

# THE TRUSTEE

The SMSF newsletter that keeps you informed and in control.



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## Welcome

For all newcomers to this publication, welcome. We hope you enjoy the content. For people that have read all 12 previous editions, it is gratifying to know your time is being spent increasing your SMSF knowledge. All of our past editions are available on our website for you to download at any time. [Click Here](#)



Directors IDs are nearly due for all directors of companies (including SMSF's). Please read the article on page 10. If you have not created your Director ID, we are concerned that you are going to run out of time, so now is the time for action.

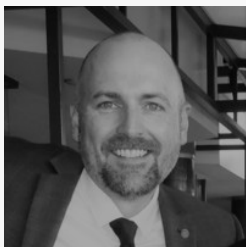
Since the last edition, local politics and geopolitical affairs have remained unchanged. Markets have been affected by increasing inflation, higher interest rates and war. Markets are up one day and down the next, with Wall Street on most occasions leading the Aussie Market. Experienced investors have seen this market cycle many times before and know what is important and what is noise. Volatility is the new norm, but it won't last forever. Profitable companies are always fashionable.

Despite higher interest rates, WA residential property has had strong clearance rates due to lack of supply and the unattractiveness of building. Rental markets are extremely strong for the same reason. There has been chatter that the Federal Government may stop LRBA's (in the upcoming budget) as a way to take heat out of the property market. Again, housing affordability has been put up as a good reason to take a group of property investors out of the market. Whilst a change to this policy is always possible, the new Government would be reversing its policy position they took to the election and have been careful so far to stick to what has been promised. Borrowing in SMSF's has been a bug bear of Industry Superannuation Funds for a long time and it seems to pop up every now and then without any serious concerns. If it was bought in, any existing arrangements would be grand fathered.

Whilst there have been many challenges for Small to Medium enterprises, general business conditions have been strong. Team seems to be the biggest challenge that all of our business clients face. Everyone is feeling the impact of the shortage of most business inputs- including Human Resources. Regardless of the business and regardless of their circumstances, finding people with the relevant skills is tough. I would like a dollar for every time someone has wondered “where have all the people gone”? Over time innovation will fill the gaps, so despite the challenges, business owners with determination to succeed, will find a way to overcome immediate roadblocks. When has owning a business ever been easy?

Our own team have found a way to overcome challenges and you may be seeing the evidence with speedy tax return times and requests for information. We are ahead of schedule, and we couldn't be happier with our team of dedicated SMSF professionals working hard to get your tax refunds back.

If you are reading this with questions, great. Questions lead to further discussions, greater understanding, and more opportunity for you. We would be excited to open any dialogue with you on anything in this document and more. Yes, we do your compliance, but Supervision is much more than a tax return. You will notice over the next few months a renewed marketing effort that explores areas you may think is different or unrelated to an accounting business like ours. Don't be alarmed, our core capabilities will never change, but we are pushing the boundaries on what an accounting firm can and should be. It is always an exciting time to be working with you. Wishing you the best health and luck until the next edition.



**Christopher Homer**  
*Director*



## Feature Article – Access to Superannuation (Conditions of Release)



Many people that I speak to are confused about when they can access their Super.

Most people get mixed up between when you can access your own Superannuation and when Centrelink Benefits are available. This article covers when you can access your Superannuation benefits. If you have Centrelink questions, please reach out to us, we have a valuable resource to help you navigate Centrelink and Aged Care issues.

The integrity of the Superannuation system is based on the ability of members to be able to replace their income in retirement. If people access their money before they are eligible, or drain their savings early in life, all of the incentives and tax breaks given by the taxpayers will be wasted when people get to retirement. Hence the strict protection of the system.

In order to access your money in Superannuation, you must meet a “condition of release”. Once a condition of release has been met, you have access to your Superannuation money. A person usually meets a condition of when they;

- have reached their preservation age\* and intend to be retired permanently
- have reached their preservation age and begin a transition-to-retirement income stream
- have ceased an employment arrangement on or after the age of 60\*\*
- have turned 65 years old (even if they haven't retired)\*\*\*
- have died.



#### \*Preservation Age Table

Date Of Birth	Preservation Age (Years)
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 30 June 1964	60

### How Preservation age works?

To understand your preservation age, you need to apply your date of birth. For example, Sally was born on the 28th of Sept 1973, her preservation age is 60.

