



## **PRODUCT DISCLOSURE STATEMENT (PDS)**

The Corporations Act 2001 provides that where a person is being provided with a financial product they must receive a Product Disclosure Statement (PDS), detailing their rights and entitlements in relation to that financial product prior to purchasing that product. Under the Corporations Act 2001 a Self Managed Superannuation Fund ("Fund") is a financial product. Many Fund activities including becoming a member of a Fund, taking a drawdown, paying a benefit to a deceased member's dependants or commencing a pension from the Fund is regarded as acquiring a financial product.

A PDS is a statement that contains sufficient information for consumers to make informed decisions in relation to acquiring a financial product. The PDS must provide information about any significant benefits in a Fund to which any prospective or existing member may become entitled as well as the circumstances, processes and timeframe in which those benefits may be provided.

The PDS must also set out the risks for prospective or existing members associated with holding an interest in a Fund as well as the initial and ongoing costs involved with the Fund.

Responsibility for PDS compliance rests with the product issuer which, in the case of a Fund, is generally the Trustee. In recognition of the trustee / member relationship in a self managed super fund an exemption from the obligation to provide a PDS is available in limited circumstances where it is reasonable to assume that the prospective members possess all the information they require to make a choice or are aware of where to access such information. Although the trustee is to prepare the PDS, any person providing Fund advice caught by the Corporations Act 2001 is also required to provide a PDS prior to advice being given in respect of a Fund.

This Product Disclosure Statement describes the main features of the superannuation product that is being offered. It should be read before making a decision to acquire the product. It has been prepared on behalf of the trustees and/or their advisers acting as promoters of the fund by Total Super Pty Ltd (trading as "Tranzact Super") as an Authorised Representative of Tranzact Consulting Limited, AFS License No. 244560. It assumes the use of the trust deed supplied by Tranzact Super under licence from Reckon Espreon.

The Fund is a Self Managed Superannuation Fund. It is not a bank deposit or security. The investments selected by the Trustees are the responsibility of the Trustees and are subject to investment risk. Neither the Trustees nor Tranzact Super guarantee the repayment of capital or any particular rate of capital or income return or the performance of the specific investments selected by the Trustees or the performance of the Fund generally. The provision of investment information or statements in this PDS should not be taken as the giving of personal investment advice by the Trustees or Tranzact Super as neither party has considered your investment objectives, financial position or particular needs.

The information presented in this PDS is general advice only. It does not take into account any member's or prospective member's individual situation and objectives. It is recommended that advice on the superannuation product or action being considered be sought from an Australian financial services licensee or an authorised representative.

This Product Disclosure Statement was published on 1<sup>st</sup> June 2010.

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## Superannuation Overview

A Self Managed Superannuation Fund is one of a number of types of superannuation fund in which a person may accrue their retirement savings and receive retirement benefits. The following table is an indicative guide that seeks to highlight the main differences between the most common forms of superannuation. The comments in the table below relating to self managed super funds assume that the applicable trust deed powers are at least as extensive as those to be found in the fund deed recommended and supplied by Tranzact Super.

<b>Feature</b>	<b>Self Managed Super Fund</b>	<b>Small APRA Super Fund</b>	<b>Retail Super Fund</b>	<b>Industry Super Fund</b>
<i>Investment Choice</i>	Very Wide	Less Wide	Limited	Limited
<i>Access to Wholesale Funds</i>	Generally limited to Wrap Accounts	Generally available	Available	Available
<i>Direct Investment Access</i>	Yes	Yes	Limited	Limited
<i>Control of the Fund</i>	Yes	No	No	No
<i>Administration Responsibilities</i>	Fully Responsible	Not Responsible	Not Responsible	Not Responsible
<i>Compliance Responsibilities</i>	Fully Responsible	Not Responsible	Not Responsible	Not Responsible
<i>Establishment Fees</i>	Perhaps	Perhaps	Yes	Nil
<i>Ongoing Fees</i>	Flexible	% Fund	% Fund	% Fund or fixed
<i>Access to Superannuation Complaints Tribunal</i>	No	Yes	Yes	Yes
<i>Pensions Available</i>	Wide	Wide	Wide	Wide
<i>Lump Sums Available</i>	Yes	Yes	Yes	Yes
<i>Temporary Disability Benefits</i>	Yes	Yes	No	No
<i>Permanent Disability Benefits</i>	Yes	Yes	Yes	Yes
<i>Membership Eligibility</i>	Very Wide	Very Wide	Very Wide	Conditions
<i>Influence on Reserves</i>	Yes	No	No	No
<i>In Specie Contributions</i>	Yes	Yes	No	No
<i>Binding Death Benefit Nominations</i>	Broad Options	Broad Options	Restricted	Restricted
<i>Customisation of Benefits</i>	Broad	Restricted	Restricted	Limited
<i>Social Security Advantages</i>	Yes	Yes	Yes	Yes
<i>Estate Planning Advantages</i>	Yes	Limited	Limited	Limited
<i>Taxation Advantages</i>	Yes	Yes	Yes	Yes
<i>Life Insurance Cost</i>	Moderate	Moderate	Moderate	Low

## About the Fund

The Fund is a Self Managed Superannuation Fund (“SMSF” or “Fund”) administered by Tranzact Super under the terms of the Compliance & Administration Agreement. The rules governing SMSFs are complex. The Trustees and Members should consult a financial adviser or other suitably qualified professional when considering compliance with superannuation laws, tax and other associated matters.

