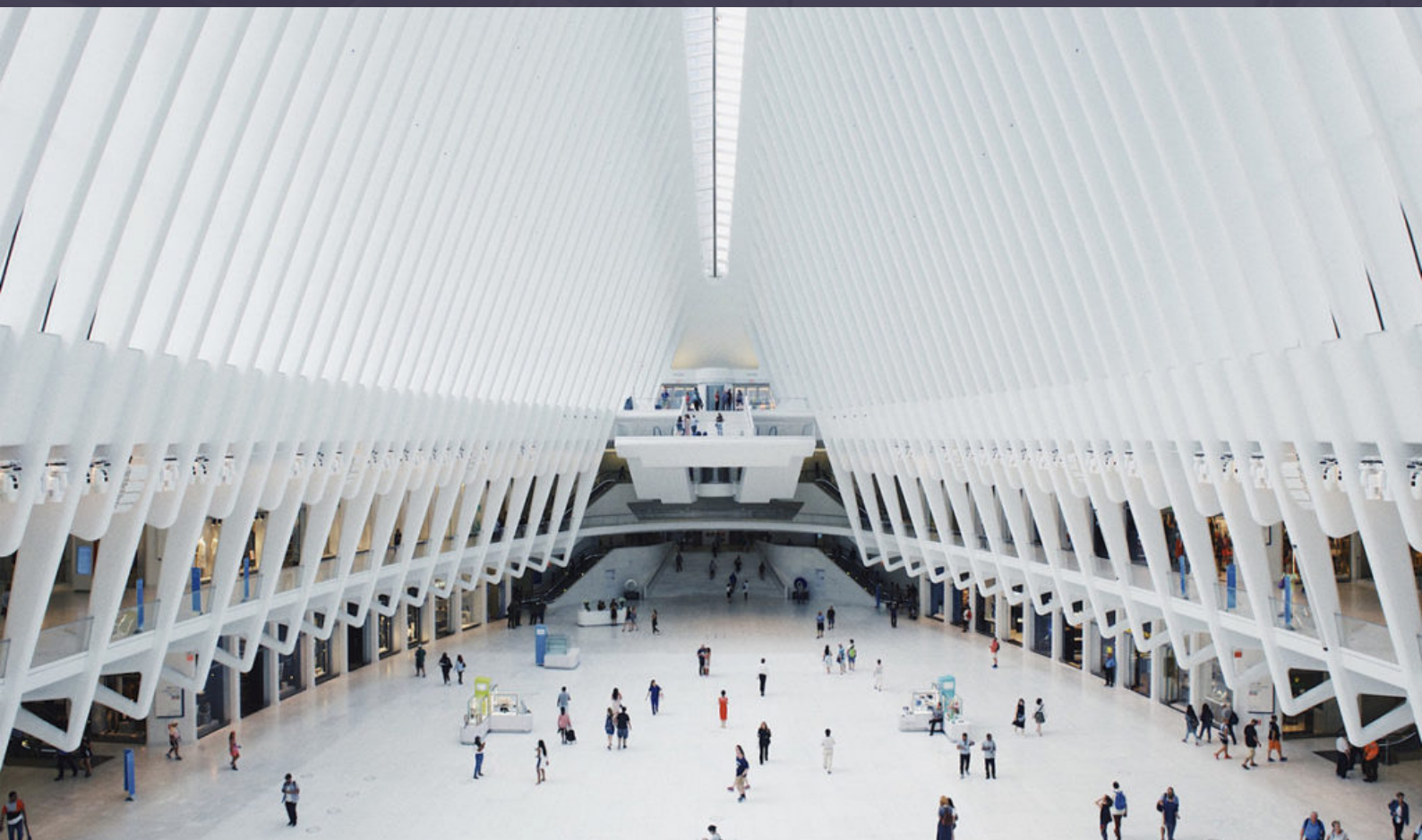


THE TRUSTEE

The SMSF newsletter that keeps you informed and in control.



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Welcome

The festive season is upon us on the run down to Summer holidays. Supervision will be working hard through the summer months to progress your taxation returns and also maintain your daily transactions. The physical office will be closed for the Christmas break as usual, but transactions will still flow into MY PORTFOLIO and the daily values will be updated. Our office will be closed from 5.00pm the 23rd of December 2020 until Monday the 4th of January.

We wish you all a Merry Christmas and a Happy New Year.



