

THE TRUSTEE

The SMSF newsletter that keeps you informed and in control.



INSIDE THIS EDITION

- | | |
|----------------|--|
| PAGE 02 | WELCOME |
| PAGE 04 | SINGLE TOUCH PAYROLL – Your Employer Contributions |
| PAGE 05 | IS CRYPTO CURRENCY BECOMING A MAINSTREAM SMSF INVESTMENT? |
| PAGE 11 | ONLINE – Important Form |
| PAGE 12 | CHANGES TO SUPER RULES |
| PAGE 13 | EDITORIAL CONTENT |

Welcome



We are super excited to provide our bumper Christmas/New Year edition of the Trustee to you. Every time we publish “The Trustee” we say a lot has happened since the last edition. Wow, what an amazing time to have an SMSF and work with you. We are getting calls, day in and day out about how Trustees can drive their SMSF’s further with better investment options and exploring new opportunities.

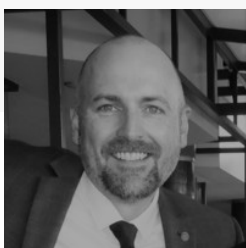
In the past two months we conducted a second market update presentation to share a view of the current state of the stock market and its characteristics in a historical context. We are planning to host a similar discussion on Crypto Currency to provide some clarity on the right way to approach it in your SMSF – if that is your thing. For all the property buffs, we haven’t forgotten you. Next year we will explore the common things that can

push your property returns higher. The exciting part of the presentations is the resulting action that people are taking. Taking action is the only way you can make progress, even if taking action is reviewing your existing strategy and finding that it is still right for you.

Our mission is to help all of our SMSF's to enjoy success. But your definition of success is different from everyone else's, so how can we hope to achieve this goal? We provide as much information as you can consume to give you a clear picture of your SMSF's current position. We also put you in touch with experts in their field to give you more targeted advice when you need it. We are always striving to get to know you better, which is the foundation for more appropriate support, so please feel free to let us know how we can assist you further.

As the SMSF division is continuing to grow, we are proud to announce another addition to our South Perth team. **Leanne Wise** will be joining the team to bolster the connection between you and the SMSF Accounting team for smooth data collection and feedback. Leanne is extremely keen to get on the phone and talk to clients about what is required to keep their SMSF up to date. We are excited that Leanne is joining us here at Supervision.

If this is your first time reading "The Trustee", welcome and if you are a regular, welcome back. We wish for you a very joyous family Christmas & New Year. 2022 is going to be an amazing year.



Christopher Homer
Director

Single Touch Payroll – Your Employer Contributions

Supervision's SMSF accounting software is a technically advanced program designed to connect your employer contributions directly to the ATO's records. This takes place in your employer's payroll software using the **ESA code – smsfdataflow**. We have noticed that some client's employer contributions are not automated, leaving it to manual data entry and possible error. We can see which members have their employer contributions set up in the right way.

If we contact you to update your payroll with this information, we would appreciate your co-operation. We provided all of our newer clients with an employer contribution letter in your original pack that will help you to get the job done just by presenting that letter. If you have been with us for a while, you can request an employer contribution letter, however in most cases all your employer will need is an **ESA code** which is again – **smsfdataflow**.

USI

Self-Managed Superannuation Funds do not have a USI. If you are asked for a USI for your SMSF, one does not exist.

SMSF Member Numbers

You may be asked to supply your SMSF member number to your employer. Your SMSF does not provide member numbers like industry or retail Super funds do. Depending on how many members your SMSF has, you can simply supply the number 1 or 2.

ESA Code

We receive at least 5 calls a day requesting the ESA code. We include this code and other information in your induction kit – employer contribution letter. We also have an article in our website that explains how it works.

