

# THE TRUSTEE

The SMSF newsletter that keeps you informed and in control.



## INSIDE THIS EDITION

|         |  |
|---------|--|
| PAGE 02 | WELCOME  |
| PAGE 03 | INTRODUCING THE SOUTH PERTH SMSF TEAM TO YOU   |
| PAGE 05 | <a href="mailto:mail@supervision.com.au">mail@supervision.com.au</a>                   |
| PAGE 06 | THREE KEYS TO GROWING YOUR SUPER   |
| PAGE 07 | WHY WE DO DAILY TRANSACTIONS?  |
| PAGE 08 | SUPER GATEWAY "MY PORTFOLIO" FEATURE SPOTLIGHT BENEFITS ESTIMATES – Members Statements |
| PAGE 11 | ESA CODES: smsfdataflow  |
| PAGE 12 | COMMUNICATIONS   |
| PAGE 13 | EDITORIAL CONTENT – When to Reweight a Portfolio of Shares?                            |

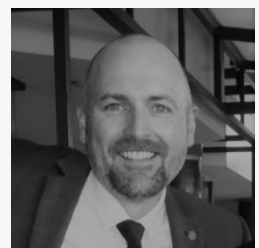
## Welcome

Wow, what a great start to the new year. The summer has been hot, and the action has been even hotter at **Supervision**. We are proud to announce the addition of a new team member, **Edwina Maguire**. Edwina comes to Supervision as an SMSF client specialist. Her role is to provide more personal service so you can navigate your SMSF with confidence. We will be rolling out very exciting additions to our existing services over the next few months.

We have experienced a rush of new business as more people establish SMSF's to invest their way. It's not surprising considering the way that property and share markets have rebounded from the COVID-19 recession with some momentum. This week's sudden lockdown in WA is proof that things can change, but we have been here before and we will prevail.

We have been encouraged by a growing number of long-term clients reaching out requesting financial planning help. As you know, we are pro financial adviser at Supervision. We believe that great financial advice given by great advisers can make the difference between good and great SMSF's. We have an outstanding list of advisers that can create an action plan to reach your goals.

If anything in this newsletter gets you asking questions, it has done its job. Have a great month and look forward to catching up with you.



**Christopher Homer**  
*Director*

# Introducing the South Perth SMSF Team to You



*Left to Right: Clinton Reid, Ella Hickinbotham, Chris Homer, Pina Reid, Edwina Maguire, Satoko Hirose*

You may have met our team members before. If not, this is what each member does at Supervision.

**Satoko Hirose** manages the scheduling and production of client's tax returns. Satoko also reviews your SMSF financial statements and talks to your SMSF Auditor about your SMSF if they have questions. Satoko's strength is in her ability to work through complex technical issues with you, the team, and Auditors.

**Edwina Maguire** has been brought into Supervision this year to add more customer service depth to the team. Edwina is going to work with you face to face and over the telephone to discuss items that you may not have considered. Edwina will be able to talk to you about issues relating to pensions, death benefit nominations, Centrelink Schedules, Investment Strategies and many more. Her experience in SMSF adds more value to our offering to you.

**Pina Reid** assists clients in every aspect of their day-to day SMSF lives. If we were to list all the

things that Pina does, the list would be long, and something would be missed. Pina's overarching role is to help solve your SMSF problems. She puts together all of your establishment documents and works with you to get your SMSF accounts set up and money rolled over. Pina answers your questions and co-ordinates your requirements with the right team member to assist you.

**Ella Hickinbotham** puts you in touch with the right person in the SMSF team. Ella is here to make you feel comfortable in our offices and over the phone. Ella will also co-ordinate any documentation requests and organise outgoing and incoming mail with you.

If you are coming into the office to see me (**Chris Homer**), you are about to establish or have just established your SMSF. My role is to make sure you get the most out of our services and you leave every meeting with our team feeling confident that your SMSF is on the right track.

Like every business, **Supervision** is made up of people working for clients – you. At times, the technical aspects of what we do impacts on our ability to connect and relate complex ideas and concepts. Explaining highly technical concepts correctly but in a relatable way is difficult and we will continue to work harder on this. We deal in a world of nuance and subtly when you may only want a “Yes” or “No” answer. For example, annual concessional contribution limits are \$25K, but that is not necessarily your limit this year; it’s complicated.

