talk to one another!

If your current software systems are disconnected, then $$ in wasted time and inefficiency are literally flying out of your front door.

Call us and make a time with Karen and her team to review your current setup. This is free for all Supervision Clients!

If you have a friend or peer that you think needs this review too then we will reward you for any referral you bring to us. Our business grows from referrals.

PAYG Reminder

If your SMSF has Pay as you go obligations, they will now be directly posted to you from the ATO. PAYG notifications contain an estimated tax payable amount for the current financial year. The amount payable for the current financial year is based on the previous years.

If the required payment seems too high, you can reduce the payment to a lower level if your SMSF's tax is going to be radically different from the previous financial year. Please call our team for assistance, we can provide you with assistance.

Directors ID

All company directors are required to create a Directors ID before November 2022. Thanks to all the people that have completed this task already. There have been a lot of articles written in this publication over since its introduction.

Editorial Content

Its amazing how so much has happened since the last edition of "The Trustee". Despite recent World (Russian invasion of Ukraine) and Australian (east coast floods) events, it is apparent to me that most of our attention is focused on the local impacts of the global pandemic.

Despite two years of constant conjecture and fear, for many it is only now that people are becoming personally impacted by the virus itself aside from the financial implications.

In the past two or three weeks, many clients, advisers, and alliance partners have been infected or locked down with family members who have succumbed. Including myself writing this at home, starting my last day of isolation without any sign of infection.

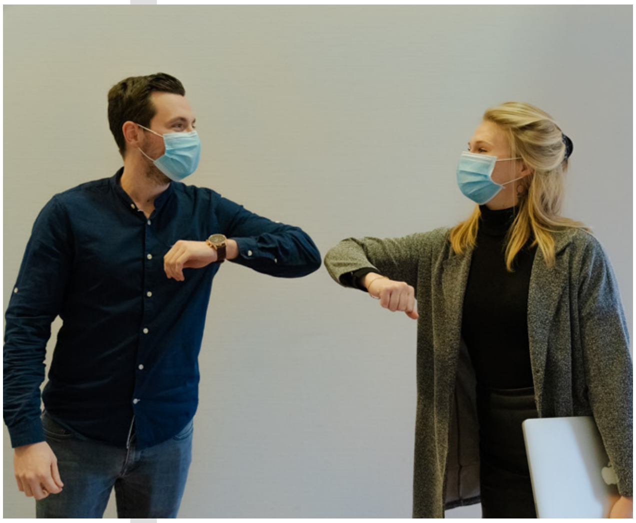
Even though many people have been greatly impacted globally, Australians on the whole should be grateful for the outstanding handling of the pandemic made possible by diligent public servants and our natural isolation. Barring a new variant, plans are in motion for a post-pandemic Australia.

So, we are still being impacted by COVID, a war in Europe and floods and inflation in plain sight and a federal election just around the corner, how should you feel about your SMSF portfolio?

Mike Brindal gave a market update last year which many of you attended. Evergrande (Chinese Property Developer) had just collapsed and everyone attending was anxious that this spot fire could combust the entire global equities market. There were many awesome points made in this presentation, but this one sentence stood out to me. It was also confirmed as recently as yesterday by a successful SMSF investor with decades of investing experience.

> *There is always a reason why you shouldn't invest.*

Meaning that over the years there have been so many world and local events that all point to a reason why you shouldn't invest your money. Yet despite all of those events and impending doom (there have been some close calls), people across the globe in business and commerce have found a way to help others live healthier, longer, wealthier, in better homes and with more leisure time than our predecessors. Mike didn't profess to have a crystal ball but had faith in human nature to conquer and succeed over the long term with a few stumbles on the way.



Recent events may be disappointing, tragic, and avoidable, but the human propensity to make life better for all still remains.