Please find a link to that article here:

<https://supervision.com.au/super-stream-esa-codes/>

Your ESA code for your SMSF is:

smsfdataflow

If your payroll officer uses this code in their payroll software, your employer contributions will automatically be placed into the right account and when you log into MyGov, your contributions will be displayed. You can also view your ongoing contributions in "MY PORTFOLIO".



Is Crypto Currency Becoming a Mainstream SMSF Investment?

We are receiving more and more enquiries regarding SMSF's purchasing crypto currencies.

We outlined the compliant way to approach Crypto in the last edition of the "The Trustee".



You may also have seen in the press that a well-known ETF provider BetaShares, has launched an ETF (Exchange Traded Fund) on the ASX. BetaShares are hoping that 'traditional' share investors will be willing to invest into Crypto with the safety of an ASX listed third party manager. They may also be hoping that investors that have never invested into listed securities will be introduced to other ETF investments the company has. The resulting listing was the largest in the history of the ASX.

The Commonwealth Bank has also announced that it will allow the purchase and sale of crypto currency on their Comm bank app. This news shows the normalisation of Crypto Currency in the eyes of the very people that may have once dismissed it as a passing fad or scam.

So where does that leave you the SMSF investor? Our view is agnostic when it comes to your choice of investments. We want to see our clients live their dreams in retirement, which means that their accumulated savings are invested into assets that produce income and/or capital growth. During our time, we have seen that diversified, well-structured portfolios have survived the test of bull and bear markets in both shares and property. So, with that in mind, Crypto may be incorporated as long as any investments purchased and held meet the members risk and reward appetite in the context of the entire portfolio.

Just because everyone is doing it does not mean it's the right thing to do. Mainstream or not doesn't give the investment a tick of approval. The fear of missing out is a motivating factor for many people, but it can be an irrational fear that leads them to make regrettable decisions. Only when full due diligence is completed should investments be purchased and held. There is little room for gambling within SMSF and the sole purpose test dictates that.

The above information is not a recommendation, but a reflection of reality that some exposure may be appropriate depending on your circumstances. We urge all of our clients to seek personal financial advice in regard to Crypto Currency or any other investment for that matter before taking the plunge.

If you need personal financial advice, we are ready to help out. Our extensive team of alliance partners are successful advisers with long track records of helping out clients. All it takes is one phone call and a following meeting to get started.



Crypto Currency – Separation of Personal & SMSF Assets

Some of our clients own crypto in their personal names. They are also exploring how they can invest in crypto using their SMSF. The following is how you need to keep personal assets separated from your SMSF as per your legal requirements.

By its very nature, crypto currency is based around secrecy and private ownership. Unfortunately, Superannuation rules dictate that all investments made by your SMSF must be in the name of your SMSF. This means that

you must keep your SMSF crypto wallet separate from your personal wallet.

Any reports or description of your SMSF crypto currency holdings must be in the name of your SMSF. If your personal name is listed on your Crypto assets, then the Auditor will raise a contravention point.

Here is a simple video produced by the ATO to demonstrate when this may be appropriate:

<https://youtu.be/mrgiahhTnoU>

If you own crypto assets personally (in your personal name), these assets are not able to be transferred or purchased by your SMSF. The only thing your SMSF can purchase from you is: Business Real Property and Listed Shares. Crypto Currency is not a listed share.

The best way to make sure that your Crypto assets held by your SMSF are not mixed up with your personal assets is to open a new Crypto trading account with a reputable online trading platform. We are looking to work closely with a platform that has this ability.

ATO Withdrawing Your Super

In the past few months, the ATO has been sending letters to clients telling them that their Super has been transferred from their retail or industry fund accounts to the ATO. If you have Super accounts with the following criteria, it will be AUTOMATICALLY closed.

1. The Super Account balance is less than \$6,000 as at the 30th June 2021,
2. The Super Account has not received a contribution or roll over (nor had member activity) for 16 months, and
3. No insurance cover is in place.

Once the existing account is closed, your money will be available via MyGov to transfer to a fund of your choice or transferred to one of your larger accounts by the ATO. This law has been bought in to stop inactive balances being eroded by fees.