Whilst we try and give you answers you need, from time to time we look to our alliance partners to deliver more, when you need it. If you currently have a financial adviser, they are your first port of call when it comes to any additional services. If you don’t have a financial adviser, we want you to know that we have alliance partners that can satisfy your requirements. We have alliance partners in all of the following areas, we are happy to connect you with.

Financial Advisers, Stockbrokers, Investment Advice, Mortgage Brokers, Insurance Brokers – Personal and Business, Estate Planning Lawyers, Personal and Business Lawyers, Business Brokers, Personal Accounting & Tax, Real Estate Agents, Property Developers, Managed Portfolios, Investment Platforms, Bank Managers, UK Pension experts and many more.

Even if we don’t have the connection, we can find one for you.





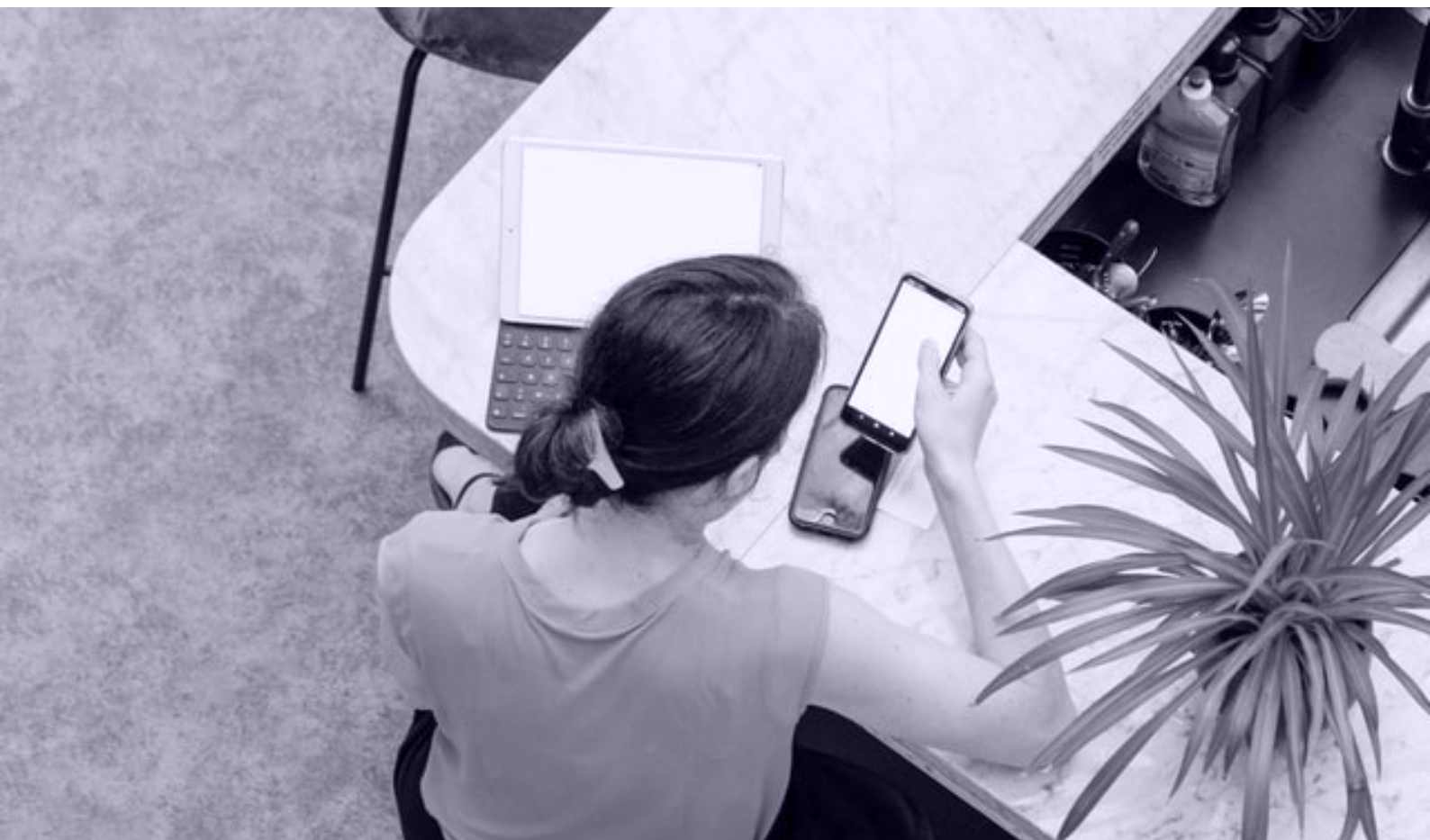
## mail@supervision.com.au

If you have rental statements, property management statements or any other unlisted assets that you receive emails for, we would like to ask you to forward these emailed documents to [mail@supervision.com.au](mailto:mail@supervision.com.au). Because it is too hard to remember to forward these emails, it may be simple to automate this process by using auto forwarding.

Depending on your email application (outlook, Gmail, etc) you can easily set up a rule where emails coming from a certain sender can be automatically forwarded to Supervision ([mail@supervision.com.au](mailto:mail@supervision.com.au)). A quick google search will reveal a step-by-step instruction on

how to set up auto forwarding on your inbox of choice. Once mastered, you can use this technique for different emails coming to you including automatically filling.

If auto forwards are a step too far for you technically (can't teach an old dog new tricks) then please request that [mail@supervision.com.au](mailto:mail@supervision.com.au) be added in the CC of your emails. When in place, you won't need to put together any documentation and emails to our team. We want you to have less to worry about when the end of the year comes around.



# Three Keys to Growing Your Super

**There are three areas that have massive impacts on whether your SMSF successfully meets its purpose.**

## 1. Investment Strategy

Having the right investment strategy in place to provide long term capital and income growth is the main determinate in a successful fund. You don't necessarily need to beat the market every year to get to your goals but avoiding major disasters with diversification and risk mitigation strategies will increase the likelihood of success.