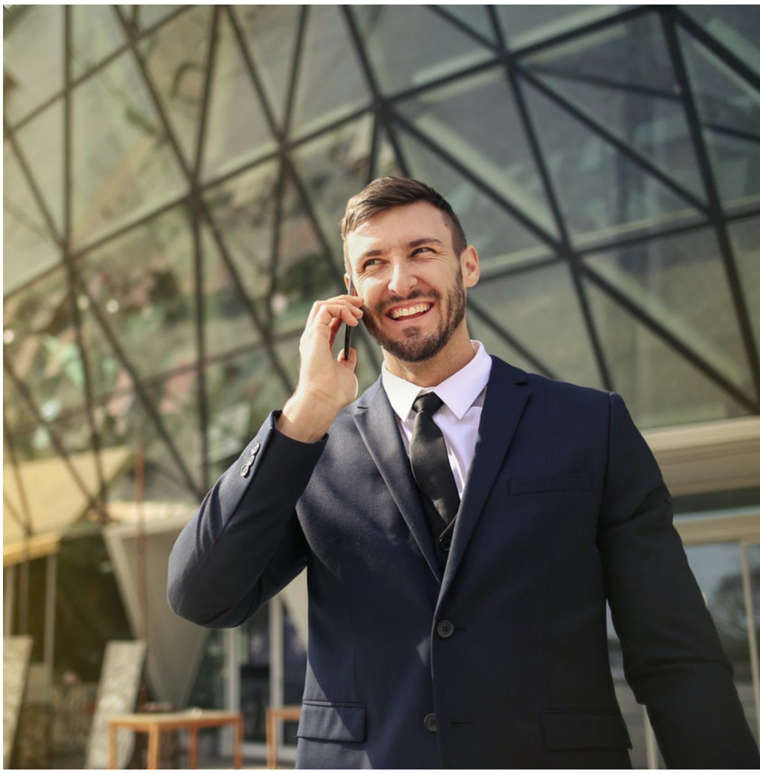
It is easy to be cynical about the world, but I have observed the people that are successful are the ones that can turn down the noise around them and stick to a well thought out plan over the longer term, have no regrets and forget missed opportunities or schemes to make short-term gains. They are calm and thoughtful when others are rash and impatient.

> *The stock market is a device for transferring money from the impatient to the patient.*
>
> *– Warren Buffett*

This quote can be applied to the property market also.

Not only do those types of people tend to make more money, but they tend to be more confident with an outlook on life leading to less stress. Viewing the world this way is rare, hence wealth is distributed in their favour.

So, if you are interested in putting a better plan in place for your SMSF but you require guidance, please contact me to request an introduction to our wonderful adviser network. We will support any efforts that you make to invest into your SMSF. Have a great month and stay healthy until the next edition.



Supervision GROUP

The Team behind SMSF Services

PERTH OFFICE

Pina Reid
Client Services Manager

Shishpal Rana
Senior SMSF Tax Accountant

Leanne Wise
Client Services Manager

Christopher Homer
Director of SMSF

Clinton Reid
Managing Director

CLARK PHILIPPINES OFFICE

Ronnel Valencia
Senior Accountant

The Team behind Business Services

PERTH OFFICE

Leanne Gilmour
Client Services Manager

Tejas Gigi Veliyannoor
Accounting Assistant

Lucas Mierzwa
Senior Bookkeeper

Angela Gaffney
Senior Client Services Manager
Estate Planning

Karen Houghton
Senior Client Services Manager
Bookkeeping

Scott Mitchell
Senior Client Services Manager
Business Services

Dien Osman
Senior Accountant

CLARK PHILIPPINES OFFICE

Joy Sanchez
Senior Bookkeeper

Contact us

South Perth Office
Ground Floor, 76 Mill Point Road, South Perth, WA, 6151

Phone: 1300 693 863 or 08 9367 9655 or 08 9388 6999

Postal Address
PO Box 879, South Perth, WA, 6951

New Enquiries: info@supervision.com.au

FINALIST 2018 SMSFAdviser SMSF AND ACCOUNTING AWARDS 2018 WA ACCOUNTING FIRM OF THE YEAR

FINALIST 2018 SMSFAdviser SMSF AND ACCOUNTING AWARDS 2018 WA SMSF FIRM OF THE YEAR