If your money is transferred to the ATO and left to sit there, it may not incur management fees,

but it won't grow either, so combining it with your main Super account is the only way to help your money grow. This action by the Government is an aggressive step to reduce the number of 'orphaned' Super accounts getting sucked dry by fees. Neither the Government, nor the Super Funds are to blame for this situation.

To be brutally honest, the apathy of members to disregard amounts of money in the thousands is a sad reflection of how people view Superannuation as someone else's money.

If you want to clean up your Super and get things on the right track, start with your MyGov account and add the ATO to clean up your Super for free. With the current state of technology reducing paperwork there has never been a more convenient time to get it done, so no excuses.

Using MyGov to Roll Over Super

If you have small amounts of money in other Superannuation Funds it is possible to transfer those amounts relatively easily into your SMSF

using MyGov. Unfortunately, **you can only roll over 100%** of your member balance to your SMSF using MyGov. You are not able to do a

partial roll over. It's either rolling over everything or nothing on MyGov. To complete a partial Roll over, you still need to complete paper forms or ask Supervision to start the roll over process on your behalf. Supervision will assist you with Roll Overs for \$220/Roll Over including GST.

Please be aware that transferring 100% of your members balance will close any insurance policies attached to that policy.

If you want to close a Superannuation account but are worried about the insurance component, please feel free to call us to discuss. It may be possible to transfer insurance policies from one fund to your SMSF. In other cases, you may be better off with a new policy that is more suitable for you. You can find out what is appropriate for you by calling your financial adviser or reaching out to Supervision for a referral to an insurance specialist.

Director ID – Registrations starting November 2021

From November 2021, Directors of companies will need to supply ID using the MyGovID app. All company directors will be given one year to meet this requirement. All SMSF Corporate Trustees and their directors will need to comply. This task is significant for Supervision as it has hundreds of companies that require their directors ID to be verified. The good news is that I have personally completed my Director ID requirements in under 2 minutes. I did already have my MyGovID app installed on my phone with my ID verified which made the process straight forward. Please read this article to understand what you need to do.

Here is a video:

<https://www.abrs.gov.au/director-identification-number>

Why has this measure been introduced?

All directors are required by law to verify their identity with the Australian Government before receiving a director ID. This is important because it will help to:

- prevent the use of false or fraudulent director identities.

- make it easier for external administrators and regulators to trace directors' relationships with companies over time.

- identify and eliminate director involvement in unlawful activity, such as illegal phoenix activity.

- Illegal phoenix activity is when a company is liquidated, wound up or abandoned to avoid paying its debts. A new company is then started to continue the same business activities without the debt.

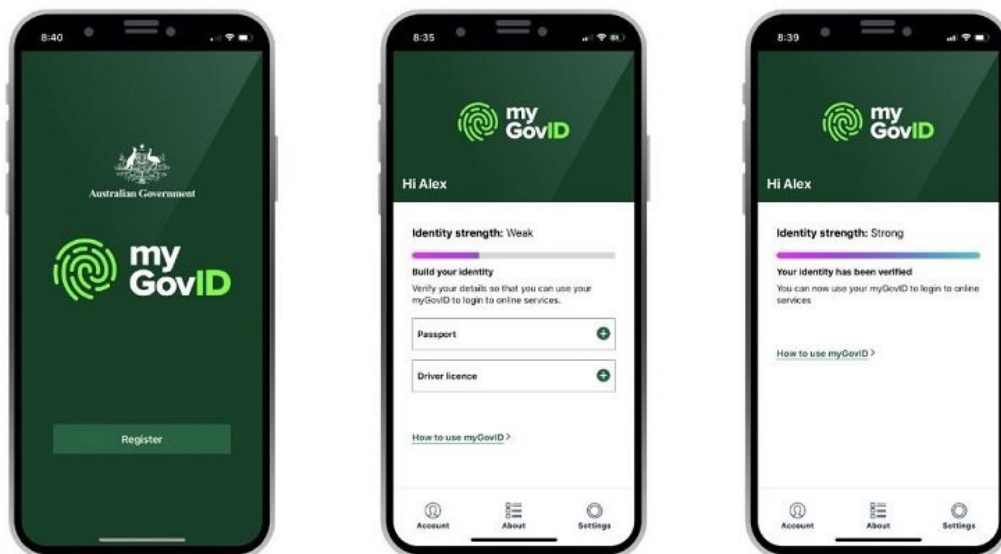
Whilst SMSF Trustee Companies are little more than a shell company created for the special purpose of being the Trustee of an SMSF, it is important to understand that this move to help establish even greater electronic data to monitor director activity, which hopefully makes it easier to manage registrations. We don't believe it is an invasion of privacy as the information the Government seek to verify is already available to the public. It will clean up the ASIC database and make it harder for people that do the wrong thing to set up companies.