## Fund Feature Summary

<i>General</i>	
Minimum Initial Contribution or Rollover	No Minimum
Minimum Withdrawal	No Minimum
<i>Product Features</i>	
Legal Investment Options	Any type available under the Deed & included in the Investment Strategy
Benefits Payable (subject to Superannuation Laws)	Any type of Lump Sum or Pension available under the deed
<i>Initial Fees for <b>New Funds</b> (Inclusive of GST)</i>	
Establishment on the Tranzact Super System	\$465
New Trust Deed	\$520
Corporate Trustee (If required)	\$960
<i>Initial Fees for <b>Existing Funds</b> (Inclusive of GST)</i>	
Establishment on the Tranzact Super System	\$465 initially PLUS \$990 Deferred. The Deferred fee is waived in full if the fund remains a client for 36 months
<i>Ongoing Administration Fees (Inclusive of GST)</i>	
Monthly Fee where there is an adviser intermediary	\$138.60 plus \$7.85
Monthly Fee where there is NO adviser intermediary	\$152.45 plus \$8.65
An investment is any investment or cash account in the fund at the beginning of each month. A consolidated platform is counted as 2 investments regardless of number of investments. The fund Cash Account is counted as 2 investments unless it is a Macquarie CMT or CMA.	
<i>Other Fees (if applicable)</i>	
Member Account Fee	Nil
Pension Establishment	\$650
Pension Administration Fee	Nil
Registration for GST & BAS Returns	Nil
Fund Withdrawal as a Pension Payment	Nil
Fund Withdrawal as a Pension Commutation not involving the establishment of a new pension	\$110 if over age 60 otherwise \$195
Standard Audit from TS Independent Auditor	\$550
ATO Lodgement Fee (Mandatory)	\$150
Preparation of Tax Return & Financial Reports if a client of the service when they are prepared	Included in Administration Fee
Fund Windup	From \$855
Fund Transfer from Tranzact Super	\$230
Corporate Trustee Registered Office (if required)	\$315 per annum

### Example

A \$1 million pension fund with 4 members has 10 investments. (utilising adviser intermediary)

The standard fee is:

Monthly Tranzact Super Fee	\$217.10/mth	\$2,605.20 per annum
Audit (\$550), ATO Lodgement Fee (\$150)		<u>\$700.00</u>
Yearly Cost		\$3,305.20 (0.33% of fund assets)
Sample Adviser Fees (Not Tranzact Super)		<u>\$7,500.00</u>
Tranzact Fees (Including Sample Adviser Fees)		\$10,805.20
BAS Refund		<u>\$689.00</u>
Net Fee		<u>\$10,116.20</u>

## About the Administrator

Tranzact Super is the Administrator of the Fund. Tranzact Super is a fully independent Self Managed Superannuation Fund Compliance & Administration Bureau. Tranzact Super is not a provider of investment advice and does not have any involvement in the Fund's investment strategy or individual investments made. Tranzact Super specialises in the provision of web enabled administration and compliance services to Self Managed Superannuation Fund trustees and advisers throughout Australia. Tranzact Super operates as an authorized representative of Tranzact Consulting Limited, a holder of an Australian Financial Services License which authorises Tranzact Super to advise on superannuation matters only. Tranzact Super provides associated services which require a license such as the provision of trust deeds, pension establishments and advice on the strategic operation of the Fund. Tranzact Super does not provide investment advice, investment facilities or financial planning advice.

## About the Service

### The Administration Process

Tranzact Super works to ensure that all reporting deadlines and audit requirements are met so as to avoid the imposition of penalties. The Fund records are maintained in an efficient and auditable manner. Regular contact with the Fund trustees, generally via their financial advisers, ensures the effectiveness of the administration process.

The Trustees are responsible for the investment strategy of the Fund which must be provided for the auditor. All investments made by the Fund must be made in accordance with the investment strategy which may be altered at any time.

It is impossible for Tranzact Super to guarantee the Fund's compliance as we have no control over Fund activities or investments but we do regard our assistance in this regard as a priority.

Now that the ATO is the responsible body ensuring the compliance of Self Managed Superannuation Funds the number of field audits and enforcement actions for compliance breaches is increasing. Compliance issues are numerous and can be confusing to those who are not involved with the various matters on a daily basis, particularly in view of the ever changing legislative framework. Though the trustees and their immediate advisers cannot abrogate this responsibility to Tranzact Super we, nonetheless, apply our best efforts to ensure that the Fund remains complying. This includes not only our own administrative duties but also being vigilant to trustee actions which seem to be non-complying and advising the Fund's financial adviser or accountant accordingly. We suggest that any activity of a strategic or unusual nature be referred to us before it is proceeded with.

Remember that for the Fund to be complying for a year it must be complying for **every day** of the year. The penalty for non-compliance can be severe including fines of up to \$220,000, penalty tax on the **assets** of the fund of up to 45% (plus medicare) and up to **5 years jail**.