### Application of “retirement” conditions

**\*\*** Regardless of whether you realised you had met a condition of release at the time, does not mean that you have not met a condition of release. For example: Brad is currently 64 years old and is working. He did not realise that when he was 63, when he quit his last job, he was eligible to start a pension in his SMSF. Brad started a new job but now wants to access

his Superannuation whilst he is still working. Brad would be able to access the money that he had accumulated up until the date of his resignation, even though he has started a new job. The retirement event happened so he is entitled to his Superannuation from the event date, even though he did not start a pension or even realise a condition of release had occurred. Any of Brad’s new contributions to Superannuation from his new job would be placed into accumulation until a new condition of release has been achieved.

The condition of release event will trigger your members balance to become “unrestricted unpreserved”.

**\*\*\*** Reaching the age of 65 will give you access to your Superannuation regardless of your working status.

## Other Conditions of Release for Special Circumstances

- Permanent Incapacity
  - Suffering from mental or physical ill health and the Trustee is reasonably satisfied that the member will never to be gainfully employed.
- Terminal Illness
- Temporary Incapacity
  - Ceasing gainful employment due to mental or physical ill health, does not satisfy the incapacity rule
- Severe Financial Hardship
  - Aged less than 55 years of age and 39 weeks and the Trustee is satisfied that a Commonwealth department has been paying continuously paying 26 weeks of benefits.
  - Limit of \$10,000
- Compassionate Grounds
  - Paying for medical treatment
  - Prevent foreclosure on a loan on the members principal place of residence
  - Pay for upgrades on residence or vehicle to cater for disabled dependant
  - Funeral, death, palliative care costs

If you are considering the above special circumstances the above list is not exhaustive and you may need to apply or provide greater details before gaining access. Please speak to Supervision in regard to the special conditions.

## How Conditions of Release work Practically

The Trustee must be sure that the member has met a condition of release. The only way to do this is to ask the member for the evidence and also their intention to remain retired if they are not yet 60. Supervision provides our clients the



ability to complete an online application form to commence a pension where the member declares a condition of release has been met.

Once the 1st of July 2024 rolls around, everyone will need to be at least 60 years of age before they reach their preservation age. Once that date is reached, no one will need to declare that they intend to never go back into the workplace.

Pay Slips, diary notes can be required to show that a job has been terminated. This is required until a person turns 65 years of age.



# Contributions – Basics

## There are 2 types of Contributions

- Compulsory Contributions
  - Superannuation Guarantee (SG)
  - Mandated by the law
- Voluntary Contributions
  - Any contributions in excess of SG including Salary Sacrifice

## Member Contributions Include

- Contributions the member has made and intends to claim as a tax deduction (concessional).
- Contributions not intended to be claimed as a tax deduction (non concessional).
- Downsizer Contributions – based on the sale of a property that has been owned for 10 years.
- CGT Small Business Contributions – made under certain conditions related to the sale of a small business.
- Personal Injury Contributions – due to compensation payments.



## Directing others to make a contribution for you

- An employer to contribute an amount from their **after-tax** salary
- A company or trust makes a CGT small business contribution on behalf of a member
- A foreign super fund transfers a member benefit to an Australian Super Fund