How to Register?

Step 1 – Set up MyGovID

You will need a standard or strong identity strength MyGovID to apply for your director ID online.

- MyGovID is an app which you can download on your smart device (phone or tablet). To download it, go to your app store on your smart device. The MyGovID App is different from MyGov online which is a website not an app.
- After MyGovID has been installed on your device (phone or tablet) you will need to verify your Identification. A Drivers Licence & Passport are the most common ways of verifying your Identification. The app takes photos of your ID documents and verifies them on the spot. It may even ask you to take a selfie to compare it with your passport picture.
- The app will direct you step by step to the finish line with your ID Strength being recognised.



Step 2 – Gather your documents

You will need to have some information the ATO knows about you when you apply for your director ID:

- your personal tax file number (TFN)
- your residential address as held by the ATO
- information from two documents to verify your identity.

Examples of the documents you can use to verify your identity include:

- bank account details
- a dividend statement
- an ATO notice of assessment
- a Centrelink payment summary
- super account details
- PAYG payment summary.

Step 3 – Complete your application

Once you have a standard or strong identity strength MyGovID, and your documents, go to the following website: <https://www.abrs.gov.au/>. If you see this logo, you are in the right place.



ABRS
Australian Business
Registry Services

Once in the website you will be able complete your registration by clicking on the following link.
<https://www.abrs.gov.au/director-identification-number/apply-director-identification-number>

After completing the form, your details will be updated, and you will be issued a director's ID number.

Whilst we believe that you will be able to complete this task yourself for free, you may not have the time nor the IT skills to get this task completed. We are offering to help you complete this task with a one-on-one consultation with one of our team for \$110 including GST. Couples will be included as long as it is in the same meeting.

All you will have to bring is your smart device and have access to download the MyGovID app on your phone. We can help you with the rest.



Online – Important Form

Investment Strategy Builder – Update

We have updated the SMSF investment strategy builder to include more details regarding liquidity requirements for pension members or members getting closer to retirement. If you are not getting close to retirement, you will find that the investment strategy builder will ask you about your contributions to Superannuation.

As always if you are using this form, please let us know if you have issues completing your form.

The screenshot shows a web browser window with the URL `supervision.com.au/investment-strategy-builder/`. The page features the Supervision Group logo and a navigation menu with links: ABOUT, ACCOUNTING, BOOKKEEPING, ESTATE PLANNING, SMSF'S, CONTACT, and CLIENT PORTAL. The main heading is "Investment Strategy Builder".

Below the heading, there is a paragraph of text: "Don't be nervous about completing this form. It's important, but please remember that an investment strategy document can and should be completed regularly according to your well-considered plan for your SMSF investments. Your investment philosophy doesn't have to change, but over time your needs will be different which may require you to consider various circumstances." To the right of this text is a button labeled "Build Investment Strategy".