Often we discover that pensions in Funds that were commenced prior to the transfer of the Fund to us are grossly deficient in appropriate paperwork and actuarial certification. Where rectification work is required a charge will be levied which will vary with the work required but will never be greater than the cost of pension establishment as per our fee schedule. On an ongoing basis we assist in monitoring the level of pensions paid to ensure ongoing compliance.

Under traditional administration arrangements the only opportunity the trustee and adviser have of perusing the accounts is at the end of the year. By this time any anomalies or errors will not be present as the accounts will have been audited, the holdings confirmed and any adjustments completed. By providing daily updates to client accounts our processes are quite transparent. Though we pride ourselves on our level of accuracy and our compliance focus we do not profess to offer a "perfect" service on an unaudited daily basis. Errors and anomalies do arise as it is not possible to maintain records to daily audit standard at all times. Additionally we have no investment restrictions and, therefore, no standard list to choose from when identifying investments with which we are presented. This may cause identification problems even with conventional managed funds as there are many instances where different funds from the same manager have the same name.

This, and other potential problems, are exacerbated by a lack of timely and appropriate information. Most administrators have dealt with this problem by not providing a daily service at all, providing it with severe investment restrictions or providing it in arrears on a quarterly or half yearly basis. We have not imposed any such limitations however we do invite and require the adviser and trustees to monitor the reports we place on the web and alert us to any item which may seem incorrect.

Where a daily service is not required or the trustees/advisers wish to avoid the onerous requirement of providing us with a constant flow of information during the year (and avoiding our constant requests for missing information) then a yearly service standard may be selected. There is no difference in pricing between the two methods. Each method involves fee collection on a monthly basis except that, with the yearly service, the monthly fee is estimated based on the latest record of investment numbers and a balancing charge or refund is made when the actual investment numbers per month are known. A comparison between the yearly and daily service follows:-

<b>Feature</b>	<b>Yearly</b>	<b>Daily</b>
<i>Daily data input</i>	No	Yes
<i>Daily queries raised for outstanding items</i>	No	Yes
<i>Web Access to Reports</i>	No	Yes
<i>Administrator Fee Basis</i>	Standard	Standard
<i>Administrator Fees Collected Monthly</i>	Yes-Estimated	Yes

There are several parties involved in the administration process and it is important that mutual expectations be realistic and clear. The ongoing administration of the Fund is a joint process. Responsibility for the smooth flow and maintenance of all activities rests with all parties. The auditor's duties are to audit the Fund once a year and to check the integrity of the data and the compliance of the Fund. The administrator's duties are to ensure the accurate processing of the data received and to assist the investment advisor and trustee in maintaining compliance including by advising any problems or potential problems which may be detected on an ongoing basis. The investment advisor's duties are to advise and liaise with the trustees on all matters and ensure that the flow of information between the trustees and the administrator is efficiently maintained as well as to advise of any errors or potential errors pertaining to the fund to both the trustee and the administrator. The trustee's role is to ensure that all relevant information is forwarded to the adviser in a timely manner, ensure that only complying activities are entered into and to advise the adviser of any errors or potential errors which may become apparent. The trustee is ultimately responsible for the Fund's activities and accounting. Fees are debited monthly.

## **Regular Reports on your Investment**

With the Daily service the Fund's current unaudited valuation, transactions and other information is available from the Tranzact super web site at [www.tranzacttotalsuper.com.au](http://www.tranzacttotalsuper.com.au) at anytime.

The Fund's yearly audited accounts report on the financial condition of the Fund and its investment performance.

## **Enquiries, Complaints and Dispute Resolution**

As the members of the Fund are also the trustees, the members do not have access to the Superannuation Complaints Tribunal so any complaints against the Trustees must ultimately be resolved by the Trustees. Tranzact Super has established internal procedures for dealing with enquiries and complaints in respect of the services for which they are responsible.

If you have any enquiries or concerns about the operation or administration of the Fund, you can:

- call Tranzact Super on 1800 644 804 - fax on (07) 3211 1455; or
- email [contact@tranzacttotalsuper.com.au](mailto:contact@tranzacttotalsuper.com.au); or
- write to Tranzact Super, GPO Box 849, Brisbane Qld 4001.

## **Privacy**

Tranzact Super is committed to protecting the privacy and confidentiality of the information entrusted to them. We are bound by the Privacy Act and the National Privacy Principles regulated

by the Federal Privacy Commissioner. Further details are available on the Tranzact Super website at [www.tranzacttotalsuper.com.au](http://www.tranzacttotalsuper.com.au).

## **How is Tranzact Super paid?**

We operate on a flat fee structure. None of our charges are percentage based. We require payment for one-off services in advance and our ongoing fees are payable monthly. Where required, subject to favourable banking arrangements, we will collect the fees charged by third parties and remit them accordingly. To enable us to collect our fees in the most cost effective manner we generally require that every fund maintains a Macquarie Cash Management Trust account or Macquarie Cash Management account as the fund's cash account. Tranzact Super does not receive any remuneration from Macquarie Bank however if your adviser is the holder of a Proper Authority from a registered Dealer Group your adviser may be entitled to receive a commission of 0.25% per annum on the daily Macquarie account balance.