## 2. Contributions

If you don't contribute enough to Super, it may be harder for you to reach the greater heights of comfort in retirement. Extra contributions give you the ability to save personal tax and the impact of compounding interest will add much more in retirement over a long period of time. Having the confidence to sacrifice your current lifestyle for a future time is not easy. With the help of a quality financial adviser, you may be surprised how little you have to sacrifice to reach your goals.

## 3. Expenses

Some expenses are unavoidable. Reducing your ongoing SMSF cost can boost your SMSF rate of return by a significant amount over time. Lower costs can remove some of the pressure to chase higher returns. Every dollar saved is as good as a dollar earned. Our goal is to keep a lid on the cost of accounting and administration. On the flipside, defining the cost of advice as pure expense, can be a false economy. The right structuring and investment portfolios can add huge value to an SMSF. It is not wise to miss the opportunity to get great advice, on the basis that money is spent, never to be returned. Your investment in an adviser should be seen like any other investment that you make over the years.



# Why We Do Daily Transactions?

**Supervision** have been completing daily transactions on SMSF's for a long time now.



**There are three goals that Supervision has when it comes to our SMSF processing.**

**Firstly**, we want to keep the cost of SMSF accounting as low as possible. **Secondly**, we want to be able to complete the compliance work quickly at the end of the year so that our clients can get their refunds as quickly as possible. **Lastly**, we want you to confidently log in to your portfolio to view your portfolio's valuation and position regarding your contributions and pensions (if you have one).

Our packages have been designed to reduce the amount of manual processing completed by our team. This means we have selected providers that supply Supervision with data feeds to prepopulate our accounting software with transactions. These transactions are not just numbers but carry additional information about the investment and the cost. When transactions are automated, the team are not