## Spouse Contributions

- Contributions made by an individual to their spouse's super account

**Government Contributions** - Government incentives to encourage low-income earners to make their own contributions.

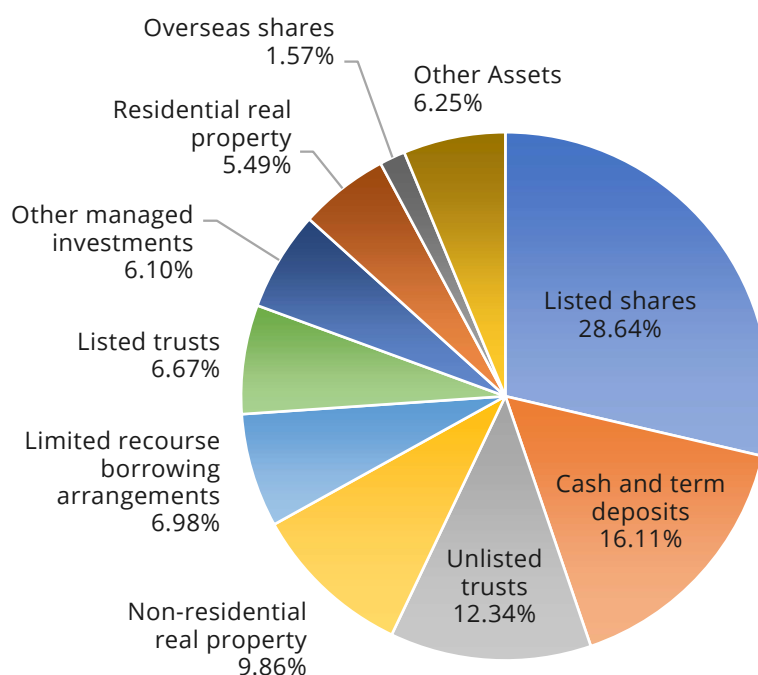
- Government Co Contribution – a payment of up to \$500 depending on the members income & non concessional contributions made
- Low Income Super Tax Offset – a payment of up to \$500 depending on the members income and the amount of concessional contributions made.

# SMSF Statistics Update

The June Quarter SMSF Statistics have been released. It has been quite an amazing year for SMSF establishments. The June Quarter was the smallest quarter increase for the year so far however in the past 12 months 25,656 net establishments have been added. There are now 603,432 SMSF's in Australia with 1,123,430 members. The total net value (Assets minus Liabilities) is \$837,758 (Million) Here is a table of the top 10 Assets in SMSF and their percentage weighting.

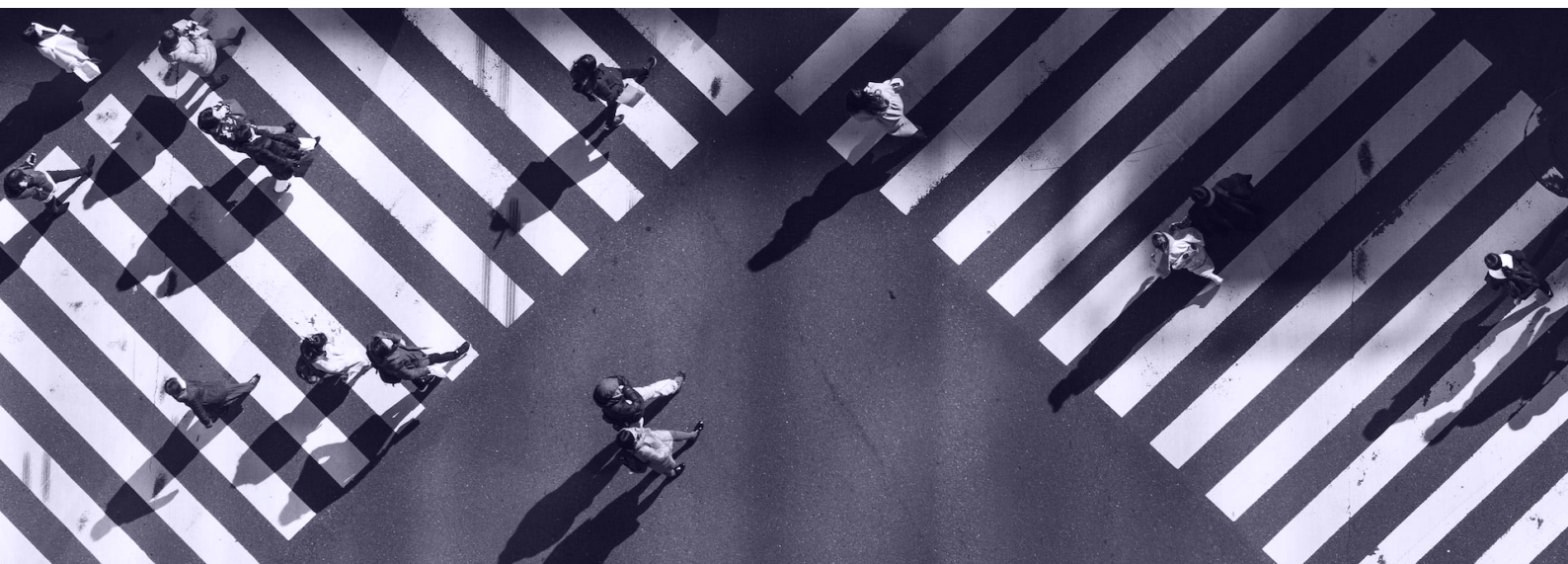
Asset Type	\$ (Mill)	%
Listed shares	248,767	28.64
Cash and term deposits	139,939	16.11
Unlisted trusts	107,189	12.34
Non-residential real property	85,616	9.86
Limited recourse borrowing arrangements	60,623	6.98
Listed trusts	57,934	6.67
Other managed investments	53,014	6.10
Residential real property	47,669	5.49
Overseas shares	13,618	1.57
Other Assets	54,335	6.25