There are initial fees, ongoing fees and expenses in relation to the establishment, operation and administration of the Fund. These will be charged directly by Tranzact Super. The fees charged by Tranzact Super and its associates for the Tranzact Super services are discussed below. All fees are inclusive of GST where applicable. All fees, including the trust deed, update, audit and actuarial fees, are payable by direct debit from the account nominated in the Tranzact Super Direct Debit Request form.

The fees and charges stated in this PDS are current at the date of this PDS. These fees and charges are indexed to a maximum of the greater of CPI and 5% on 1<sup>st</sup> July each year and may be subject to other changes in the future. Any such change will be posted on the Tranzact Super web site at [www.tranzacttotalsuper.com.au](http://www.tranzacttotalsuper.com.au).

## **Fees & Charges**

### **Ongoing Fees for the Compliance & Administration Service**

Fees are payable monthly in advance and are a set minimum monthly amount determined by the number of investments held by the Fund at the beginning of the month. An investment is defined as any asset with other than a zero balance. The value of the Fund is irrelevant. The minimum monthly fee will vary upwards or downwards as the number of investments in the Fund changes. Where a number of investments are reported from a wrap or other acceptable consolidated reporting method then they will count as only 2 investments for charging purposes irrespective of the number of investments involved. However, where a Fund does utilise the reduced fee for a wrap or other acceptable consolidated reporting method, the total number of investments that the Fund holds (including under the wrap or other acceptable consolidated reporting method) cannot exceed 40 investments. Investments in excess of 40 will be charged at the applicable standard individual fee rate. An acceptable platform will be one with its own cash account through which all income from the investments it holds passes. It will also need to provide a consolidated tax report. Where a platform is used, fund processing for this investment will not occur on a daily basis.

For charging purposes the reduced fee for a wrap or other acceptable consolidated reporting method will only apply once the applicable Notification has been sent to us and has been accepted by us. We will notify you if we do not accept the Notification. The Notification is available from our website [www.tranzacttotalsuper.com.au](http://www.tranzacttotalsuper.com.au).

There are significant administrative benefits to be enjoyed where a Macquarie CMT or CMA is maintained as the Fund's cash account. Failure to use this product decreases the efficiency of the service. It is not compulsory to hold a Macquarie CMT or CMA as the default cash account for the fund but where a different account is used it will be regarded as 2 investments for billing purposes.

The monthly fee is \$138.60 per month plus \$7.85 per month per investment if an intermediary adviser is involved through whom all contact between Tranzact Super and the Trustee takes place. If the Trustee is dealing with Tranzact Super direct then the monthly fee is increased to \$152.45 plus \$8.65 per investment.

When a payment to a member is taken as a commutation withdrawal rather than a pension the fund will incur a fee of \$110 if the member is over age 60 or \$195 if under age 60. There are no extra fees for BAS (see # below), pension administration (excluding set up) or reasonable queries. An additional charge may be levied where the fund requires an unusually high level of attention.

Please note that the fees are in payment of the compliance and administration duties actually performed within that month. It is not payment in advance for requirements yet to fall due including the preparation of financial statements. In the event this agreement is terminated prior to the year-end work being completed additional fees will be payable if end of year work is required as per the Compliance and Administration Agreement.

- # Most administrators do not complete BAS without charging extra fees. BAS registration entitles the Fund to a 75% refund of certain GSTs paid. To calculate the minimum benefit to which you are entitled add ongoing Tranzact Super and adviser fees together and multiply by .068. e.g. Tranzact Super fees of \$1,800 and adviser fees of \$3,000 (total=\$4,800) will result in a refund of  $\$4,800 \times .068 = \$326$  thus the net administration fee is  $\$1,800 - \$326 = \$1,474$ .

Please note that

- all ongoing fees will be deducted from the Fund's cash account;
- all fees will be indexed by the greater of 5% and CPI in July of each year.

### **Fees for Retrospective Administration**

To bring existing Fund records up to date, the above charges are levied for each month of work required. The fees will be debited as soon as practicable after the commencement of the administration process and may be a minimum monthly fee until such time as the records have been sufficiently completed to enable the fees to be calculated correctly based on the number of investments each month.

### **Other Fees**

These fees will only be payable as and when applicable and will generally be debited from the Fund's cash account.

**Actuarial Fees** - Actuarial Fees will be incurred if applicable.

**ATO Desk Audit** – Time taken in dealing with tax office compliance, income tax or GST audit will be charged on a time cost basis.

**ATO Levy** - The annual ATO Levy is \$150 from 1<sup>st</sup> July 2008 and will be required when the Fund financials are lodged with the ATO.

**Audit Fee** – \$550.00 for a standard audit, however this may be increased where the audit is complex, eg. holding non standard investments.

**BAS Preparation & Lodgement** – No charge

**Change of Administrator** – \$230 unless end of year accounting is required prior to transfer then a minimum fee of \$1,040 will apply. The cost of File Freight, Audit, Actuaries, ATO levy, ASIC lodgment fee & Deferred Establishment Fees will be additional and levied as applicable.