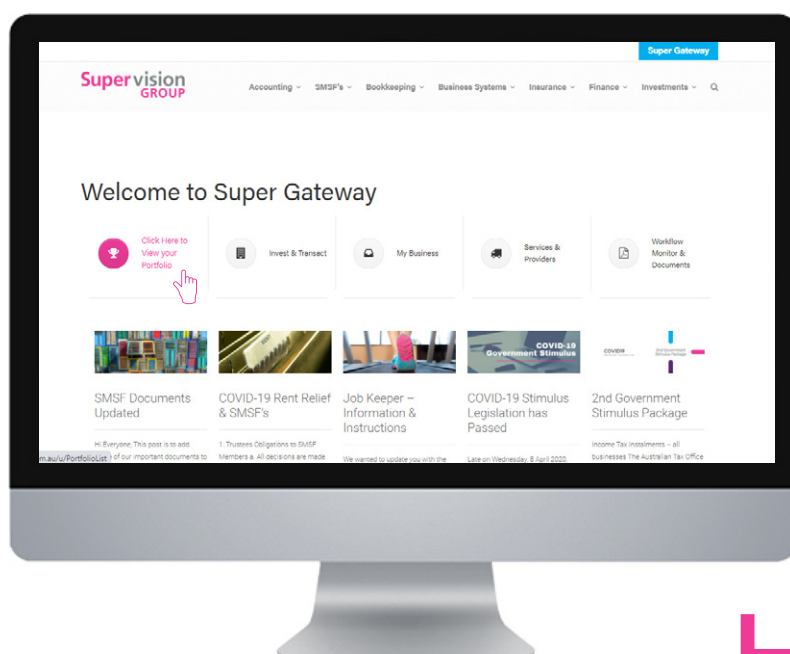
spending time manually typing bank statements. The goal is to convert the transactions into auditable trails of documents.

At years end, the task of collecting documents and then creating the final accounts for audit has been significantly reduced. With multiple numbers of SMSF's to process, when work is completed throughout the year, the time saving at the end of the year is passed on to our clients. Without the majority of the work being done regularly, it would be impossible for our team to reach deadlines.

Because of daily transaction work, we know with a high degree of confidence when we will be able to complete the tax return for you. That is how we are able to schedule all of our tax returns into our system by the 1st of July each year. With a clear plan of action each and every year, we are able to manage the volume of business and maintain high levels of quality in financial statements.



# Super Gateway “MY PORTFOLIO” Feature Spotlight Benefits Estimates – Members Statements



To navigate to this section, go to “My Portfolio”, “Reports”, scroll down to the bottom of the page and select “Benefit Estimates”.

In this section, you will be able to retrieve multiple years of members statements for all members of your SMSF. So, what is good about members statements I hear you ask. On the 30th of June, each year your members entitlement is calculated minus tax. This report shows you if the member is in pension phase or accumulation. This report also breaks down the amount of money that each member has made and contributed to the SMSF in that given year. The report shows the opening balance at the start of the year, the subsequent increases & decreases due to contributions, Share of Net Income, member expenses, the amount paid in tax (Contributions tax) and insurance premiums, leaving you a closing balance.

## Share of Net Income

So, what is your “Share of Net Fund Income?”. Quite simply, if your SMSF has 1 member, your share of the SMSF’s net income will be 100%. If your SMSF has two or more members, your percentage share of net fund income will be based on the amount of money that you have contributed over the years and the amount of money you may have withdrawn from the SMSF (if you are in pension phase). When the

SMSF’s income has been tallied (unrealised capital gains, realised capital gains, dividends, interest, minus all expenses) each member will be allocated a Share of Net Income based on their percentage holding of the SMSF.

You may be asking, does the “Share of Net Fund Income” consider contributions made during the year? The answer is definitely “Yes”. Your member percentage will change on a



day-by-day basis depending on what comes into the SMSF and what comes out. The software we use is specialist SMSF accounting software that was created to deal with this process. When we run a tax update (periodic update) your member balances will be updated to provide a new member balance.

### Benefit Components

You may also be wondering what “Benefit Components” are. What do the three components mean? Well, there are three Benefit Components – Tax Free, Taxable Taxed & Taxable Untaxed.

### The Meaning of “Tax” in Benefit Components

First off, the word “tax” in the benefit components is a little misleading. The “tax” does not refer to ongoing annual tax in the SMSF. “Tax” in this context relates to how much of the members balance will be taxable in the hands of a non-dependant in the case of a death benefit being paid OR if you take a pension before the age of 60. Tax is not payable if the recipient is a financial dependant (spouse).

### Tax Free

“Tax Free” components have been created from all of the contributions made to the SMSF which were “post tax”; after marginal rates of taxation were paid. Because you have already paid marginal tax rates on these contributions (non-concessional), then anyone receiving a payment from your Super will not be taxed again on this portion.