Christopher Homer
Director

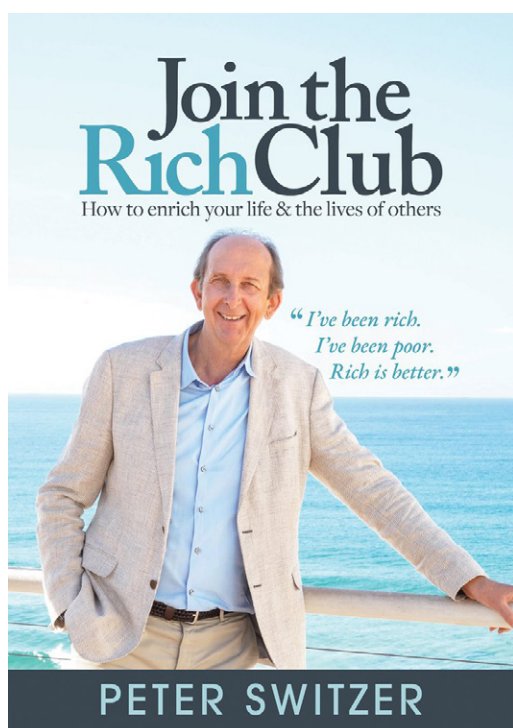


Feature Article – Join the Rich Club (Peter Switzer)

Peter has written an excellent book that lays out some down to earth financial information. Unlike 'Barefoot Investor' which is anti SMSF, Peter includes SMSF as a great way to grow retirement wealth. The Switzer report and related publications are all part of Peter's publishing business which aims to help Australians grow their wealth and live their dreams. I recommend putting it on your bedside table as well.

We like to support financial books written by Australians for Australian's, especially ones that include valuable information about SMSF's. "Join the Rich Club 'How to enrich your life & the lives of others'" is available through the following link: <https://switzerstore.com.au/products/join-the-rich-club>

We highly recommend it as a great Christmas read not only for you, but for anyone that needs to learn more about taking control of their financial freedom. Please enjoy this excerpt which I enjoyed reading.



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Shares – It's Not in the Timing

One of the greatest challenges for anyone investing is to work out what your strategy is. For me, because I don't plan to retire for some time, I'm heavily exposed to the stock market but eventually I will become more conservative.

When you have a self-managed super fund, you must write down your investment strategy. We have an SMSF with one of our sons and we have a non-conservative approach to investing at the moment, so it's easy to construct a strategy that applies to all of us.



In a nutshell, our strategy is to be nearly fully invested in stocks, apart from a cash buffer to cover expenses for running the fund and any tax bills. Sometimes we let the cash reserves run up ahead of an expected sell off, but this represents the toughest time for me as nominated chief investment officer. Generally, we buy dividend paying stocks, as these are very reliable. And we buy good companies especially when the stock market dips.

I hate timing the market and prefer the old adage of "its time in the market not timing the market" that brings great rewards on stock markets. That said, if you can time the market and then spend time in as well, you might pull off the double play.

Anyone who bought stocks for the first time in early March 2009 in the USA could be up over 300%, while Aussies could be up 130% including dividends. This revelation about our investment strategy came because I received a letter from a subscriber to our Switzer Report, designed for those investing in stocks and for those running an SMSF. The subscriber wrote: "Knowing I'd be overseas for six weeks,

and a little fearful of the 'cliff' implications, I liquidated my share investments mid Dec. Watching the market from afar, I'm now concerned that the ASX may accelerate further away from me. My dilemma is – do I now get back in or should I wait for a month to see how it may unfold in the USA? Whilst I realise you can't give specific advice; I would appreciate your general comment. I might add that my share proclivity is towards fundamentally sound good dividend Australian companies."

The subscriber's general strategy is sound and a bit like my strategy, but she's taken a punt on a big sell off and she was worried about a potential double whammy if she gets in and there's a sell off.

Basically, I don't know that the answer was, but this is what history points to: January is good for stocks and it usually extends to March or even April. That's why there's an old market cliché- "Sell in May and go away". If you tend to get in say November and ride the market until February or so, it can be a rewarding strategy, but you will have the timing worries to keep you awake at night.

”

Life Insurance in SMSF (Investment Strategy Builder)

Superannuation law dictates that insurance must be considered in your Investment strategy. For many younger SMSF members, having life and TPD insurance paid out of Superannuation means their insurance payments don't impact their personal cashflow and are also tax deductible in Super.

Australians are historically underinsured. If the Supervision client base is representative of the general population, we can report that only **13%** of our SMSF's have insurance for at least 1 member. This leaves **87%** of our clients not insured in their SMSF.

Not having insurance in your SMSF is not necessarily a problem. For many SMSF's, the members may not be able to justify the cost of insurance because of their age. As you get older, premiums get progressively more expensive. Your need for insurance as you get older is lower because in most cases you have paid off your debts. Other members may not require insurance because they have a policy either in another Super product or in their personal names that provide adequate levels of cover.