Below this is another paragraph: "An investment strategy is a written plan that explains to your future self (or a third party) what you are currently doing in your SMSF (investment wise), what you think the future may hold and why you are investing this way. It is a record of your 'SMSF investment story.' There are no right or wrong answers, but you need to make sure that what you write aligns with your current scenario. If you need help to complete it or you are worried about getting things wrong, we are only a phone call away."

The form itself is titled "Investment Strategy Builder" and includes the subtext "This form is for clients to build their own investment strategy." A progress bar indicates "Step 1 of 13" with a "7%" completion mark.

The section "SMSF Details" contains a field for "SMSF Name" with a red asterisk indicating it is required. Below the field is a note: "Please refer to your SMSF's Trust Deed to enter the exact name if you are not sure. Your SMSF name is correctly displayed in 'My Portfolio'." At the bottom of the form are two buttons: "Next" and "Save and Continue Later".

Changes to Super Rules

Retirement Income Covenant – Update for SMSF's

In the last edition of “The Trustee” we explored the requirement for SMSF's to create a retirement income covenant document. Since that last edition, things have changed, with the Government announcing that SMSF's will be exempted from this process. The call is a practical one based on the difficulty that Trustees would have encountered creating such a bespoke document.

For many Trustees they are doing very nicely with their retirement income streams and their income requirements. We still believe that many retired SMSF clients are compromising

their own retirement incomes by not making the most of diversified asset allocations and taking some risk, but that conversation reserved between you and your financial planner.

Even though the Retirement Covenant has been scrapped for SMSF's, we have bolstered the Investment Strategy Document with liquidity questions, especially for our pension clients. We want all of our pension clients or clients approaching pension phase to consider their lifestyle requirements and how they can execute an awesome investment strategy.



Editorial Content

If you have been working in Financial Services for as long as I have and have been interacting with Government agencies for that duration, you would know that the policy of Modernising Government Registries is overdue and welcome.

Government agencies are undergoing major reform of their IT platforms, quietly connecting, and collecting more data to increase oversight of their constituents' affairs. Depending on the agency involved, collecting more revenue (tax) or reducing costs is the aim of these reforms. Whilst Government has had a few stumbles when it comes to using data to eliminate fraud (see Robodebt fiasco), in relative terms, services improve by every measure despite the difficulties.

Recently we have seen the implementation of an upgrade to the ATO Tax Agents Portal, MyGov & MyGovID. The cosmetic changes that we see at our end, are supported by upgrades to databases and data gathering initiatives. The newest edition to this is a move to consolidate the Australian Business Registry and ASIC's registries into one mega database called the Australian Business Registry Services (ABRS). To collate all the data and verify it, the Government will require all current directors to provide ID through the MyGovID application.



If you have not become familiar with MyGov and the MyGovID app by now – it's time to get started.

Proof of Vaccination is on MyGov, and it is my belief that any Government related services will only be available using the MyGov and the MyGovID app.

Unfortunately, Governments like companies learn by experience when they roll out IT services and mistakes are always made. We anticipate Directors ID verification will be the same. The last census, in contrast to the previous which was universally slammed as a disaster came and went without any major disruption. The live "stress test" of the first online census has paid dividends by way of experience and more robust IT infrastructure. Without going through that initial pain, the last online census would not have transpired.

Australians take for granted the ease of completing simple tasks like renewing drivers licences. In speaking to friends who come from first world countries and experiencing it first

hand in technologically advanced Japan, doing tasks like these are extremely inefficient and caked with paper and bureaucracy.

We take for granted that we can arrive at a post office, take a picture, pay and our licence arrives at our home like magic in a week or so. We are hoping that the management of ASIC and the ABR (Australian Business Registry) after its upgrades will increase the speed of setting up companies and SMSF's. We are willing to sacrifice and have short term pain in order to reduce the amount of time it takes to maintain and manage our clients SMSF's online. Results are what matters and if it means less time spent at our end, the result is worth the effort.



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