### Taxable Taxed

This component is the sum of your accumulated balance in your SMSF from concessional contributions and market increases. Because either you or your employer have claimed deductions on these contributions, these amounts will be taxable in

the hands of any non-dependants that receive your death benefit. This may sound like a death tax, which is how some lawyers and financial planners refer to it. Anyone that receives a lump sum or pension payment (non-dependant or member under the age of 60) will pay tax on the taxable component. For example, a payment of 100K (50% Taxable & 50% Tax Free component) to a non-dependant will add 50K to their income in that financial year minus a \$7,500 (50K X 15%) tax rebate. The actual maximum rate of taxation on these payments works out to 17%.



## Taxable Untaxed

Taxable untaxed components rarely exist in SMSF's. This component is reflective of concessional contributions (pre-tax contributions) that have never been taxed. Some Government Super Funds members do not pay tax on their employer contributions, so members have a component of untaxed money in their super. Because the contributions or earning have never been taxed, when a member takes a pension (regardless of age) or a death benefit is paid, tax is payable. The only time an untaxed element will exist in your SMSF is when your member statement is calculated without tax payable being accounted for.

## Insurance

Insurance details and information is also included in your member's statement. When we receive insurance renewals, the team at Supervision will update your insurance details in your member statement. If you notice that we have not updated the system or your insurance has changed and you have not sent in your statement, please let us know and we will update the portfolio.



## ESA Codes: smsfdataflow

Supervision uses the latest SMSF technology for their SMSF clients. As part of your compliance information, we provide you with an ESA (Electronic Service Address) code. This code is what your employer uses to connect your employer contributions to your SMSF.

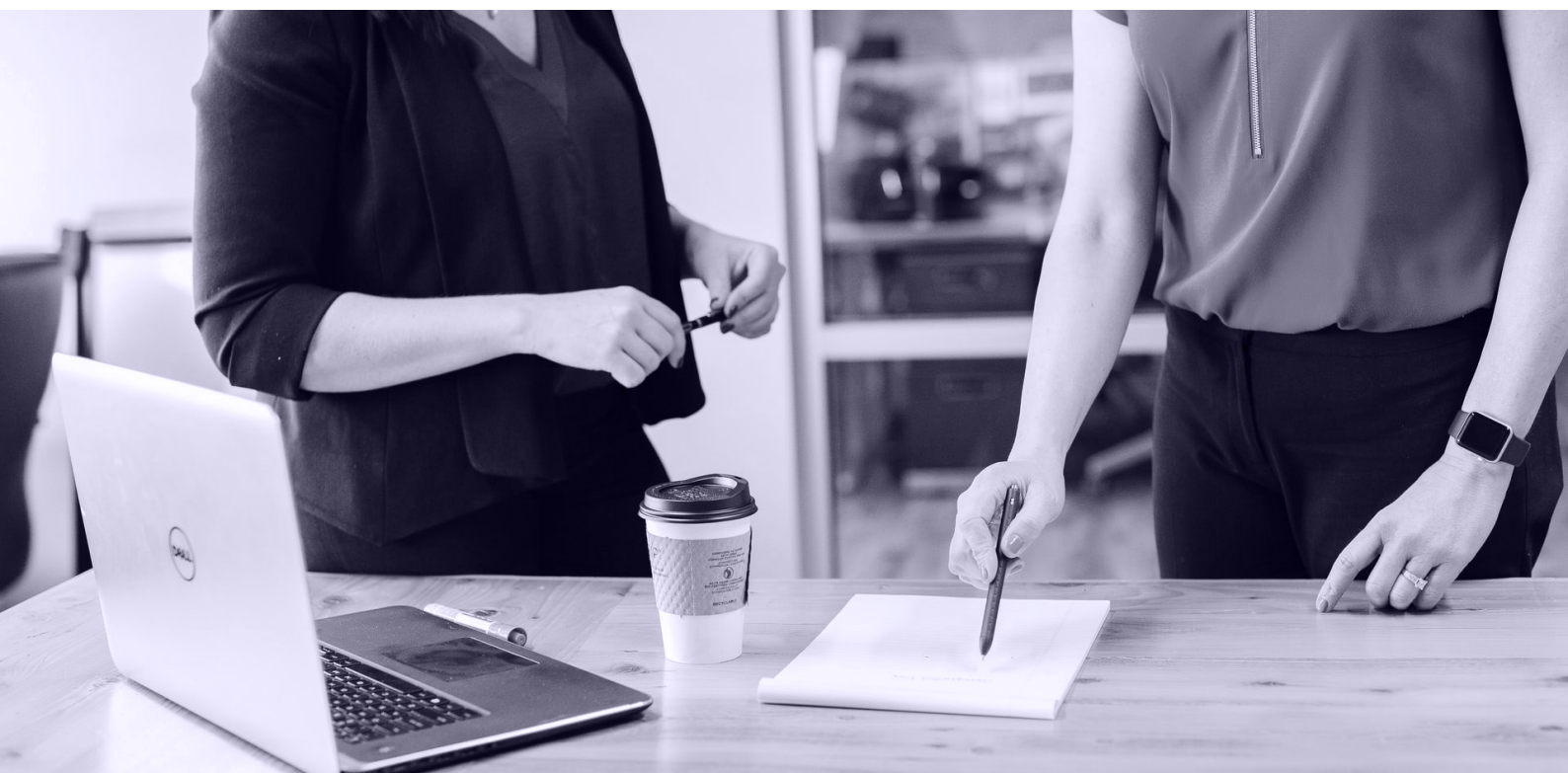
When your employer uses this ESA code, every time your Superannuation Contributions are made to your SMSF, they are automatically forwarded to our accounting software fully accounted for in the name of each member.

