

Keep tabs on set-up, ongoing charges

Costs

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Thinking of setting up a self-managed superannuation fund? Two factors to take into account are the expense of setting up your fund and the ongoing running costs. There's no point having an SMSF whose costs exceed returns so make sure you understand what you're up for before you open your fund.

David McKellar, director of Allied Business Accountants, says with set-up fees, there can be a big difference between various providers.

Basic charges for opening a fund include setting up the trust and, if required, establishing a corporate trustee, which can make it simpler for

members to join and leave the fund, and means members are less exposed if litigation commences against the fund.

"Beware of any provider who offers 'free establishment'," McKellar advises. "This won't include the cost of a corporate trustee and the fund will be set up with individual trustees. This could cost you more in the long run. Also you should question the quality of the deed if they are offering it for free. Deeds are written by lawyers and generally the best lawyers are expensive and don't offer their services for nothing."

Anthony Kurver, a financial adviser with Mortgage Choice, says as a rule of thumb you'll pay around \$400 for a trust deed and \$700 for a corporate trustee. "But these fees can vary greatly in the market. There may also be other

fees associated with setting up an SMSF if it invests in property through a limited recourse loan."

Running a fund on an annual basis also incurs costs. You will pay fees to the Australian Securities and Investments Commission of about \$230 and the Australian Taxation Office will relieve you of about \$300.

Kurver says the cost of advice to set up the fund is usually between \$3680 and \$4400, depending on the complexity of the structure. "Ongoing advice fees vary across the market depending on the size of the fund and the investments. Annual accounting fees and administration fees also vary but will generally be between \$1500 and \$5000. Again this depends on the size of the fund and its investments."

According to Joshua Stega, a director at financial advisers JAS Wealth, having your investments professionally managed will cost 1 per cent to 2 per cent of the value of assets in the fund.

"At the lower end of the range you might have someone who's happy to invest the funds themselves into ASX200 exchange-traded funds, which have very low fees, for around 0.2 per cent a year. At the upper end of the scale you have fully advised portfolios, which will cost up to 2 per cent of the fund's value a year plus GST to run."

Financial regulations mean it is very difficult for an adviser to provide complete investment advice to an SMSF for cheaper than 1 per cent. "You could develop your own SMSF investment strategy at no cost.

However, you need to ensure it is in a form suitable to the SMSF auditor."

Stega recommends a specialised SMSF administrator to do the paperwork and ensure your fund is compliant. "Administrators do the tax return, the annual audit and provide other documentation when required. They do this for between \$1500 to \$4000 a year and will usually be cheaper than an accountant because they only deal with SMSFs and have the systems in place to streamline the process."

But he says it's essential to understand the responsibility for operating an SMSF always rests with the trustee.

So how can you measure return on investment? Stega explains SMSF funds are all about scale: the bigger the fund, the cheaper it is to run.