Younger people need insurance more due to higher personal debt levels. If your mortgage payments could not be taken care of if your partner dies, then you would be forced to sell up your home. Becoming disabled would also hit your family hard if you could no longer work and your partner is forced to look after you. This grim prospect can be overcome by the right level of cover for both scenarios.

To make sure members have the right level of coverage, you should be reassessing your coverage at least once a year with a formal review conducted at least every 2 or 3 years. You will notice that your investment strategy builder includes a reminder to review your needs for insurance at least annually. We understand that for many, your needs will not change. Ticking the review box and the subsequent acknowledgements indicates to the Auditor that you as Trustee have exercised your duty to protect members and make sure that the members are paying the right premiums to suit their requirements.

Supervision Statistics

- 49** SMSF's logged into "My Portfolio" in the past month
- 147** SMSF's logged into "My Portfolio" in the last year
- 14** SMSF's haven't logged into "My Portfolio" since 2018/19
- 22** SMSF's haven't logged into "My Portfolio" since 2017/18
- 16** SMSF's haven't logged into "My Portfolio" since 2016/17
- 8** SMSF's haven't logged into "My Portfolio" since 2015/16

Currently the percentage of SMSF's with at least one member with life & TPD insurance is **13%**.

72.5% of all available data feeds are being data fed.

94.2% of all SMSF's in our business have live Datafeeds.



Super Gateway – “My Portfolio”

“MY PORTFOLIO” is designed to give you all of the information required to effectively run your SMSF. From contributions to pensions, investment performance and real time income, the team are constantly updating your portfolio for an accurate picture of where you stand today.



We can now report data collected on clients online viewing. The numbers are not as encouraging as we had imagined. In the last month, only 9.5% of our SMSF's have logged in. Of the 9.5% of our SMSF's, many have logged in multiple times, but we consider this figure to be quite low.

More encouragingly, the number of people that logged into their portfolio in the past year is much higher @ 28.2%. The numbers trail off over the proceeding years, but over time, 50% of all clients have had a look at their SMSF online.

We understand that in the main our clients view their share trading account as the source of truth for their investment information. We encourage that usage, but please don't forget that “MY PORTFOLIO” provides investment performance reports that your share trading platform can't. It also includes your

contribution limits, estimated yield, real income and many more items that can help you run your SMSF.

We would like to let you know that earlier this year we undertook a specific program to get more portfolio's data fed. We have now reached 74% of data feeds which is 10% above industry standard. We are currently working on achieving 85% by the close of the next financial year. The more data feeds we are able to complete, the more up to date your portfolio is going to be and the more reliable the data that you can see when you log in.

Often our clients have viewed their portfolio and reported to our team that things were missing or not the same as what they had calculated. The next comment is that they have given up logging into “MY PORTFOLIO” because it wasn't accurate.

We love that feedback because that allows us to make improvements. Sometimes we have not updated a corporate action, or a data feed has not been switched on. Other times, the team have been asking clients to supply information, but they have missed the request and the transaction is not posted. Once we reach a resolution and it can be resolved, the client receives greater accuracy.

So, if you have issues with the way your SMSF is represented online, we are more than happy to hear from you to sort it out. It will help us out as much as it helps you.

We would encourage everyone to log in to "MY PORTFOLIO" to see all of the amazing features. The power of the platform is much greater than you may imagine to creating the bigger picture.



Log-in

My Portfolio – Feature Spotlight

Messages

Supervision is about eight months into our move to request for information from emails to our Accounting software Class.

We hope that over time it will become second nature to view your SMSF messages through “MY PORTFOLIO” instead of sending emails. You will still receive an email notification of the message, but the communication trail will be done inside your SMSF accounting software.

The beauty of the system is that all of your requests will be kept within the same portal that you view your portfolio on. Regardless who is working on your SMSF, they will have the same access to all correspondence between you and Supervision.

As mobile phones replace desktop computers for many tasks, Supervision is happy to announce that you can view your SMSF portfolio on a fully functional phone app. This is also where you can send messages and take photos of documents for storage.



To install your SMSF mobile app, please go to the App Store or Google Play and download “**CLASS INVESTOR**” App. Once installed, you need to enter your regular username and password. Once completed you will be able to view your portfolio online. It’s condensed but the functionality is awesome.



Class
Investor

If you only use your mobile phone to access your SMSF details, you can also use the ANZ V2 Plus through the ANZ phone app. Unfortunately, your share broking platform (CMC Markets) does not yet have a phone app to be used on a mobile phone. You can still trade, but the experience is not as good as a desktop computer.