**smsfdataflow**

This code is listed on an employer contribution letter sent to you upon establishment of an SMSF.

Through our year end checking process, if we find that smsfdataflow is not being used by your employer we will remind you to forward this code to your employer. It is a requirement for your employer to use single touch payroll which includes this code.

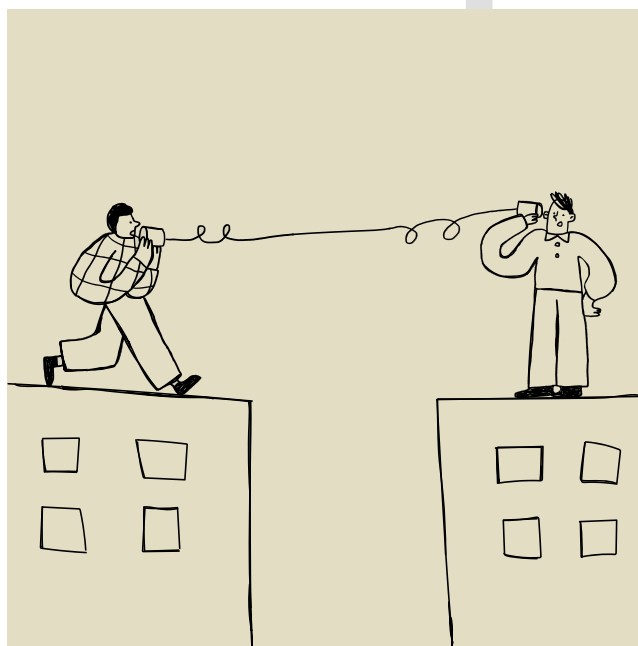
Each time you change jobs, please don't forget to give your employer an updated employer contribution letter.





# Communications

Our **relationship with you** is extremely important to us.



At times, we get busy and you get busy. When we all get busy, this is when communications get tough and we need to rely on processes and systems to get us through. One such system is **Class messages**. Our team will send accounting questions through Class messaging to you on an ongoing basis. We are doing our best to keep the number of enquiries to a minimum, however we want to request information when transactions occur.

From time to time, this will not suit everyone. Please reach out to Supervision if you are having trouble with documentation requests or do not understand what is being requested. It is OK to not understand a request for information. We can sometimes assume that you understand certain terminology because we are talking about it all the time – its totally fine to pull us up and get clarification.



# Editorial Content – When to Reweight a Portfolio of Shares?

In no way am I a share market guru; I am just an investor with my own SMSF with a diverse range of shares. In the run up to Christmas, I was assessing my portfolio in the light of two or three shares increasing rapidly in value. I had one question. **“Should I sell down my higher performing shares to reduce my exposure in those shares and reweight my portfolio?”** Because I did not know the answer, I asked an adviser to give me the rundown of when I should sell and when I should hold. Funny enough he told me that many of his clients were asking the same thing. I cannot reveal his name or company, but he runs lots of portfolios over a long period of time, so he is worth listening to. You may have the same question. Here is a summary of what he had to say.