**SMSF Asset Classes**





## Young Members are Establishing SMSF's



Age ranges	Male	Female	Total
<25	1.4%	1.3%	1.4%
25-34	7.9%	9.9%	8.8%
35-44	31.3%	33.2%	32.2%
45-49	17.2%	16.8%	17.0%
50-54	17.3%	16.9%	17.1%
55-59	11.7%	10.6%	11.2%
60-64	7.0%	6.7%	6.9%
65-69	3.7%	3.1%	3.4%
70-74	1.5%	1.2%	1.4%
75-84	0.7%	0.3%	0.5%
85+	0.2%	0.1%	0.1%

The above table shows demographic breakdown of new SMSF Establishments. 35-44 year old's have dominated new establishments during the quarter. The next highest sections are more traditional entrants into the SMSF market. It is difficult to pinpoint the reason behind the sharp uptake of SMSF's for that age group, but the emergence of digital assets may have some bearing on the result.

# Directors ID

We are now in the final days before the deadline for Directors ID closes (30th of November 2022). If you have not been able to work out how to complete this task, it is the right time to do so now before it's too late. If you are having trouble with the online technology or you don't have the mobile technology to deal with it, you can call the hotline on this number: Call 13 62 50.



**The Trustee No 9**  
(February 2022)  
has a full run  
down on how to  
complete the task.

You can download it  
from our website here:  
<https://supervision.com.au/about/downloads/>

Please do not leave it to the last minute, whilst we are here to help, our team will not be able to cope with a late rush, so please start today.

# Time for a Health Check on Your SMSF Loan?



SMSF's are complex and require an investment strategy that needs to be reviewed on a regular basis. This is particularly true if the SMSF has an LRBA (Limited Recourse Borrowing Arrangement) to ensure the risk, return and cashflow still align with the strategy document. With a changing rate environment, and increasing monthly repayments, now could be a good time to revisit your current SMSF loan.

Not everyone is aware that refinancing is available for SMSF's. Some conditions and requirements are associated with refinancing, but these are not particularly onerous if the LRBA was established post 2011.

It may be an opportune time to speak to your broker and financial planner to determine if your current SMSF loan is the best solution for your fund today. Your broker can assist from a lending perspective and analyse the current market offerings that may improve interest rate, monthly repayments, and liquidity of your fund.

*Source: Jeremy Wealleans (In Mortgage & Finance Services)*



# 7:30 Report Scam – Screened the 3rd of October 2022

You may have seen an SMSF scam reported on the ABC program the 7:30 report.

This article is to let you know about the difference between reputable firms like Supervision and the organised criminal enterprises that are looking for opportunities to exploit people.

## Difference #1

Supervision will never call you to sell you any financial products. We will not ask you to transfer money from your SMSF bank account to any accounts without an official notice. ATO (tax bills) or ASIC renewal will only be sent to you electronically.

## Difference #2

Supervision does not have access to your bank accounts (other than your monthly fees). We have read only access for your ANZ, Macquarie, CMC and Australian Money Markets accounts that we establish for you. Data Feed data is an exchange of files managed between the account providers and our SMSF software provider Class Super. These files contain data, not personal identity details.

## Difference #3

We do not hold your data on local hard drives or file servers that can be accessed remotely. Data is stored on cloud-based servers protected and backed up.



## Difference #4

Your information is kept safe using software that restricts access to authorised personnel only. Personnel can only access data from supervised locations.

## Difference #5

We don't keep your original hard copies of your personal details in paper form in our offices.

## Difference #6

We can meet you face to face in our offices for a meeting. We can also complete meetings with camera's if you can't make our offices. Criminals will not allow face to face meetings.