**Corporate Trustee Maintenance** - If the Fund has a trustee company for which Tranzact Super is acting as the Registered Office a maintenance fee of \$315 including GST will be charged in addition to the yearly ASIC fee (currently \$41 if company functions as a super trustee only).

### **Deed & Trustee Services**

Deed Only	\$520
Corporate Trustee Only	\$960

Deed Upgrade	\$570
Change of Fund Name	\$350
Change of Trustee	\$350
Change of Company Name	\$605

**Establishment Fee** – a fee will be charged for each fund entering the ongoing administration service. This will be \$465 for both new and existing funds. An Existing Fund is defined as one which has commenced on the Tranzact Super service during other than the Fund’s first financial year of operation. For Existing Funds ONLY there will be a further DEFERRED establishment fee of \$990. If the fund remains on the service for a full 36 months then it will be waived in full. If the fund leaves the service any time under 36 months then the fee will be levied in full.

**Consulting Fees** – As previously stated, there are no additional fees for reasonable queries in relation to a Fund, however, where there is advice requested specific to a Fund then we will charge a fee for such advice. You will be advised in advance that a separate consulting fee will be applicable for the advice requested.

The advice is only in respect to superannuation compliance and taxation issues and will not involve the recommendation of a financial product. An example of such advice would be whether a transaction contemplated by the trustee, eg. asset purchase complies with the superannuation law.

**Other Services** - If a member or the Trustee enters into a transaction or performs a task that may cause a breach of the Superannuation Industry (Supervision) Act 1993 (‘the SIS Act’) then the Fund may incur additional fees for remedial action. Fees for remedial action or work outside the scope of this Agreement will be quoted separately.

**Pension Establishment** – A fee of \$650 will be charged to establish a new pension or to rectify an existing pension that has not been properly established previously.

**Pension Ongoing Administration** – No charge

**Segregated Member Accounts including Segregated Pension Accounts** – No charge unless assets are physically separated including a separate cash account for each account. If physical separation is required then the investments in each account will be counted for charging purposes. (If the investments are segregated in the accounts only then no charge is levied if an ITAA 1997 Section 295-390 actuarial certificate is arranged)

**Wind Up of Fund** - A minimum fee of \$855 will apply where the Fund is to be wound up in addition to the cost of Audit, Actuarial services, ATO levy, ASIC lodgment fee and deferred establishment fee as applicable.

## **What is a Self Managed Superannuation Fund**

A Self Managed Superannuation Fund, otherwise known as a DIY or Family Retirement Fund, is a special type of Trust. It may be established by employees, self-employed individuals and retirees. It houses an investment portfolio that operates under the rules of a trust deed and is operated for the benefit of up to 4 members. All members are trustees or directors of a corporate trustee except in the case of a single member fund where there may be a second trustee who is not a member. Funds are regulated by the Australian Taxation Office (ATO).

The Fund must have a documented investment objective and strategy. Tranzact Super does not provide advice on a Fund’s investment objective or strategy. The undertaking of any Fund activity must be in accordance with the “Sole Purpose Test”. The “Sole Purpose Test” states that the Fund must be maintained to provide benefits for at least one of the following purposes:

- retirement from gainful employment; or
- attainment of an age not less than 65; and
- on the death of the member - the provision for benefits to be passed on to a member’s dependants or legal representative.

The ultimate responsibility for the conduct of the Fund remains with the trustees.

## **Advantages & Disadvantages of Self Managed Super Funds**

### **Advantages**

#### **Control**

As trustees, the members have complete control over the investments of the Fund. Subject to an appropriate written investment objective and strategy you may invest in a wide range of assets and implement a wide range of strategies. The law provides broad investment powers to the trustee. The trustees/members are ultimately responsible for the Fund's activities.

#### **Super Borrowing (Instalment Warrant)**

New rules introduced in September 2007 allow a super fund to borrow provided it complies with the requirement outlined in the superannuation law. Self Managed Super Funds are well placed to take advantage of the super borrowing rules in respect of the acquisition of particular assets.

Of course, trustees and members must take into consideration the increased risk associated with leveraging into asset acquisition.

We can attend to the documentation in relation to the new rules which allow a Super Fund to borrow:

Borrowing Documents (including Security Trust)	\$2,970
Security Trust Corporate Trustee	\$1,100
Loan Agreement (where Related Party Lender)	\$ 750

#### **Customisation**

The Fund allows multiple generations to aggregate their savings and investments to provide a desired income for retirement or flexible benefits in the event of a member's death. The Fund can provide a wide range of personal income stream choices.

#### **In-specie contributions**

You may transfer certain assets into the Fund in place of cash contributions, subject to the relevant law.

#### **Family Fund**

Up to four (4) members can participate. If more than 4 members are required then a second Self Managed Superannuation Fund should be considered.

#### **Cost savings**

Depending on the size of the Fund there may be cost savings compared with other types of superannuation funds.

#### **Permanency & Estate Planning**

The Fund continues unless the trustee winds it up. The Fund can provide benefits to the member, member's spouse, children and even grandchildren. The Fund has an indefinite life and can be used to provide benefits from generation to generation.