Portfolio construction from scratch is different from constructing a portfolio for a client with existing holdings. For example, many farming clients that have large holdings of Wesfarmers shares will not be asked to sell down those shares just to rebalance an existing portfolio. These clients have accumulated large holdings over the years with large capital gains implications, so waiting for pension phase before selling down makes sense, if selling down those shares is actually required.

Shares like the ones mentioned above tend to pay dividends at good yields which is awesome for retirees' cash Super pensions. Investors in this situation are not largely impacted by short term share price dips as shares like this have made large gains over many years, which is a feature of blue-chip companies. Investors in these companies care little about the daily share prices as long as they know the company continues to be profitable, pay dividends and improves its capital value over time.

When constructing a new portfolio however especially for clients accumulating capital, lowering exposure to single share disasters is desirable. For this reason, portfolios are



constructed with 5% maximums for single holdings. Spreading risk over more holdings may limit upside when one share goes on a hot run but reduces the impact of one or more shares hitting the skids, which can happen. This conservative approach will cushion the investor from excessive losses when some of the portfolio is picking up steam.

Over time it is probable that some shares will do better than others and tend to break out of the 5% weighting. This is effectively what had happened in my portfolio over the past 12 to 24 months. I expressed my worry that if anything bad would happen to the 'winning' shares, my outstanding gains in those companies would be given back, which worries me.

Reading between the lines, the adviser was not actually keen on me selling down shares that were giving me the highest return on investment in my portfolio. I could take some profits (cash in a few shares to make myself feel less exposed to downside) to lock in some of the gains, but...

“

*Why would you dramatically reduce your exposure to positive momentum? Why not concentrate on bringing your other holdings up to the level of your bigger winners. This way you are able to maintain your weightings and diversification across the portfolio, without sacrificing growth. Also, if the other shares in your portfolio start to pick up, you are gaining more capital growth on those shares.*

”



For many, this will be difficult to do if your SMSF does not have the cash reserves to invest in other companies.

Advisers cannot tell you definitively if a share is going to go up or down in the shorter term. The best advisers bring you back to your long-term goals and give you the confidence to keep investing in a diverse range of quality investments to grow your capital and spread your risk. Investing, like life involves risk and knowing when and how much risk to take is what quality advisers can guide you through. Their value grows even higher when you get overconfident and want to push the envelope.

**Our most experienced and successful SMSF's have invested in good times, bad times and all other times in between.**

Their view is that they don't know what is around the corner, but know that without investing, they will not be able to reach any future goals.

The previous example is just that. It is not advice on how to invest but is an example of a conversation that you too could have with an adviser. For many of our clients they already have an excellent relationship with their adviser. This article is for those of you that don't have a great adviser behind you.

Different advisers will have different ideas about portfolio construction, so the previous example is not how every adviser reads the play book. If you would like help finding an awesome adviser (if you do not already have one), please do not hesitate to contact me to discuss. We want you to get the most out of your SMSF by investing sensibly and maintaining control which leads to a winning SMSF formula.



# The Team behind Supervision SMSF

## PERTH OFFICE

**Pina Reid:** Client Services Manager

**Satoko Hirose:** Senior Tax Accountant

**Edwina Maguire:** Senior Tax Accountant/Client Services Manager

**Ella Hickinbotham:** Reception/Client Services

**Christopher Homer:** Director of SMSF

**Clinton Reid:** Managing Director Supervision Group

## CLARK PHILIPPINES OFFICE

**Ronnel Valencia:** Senior Accountant

**Ariel Tumaliuan:** Senior Accountant

**Jessica Serrano:** Accountant

**Liezel Munoz:** Accountant

---

## 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](mailto:info@supervision.com.au)



*Disclaimer: The information in this publication is provided to our clients to update them on SMSF possibilities. It is not a substitute for specific financial advice and is general in nature only. It does not consider your personal circumstances. If you get excited by any of the information provided in this publication, please seek independent financial advice before taking any action that affects your financial wellbeing.*