The buck stops with you: questions to ask before starting an SMSF

DIY super

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Having a self-managed super fund (SMSF) isn't meant to make life easy. Superannuation rules and regulations can be complex and, sometimes, confusing. But if you are willing to invest the time, effort and, most importantly, the focus to make your SMSF work, the rewards can be great.

There is a lot written about the benefits of an SMSF, and many of the decisions you need to make along the way, such as the appropriate trustee structure for your fund. However, the first and most important decision should always be about whether an SMSF is right for you.

While there are many things to consider in making this decision, just like the maximum number of members you can have in your fund, I believe there are four key considerations you should have in deciding if an SMSF is right for you. You don't have to answer everything in the affirmative to proceed – they are simply points to consider that over the years have been strong influencers for setting up an SMSF.

Are you willing to take charge? If you are considering the possibility of an SMSF, then I would suggest you have already answered this in the affirmative. It means you have already decided to take an interest in your super savings and what they can do for you.

SMSFs (and I would argue all super) are not about set and forget. You should regularly check how your fund is operating, and your investments. The difference is that with SMSFs, you take on the responsibility as the trustee of the fund. You are in charge. In a sense, the buck stops with you.

Do you want the right investment choice? One of the benefits of SMSFs is that you can invest in whatever you want, and that your investment choice is wider that in a standard fund. This is true, but not everyone needs the wide range of choice. For many super members, the ability to invest in a range of managed funds and shares is available through their super fund today, so this point may not be so relevant.

Having an SMFS requires financial nous.

But if you were considering the ability to invest more widely, such as with an investment into property, then SMSFs would be the way to go. Of course, setting up an SMSF and getting your money into the SMSF to buy (or place a deposit) on a property can take some time, so don't leave it too late.

The other aspect relates to cost. Because of their size, many super funds can access managed investments at cheaper (or wholesale) rates than if you went direct. These cheaper options can be accessed by SMSFs if structured correctly, such as through the use of a wrap investment platform. The platform can add additional costs, but these may be offset through easy fund administration and reporting.

Will you have enough in super? There is no minimum amount you are required to have to set up an SMSF, but the rule of thumb is that an SMSF should have at least $200,000 to be considered viable from a cost perspective. There are a couple of points to consider though. Firstly, the $200,000 figure refers to the total super fund balance across all members. So not all members need to have $200,000 of super saved each. If you had four members, it's an average of $50,000 each, which puts SMSFs in the reach of more people.

Secondly, many SMSFs will be set up with less than $200,000 because of the end goals the members are trying to achieve. What's important here is to maintain the focus of your SMSF and have plans in place as to how and when the target will be reached.

Are you going it alone or partnering with others? The "self" in "self-managed" doesn't mean or imply you have to go it alone. In fact, nothing could be further from the truth. It merely reflects that you are ultimately responsible for the proper running of the fund.

While you can choose to be the only member of your fund, remember that you can have up to three other members join you. In most cases these turn out to be relatives, but it's always important to ensure you are comfortable with who else is a trustee. You are responsible for your actions, but collectively as trustees you are also responsible for each other's actions.

Finally, remember that SMSF does not mean DIY. The best-performing SMSFs have help. The trustees partner with professionals including financial advisers, accountants, administrators and lawyers. This partnership can give you confidence that the fund is being well managed not only today, but also positioned to take advantage of future opportunities.

After all, if it is your fund, you do deserve to be a bit "selfish" and gain comfort that your super will be there for you when you need it.

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