Leaving Australia as an SMSF Trustee/Director

Whilst no one is really leaving Australia to holiday abroad, from time to time SMSF Trustees/Members do go overseas to work.

The question then remains, can they still continue to run an SMSF whilst they are overseas and what are the rules regarding this scenario.



Recently an adviser asked me for some information about the rules surrounding some Trustees leaving the country and their ability to keep their SMSF open. The clients are looking at leaving Australia to work for 3 years and have kept all of their Australian assets in place.

Here is the logic behind the rules surrounding our belief that the SMSF could be maintained whilst the clients are overseas.

Is the SMSF still a Superannuation Fund? For the SMSF to continue to run whilst the Trustees are overseas, the SMSF must qualify as a Superannuation fund. In order for any Superannuation Fund to remain as such, the all following three rules must be overcome.

1. The Superannuation fund had to be created in Australia and registered in Australia with assets of the fund situated in Australia, and
2. At the time the central management and control of the fund is usually in Australia, and
3. All Members are not active **OR** the active members of the SMSF have more than 50% of the Super Fund assets and are Australian Tax Residents.

All SMSF's are established in Australia, so that test is easily passed.

Central Management and Control is the next point to contend with. Tax ruling 2008/9 makes it clear that leaving Australia for under 2 years is ok and will pass the test as long as you always intended for the absence to be “temporary”. You are also able to be overseas for over 2 years as a temporary measure, but there needs to be evidence that the trustee intends to remain temporarily out of Australia. Completing taxation returns in Australia (resident for tax purposes) and holding assets in Australia (like your family home) is clear intension that you are intending to come back.

When the above measures have been completed, then the members must not contribute to the SMSF whilst the members are “temporarily” outside Australia.

The rules are designed to stop foreign companies and trustees creating Superannuation funds and luring Australian’s into sending their money offshore, where the ATO have no jurisdiction. The rules are not designed to penalise SMSF’s who have trustees and members that go overseas to work for a set period of time. If you have any questions on this matter, please feel free to contact me for clarification.



Editorial Content – PM Gets Angry About Departmental Spending

You may have been following the latest revelations about the spending habits of Public Servants and their entitlements. Australia Post and ASIC have been in the spotlight recently for all the wrong reasons.

The Prime Minister got very angry in parliament about 19K worth of watches which sounded justified in isolation.

Whilst we are all looking at these distractions, the big picture items which are harder to fix or justify simply disappear in plain view. The level of anger and spite exhibited by Australia's leader (the PM, not the Australian Cricket captain) may say more about an over inflated commonwealth land deal that was breaking news at that time. The current spat between Australia and China is another example of how distractions are used to put some smoke in front of issues that really matter.

“

The emperor of China asked his court painter, “What's easy to paint and what's hard to paint?” and the answer was “Dogs are difficult, demons are easy.”

— Alex Kerr, *Dogs and Demons: Tales From the Dark Side of Modern Japan.*

”

Can you believe that right now 2020, Supervision struggles to send mail to the East Coast in under 10 days, even if it is registered and tracked. You may be thinking, ‘why would we be sending items in the post when we have access to electronic formats?’ The simple fact is that some large organisations (industry



Super Funds) only accept paper, wet signature copies of documents to complete roll overs for our clients. In addition to this, many Super funds only issue cheques to be banked which is becoming increasingly difficult due to disappearing branches and telling machines.

Its pure irony for me that the deal celebrated by watches is going to utilise regional post offices to service local communities who had lost bank branches. This win for efficiency and common sense was swamped by outrage. We made a demon out of a side note, when our focus should have been the dog which is impact of reducing bank branches on regional small businesses and how Government pays above the odds for state owed assets. The question about what regional Australian's are going to do about physical banking services was not even discussed.

In the same vein, Australia's multibillion-dollar organisations like industry Super funds and Banks still have not found a solution to physical application documents and outdated ID collection. It's not a sexy problem to fix or talk about, but inefficiency has a cost and guess who pays – you the consumer.



My 10 cents worth is that we need to remain vigilant to make sure we don't lose sight of what is truly important and worthy of challenge and change. We create enough distractions for ourselves, we don't need to fall for confected distractions designed to move our attention from issues that need focus and hard work to solve. What we chose to focus on is what gets fixed. Whilst we can urge our leaders to focus on the right things, SMSF owners must focus on Good advice, great investments, flexible strategy, and clear goals to win the day and win the future.

We wish you a very safe and wonderful Christmas time with lots of family fun and joy. May Santa even bring you a watch for Chrissy.

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