## **Security**

All the investments are held in the members' names as trustees or in the name of a company trustee controlled by the members. This means that only the members, or their representatives, can sign the Fund's cheques and only the members can authorise investments to be made or sold.

## **Taxation**

Tax deductions for contributions into a Fund are available within limits. Self Managed Superannuation Funds receive the same tax advantages as other super funds. Tax of only 15% is levied for income earned by the Fund during the accumulation stage. A low 10% tax rate can apply to realised capital gains on assets held for at least one year. There is no tax on income or capital gains to a member account in the Fund during the pension income stream phase. Imputation credits can offset tax in the accumulation phase or be refunded to the Fund in pension phase. Structured correctly, all or most of the pension income stream paid to a member will be tax exempt with a 15% tax rebate on any taxable pension income paid to a member. This benefit is also available for a pension paid to a dependant beneficiary upon the death of a member. Beneficiaries over the age of 60 are able to take pensions or draw downs completely tax free.

## **Death Benefit Deduction**

When death benefits are paid from the Fund, particularly on younger lives, the Fund may receive a tax deduction on a large portion of the payment. This deduction can be carried forward to be offset against contributions tax and income tax for future generations. This is a benefit of holding life insurance within the Fund though the deed wording is vital.

## **Component Retention**

Within a Fund investment managers may be changed without having to rollover from one Fund to another. This allows component retention which may maximise the long term taxation and social security position of the member account. This is an important, but not well understood, advantage and is similar to grandfathering below.

## **Grandfathering**

Where a Fund is eligible to receive a retained advantage from a legislative change underlying investments and strategies can be changed without changing the fund and jeopardising the grandfathered benefits. For example some pensions which commenced prior to 20<sup>th</sup> September 2004 have a 100% social security asset test exemption. Some pensions which commence prior to 20<sup>th</sup> September 2007 will have a 50% asset test exemption. Having gained these exemptions they will be retained so long as the pensions continue. This will not be the case if you need to roll over to an alternative fund to gain access to different investment types. A self managed super fund is able to continue to provide these pensions whilst the investments held by the Fund are changed.

## **Flexibility**

The Fund can accept government, spouse, personal and multiple employer contributions. On retirement a member's account may pay a lump sum or continue in the Fund as one or more pensions paying a tax effective income stream without impacting on other members in the accumulation phase. A member is able to contribute listed shares, units held in managed funds, fixed term deposits and business real property directly to the fund instead of cash. Benefits may also be paid in specie as a lump sum drawdown (pensions may only be paid in cash) with no limitation as to the type of asset.

## **Creditor Protection**

Member's benefits are substantially protected in the event of their bankruptcy. However, the relevant insolvency law must be considered and appropriate advice sought.

## **Disadvantages**

### **Legislative change**

The Fund may be affected by changes in Superannuation laws over time.

### **Responsibility**

All decisions and responsibilities associated with managing the Fund rest with the trustee/members. In addition, all superannuation funds have to comply with rules and deadlines. The trustee is responsible for making sure the Fund meets all requirements on time even if assistance is obtained from financial advisers, accountants, lawyers, administrators or other service providers. Penalties for non-compliance can be significant and in severe cases can include tax penalties, significant fines and jail terms. As a consequence Tranzact Super's dedicated and professional fund compliance and administration service is a significant advantage for Fund trustees.

### **Compliance & Administration**

Because of the rapidly increasing size of this sector of the retirement savings market and the relative inexperience of the Trustees who control each Fund the regulators are increasingly concerned about the level of compliance and administration inherent in funds of this type.

Compliance in a Fund consists of three important elements

- The Trust Deed;
- Transaction Documentation; and
- Administration and Audit.

Severe penalties exist for wilful non-compliance including up to a 45% penalty on the assets of the fund, a \$220,000 fine and 5 years jail. Compliance is crucial when it comes to self managed super funds yet is often a misunderstood concept. For most trustees and advisers compliance is regarded as the preparation of accounts, member statements and lodging tax returns. Tranzact Super understands that administration and compliance is more than just administration. It is meeting ALL of the compliance requirements laid down in the superannuation laws.

### **Residency Rules**

A self managed superannuation fund must meet the residency rules in order to satisfy the definition of an "Australian Superannuation Fund". The ATO has highlighted to trustees of self managed superannuation funds the importance of checking the residency status of the fund, before a trustee is about to go overseas either permanently or for an extended period. This is because the residency status of the Fund is directly connected to the residency status of the Fund's trustees who are also members of the Fund.

The tax consequences of a self managed superannuation fund becoming a non resident fund is that the Fund will be considered a non complying fund and be subject to a tax penalty of 45% of the market value of it's assets after deducting non concessional contributions component.

### **Limited ability to diversify investments**

All investments made by the Trustees on behalf of the Fund contain an element of risk. By diversifying the Fund's investments and investing for an appropriate time frame, the Trustees may be able to reduce risk. Although members are generally able to invest in a greater range of assets, they may not have sufficient money in the fund to diversify across them all. This may be overcome by investing in managed or pooled investments with the assistance of a qualified adviser.

### **Cannot assist members or related parties**

The Fund must be used for the benefit of members on retirement or disablement or their beneficiaries in the event of the member's death. It **can't** be used to provide benefits such as loans to members, holiday accommodation in a fund property or art for a member's home for example.