Supervision will send 2 things to you each year electronically that you need to attend to:

1. Your SMSF annual return for signature with ATO payment form (if required)
2. ASIC Invoice for payment



## What to do if you think you have been targeted for a scam.

1. Call Supervision 08 9367 9655- speak to Leanne Wise, Pina Reid, Shishpal Rana or me to check.
2. Don't provide your personal details over the phone. Supervision has already collected your details on our database (establishment form), so we do not need your personal details again. If you don't recognise the voice, please ask for someone you know at our office.
3. Don't click on any suspicious links in an email. Sometimes you think you are getting an email from someone you know. Check the domain of the sender, if you think it is from Supervision, but the domain is different (e.g. not @supervision.com.au) please call our offices immediately and don't click on any links.

## General House Keeping - Internet Safety

To keep your details safe, it is always recommended that you update your password regularly. Yes, it is a major pain to do so, but it is an effective way to reduce your chances of being hacked. If you are going to change your passwords however, please don't use generic terms or names of your pets or children. Using passwords like "password123" for example is going to lead to trouble eventually. Try using phrases to increase the difficulty of the password or use software that can be used to store difficult passwords.

First, choose a phrase that you know well—like a line from a song. Let's take, for example, this line from "Somewhere Over the Rainbow": "Someday I'll wish upon a star and wake up where the clouds are far behind me."

Next, take the first letter of each word in your chosen phrase. So, in our example, "Someday I'll wish upon a star and wake up where the clouds are far behind me," would become "siwuasawuwtfcafbm."

Finally, strategically replace some of the letters with numbers, characters, or capitalised letters. To continue our "Somewhere Over the Rainbow" password, you could replace "siwuasawuwtfcafbm" with "&iWu@&@WuWt6@fb2." In this example, there were easy-to-remember changes, like:

- Changing instances of the letter S to ampersands (&)
- Capitalizing all the W's
- Changing instances of the letter A to @ signs
- Choosing two words (in this case, clouds and me) and replacing them with the number of letters in the words (6, 2)

# FAQ's With Shish



Hi, my name is **Shishpal Rana**, but the team call me Shish.

For those I haven't met yet, I review your SMSF tax returns and financials each year and liaise with your SMSF Auditor when problems arise. It's my job to make sure you receive the best tax outcome every year and audit issues are dealt with. This is my second SMSF tax season with Supervision and during that time I have met many of you in person or spoken over the phone. It is a challenging but rewarding role that is dominated by deadlines and difficult questions.

This new column is dedicated to answering your frequently asked questions. Enjoy.

## 1. PROPERTY VALUATIONS

**Question:** Why do I need to provide a property valuation each year?

**Answer:** As per ATO requirements the trustees are required to confirm the market value of any properties held by their SMSF each year.

This doesn't necessarily mean a new valuation is required each year, however, if the trustees wish to use the same valuation two years in a row, they need evidence or supporting information as to why the valuation still represents the current market value in the second year.

The following valuation methods can be relied upon without requiring any secondary source of information:

Valuations undertaken by a(n):

- Registered valuer
- Professional valuation service provider
- Member of a recognised professional valuation body.
- Online valuations that include supportable data with recent comparable sales
- Market appraisals made by an agent that provides verifiable data (an example of verifiable data could be recent similar sales, comparable lease data and net income yields).

Where the property was purchased within 12 months of 30 June of the year being audited, and no recent significant events have transpired since the purchase may also not require a secondary source.

Other things to note:

1. All of the above valuation methods are based upon ATO correspondence. The most recent source of information can be found [here](#).
2. Commercial property valuations can be complicated to obtain, as the type of property can be quite unique and there might be limited sales data available in which to make comparisons. For this reason, the cost of obtaining a commercial valuation is generally greater than a residential property as it may require a registered valuer to review the property.

## 2. INSURANCE POLICY – NOT UNDER NAME OF SUPERFUND OR SUPERFUND IS NOT A POLICY OWNER

**Question:** Why does it matter who the owner of my life and TPD insurance is on paper, when my SMSF pays the premium?

**Answer:** Superannuation law requires SMSF trustees to consider the need to hold insurance cover for members of the fund. However, a trustee may decide not to hold any insurance policies for members as the members of the fund may have adequate insurances in place elsewhere, such as insurance owned in their own name (outside of superannuation) or cover held in another superannuation fund.

Thus, where insurance cover is owned outside of an SMSF, it is important that the SMSF does not pay for insurance premiums for a policy that is either personally owned by a member or owned by another superannuation fund.

If a client uses their SMSF bank account to pay for a personally owned or non-SMSF owned policy (whereby the premium cost should have been funded by them personally), the SMSF will be in breach of the superannuation law and regulations (e.g. providing financial assistance to members and early release of benefits) since the fund started paying the premiums (i.e. a personal expense) on their behalf. Therefore, all the money would need to be paid back to the SMSF by the SMSF member in order to rectify the contravention.

On the other hand, if the policy is owned by the SMSF (i.e. the SMSF trustee/s or director/s), then the fund is not in breach as it is paying the premium for its own policy on the members.



## Editorial Content – Contributions Into Superannuation

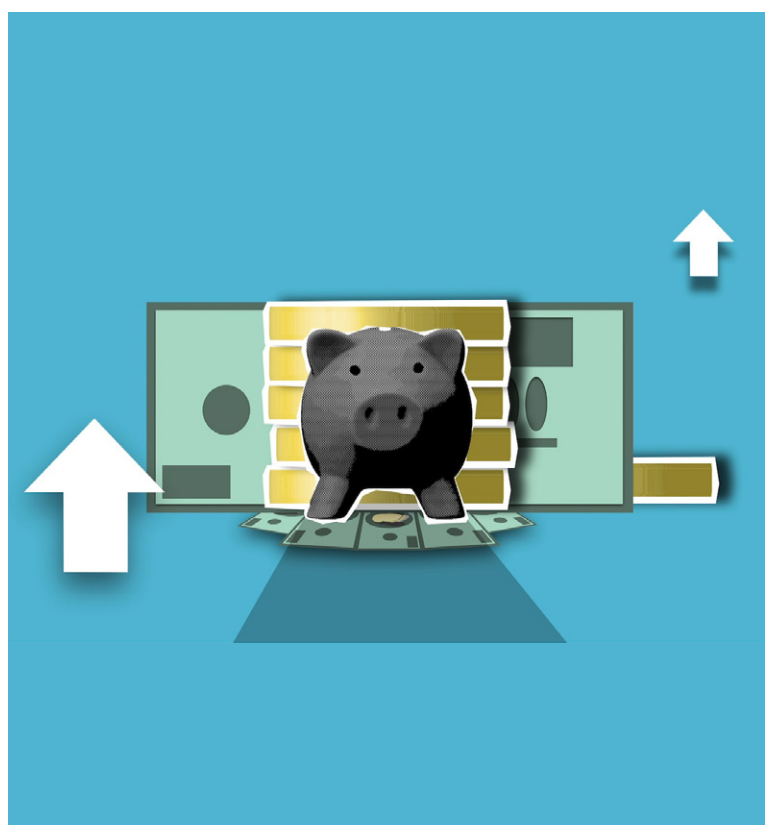
Like all savings accounts, consistent contributions (deposits) are required to boost your savings. Superannuation always grows quicker when new money is added into a well invested fund. Superannuation offers awesome incentives to save that not many (if any) other investment vehicles can offer.

Being able to reduce your personal tax by contributing to Super is a massive incentive to save. It is one of the very few remaining major tax-deductions available to salaried employees and business owners. To make things even better, the tax rate on growth is capped at 15% and 0% when you start pension phase.

Many people are missing out on the opportunity to use unused concessional contributions. It is puzzling why more people (usually paying high rates of taxation) are not aware of this process to massively reduce personal tax by using unused concessional caps from the past 5 years. As an extreme example, some people are able to contribute up to \$130,000 to Super (in this Financial Year) and reduce their personal taxable income by that amount. This is the first time in many years that such a large amount can be used as a tax deduction.

Of course, conditions apply, but if you want to save personal tax, now might be a great time to find out if you are eligible. MyGov has all of the details, but we can help you to work out your contribution limits with some investigation.

Making the most out of your contribution limits will result in better longer-term outcomes, when your SMSF is invested correctly. Even if you think the additional amounts are insignificant or don't add up to much in the short term.





## **The Team behind SMSF Services**

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