## Cost Increases

If the Fund is not large enough it may be more expensive to run when compared with other types of superannuation funds. This is particularly so for Funds with less than \$220,000 in members' balances.

## How is a self managed super fund structured?

Generally, family members are members of the Fund as well as being trustees of the Fund. The maximum number of Fund members is four. The trustees may employ administrators, accountants and investment advisers to help manage the Fund. The Fund can invest in a wide range of assets including both direct and managed investments and wrap accounts.

## Trustee Requirements

A Fund is a form of trust. This means that the trustee of a Fund controls the Fund, makes the investment decisions, determines the benefits to be paid and administers the Fund. As a member of a self managed super fund is required to be a trustee or director of the trustee company, a member has significant influence over the Fund.

Trustees can be individuals or a company. All members of the Fund must either be trustees or directors of the trustee company and vice versa unless a special exemption applies.

A trustee must not be an undischarged bankrupt, have been convicted in the past of a serious offence involving dishonesty or disqualified from being a trustee. If any members are in this position they cannot appoint a legal personal representative to act on their behalf as trustee. They must either leave the fund or the fund must convert to a Small APRA Fund. If a member is a minor (under 18), mentally impaired, has granted a power of attorney or is dead then a legal personal representative may act as a trustee in their place. A parent can act as trustee on a minor member's behalf and still be a member and trustee of the Fund in their own right.

Individuals who are to be the only member of their Fund often wish to be the only trustee. This is only able to be accommodated by establishing a corporate trustee where the individual is the only director. It is not possible to be the sole individual trustee of a single member Fund however a sole member is able to be the only director of a corporate trustee so will have direct control of the Fund.

A trustee of a Fund must:

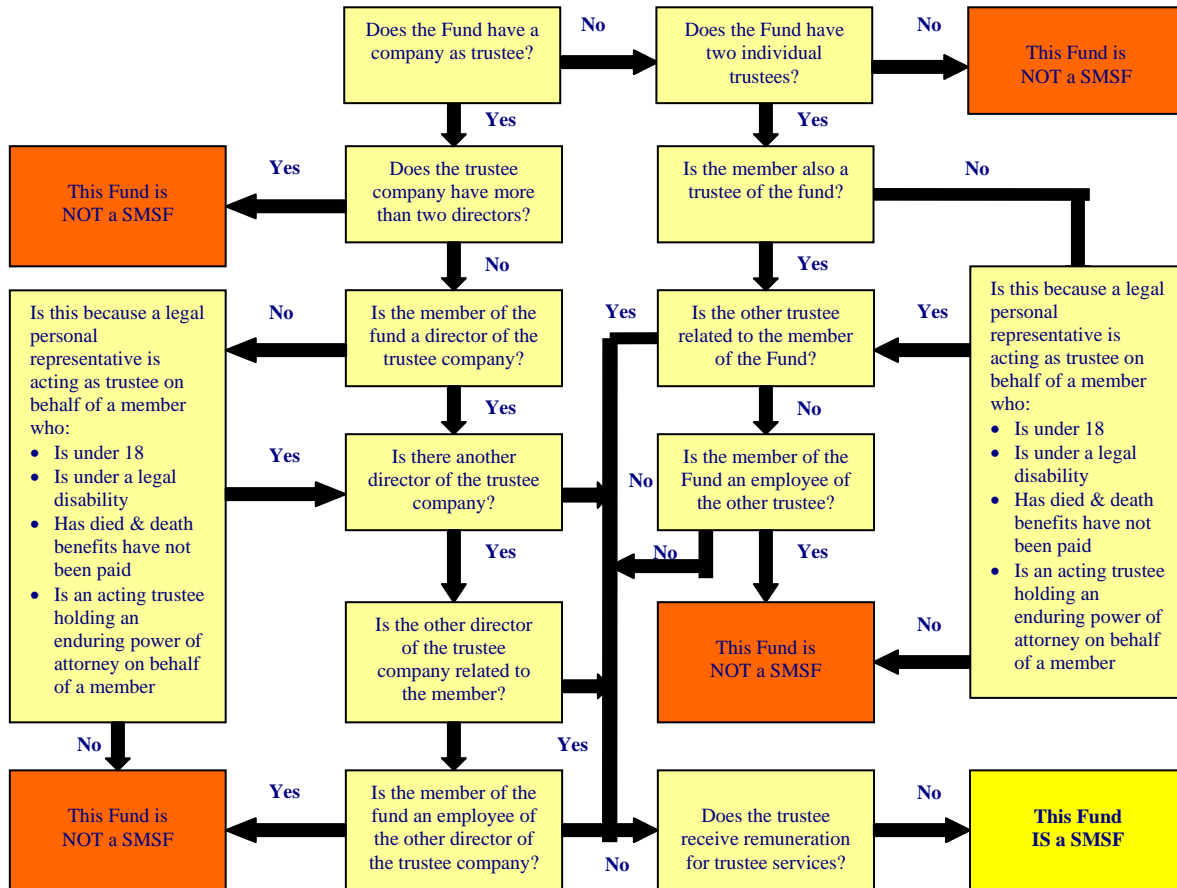
- act honestly;
- act in the best interests of members and other beneficiaries;
- keep the money and assets of the fund separate from the trustee's personal assets and money or those of another person;
- formulate and implement an investment strategy for the Fund;
- abide by the rules of the fund at all times;
- not breach any of the superannuation laws;
- ensure proper accounting including the maintenance of member accounts;
- appoint an auditor and other specialists to the fund;
- meet all regulatory obligations.

Both civil and criminal penalties can be imposed under the superannuation laws for breach of trustee responsibilities. Prior to accepting an appointment as trustee of a Fund it is important that a person consider the risks associated with such an appointment. The excuse that the trustee was not aware of the law or rules of the Fund is not valid.

Failure to properly meet any of these responsibilities may render the trustee liable to a substantial fine and if the breach has been wilful, may result in a term of imprisonment. Additionally the Regulator of Self Managed Superannuation Funds, the Commissioner of Taxation, may also determine the Fund to be non-complying. This would result in the Fund being subject to tax at a penalty rate of up to 45% on all income and capital gains of the Fund as well as the **market value of the fund's assets** (excluding non concessional contributions). It is therefore advisable that the trustee seeks the help of an experienced adviser.

The rules of this Fund are designed entirely to reflect the intention for a Fund to be a self managed super fund and, in particular, one governed by the rules supplied in the Tranzact Super Deed. The trustee requirements for this type of fund are shown below.

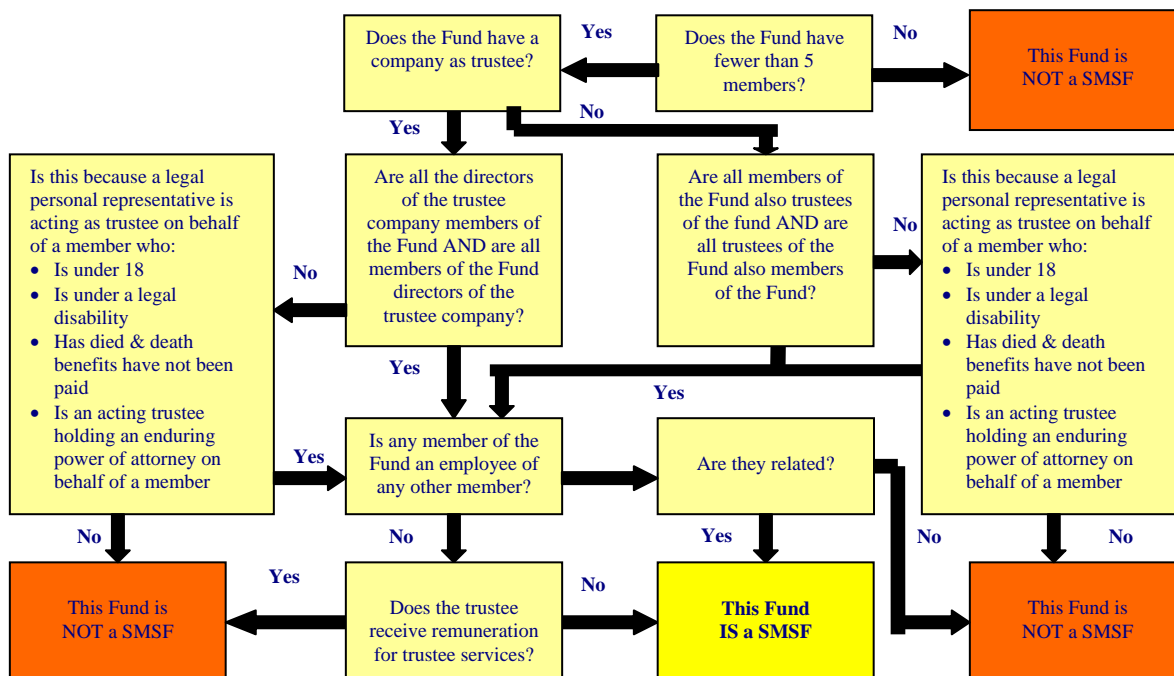
### TRANZACT SUPER DECISION TREE FOR SINGLE MEMBER FUNDS



As mentioned earlier there may be circumstances where it is appropriate or necessary to appoint an approved trustee in place of the members of the Fund. For example if a member is prohibited by the superannuation laws from acting as a trustee or simply does not wish to assume the role and responsibility associated with being a trustee then an approved trustee may be appointed. The effect of the appointment is that the Fund is converted from a self managed super fund to a "Small APRA Fund". These funds are regulated by the Australian Prudential Regulatory Authority (APRA) rather than the Australian Taxation Office (ATO). While the rules of the Fund permit the appointment of an approved trustee, the newly appointed approved trustee will amend the deed and rules of the Fund at that time to reflect the change in the type of superannuation fund.

Tranzact Super provides alternative arrangements where a Small APRA Fund is required. A Small APRA Fund is a public offer superannuation fund and is therefore subject to more stringent regulation and compliance.

## TRANZACT SUPER DECISION TREE FOR FUNDS WITH MORE THAN ONE MEMBER



### Trustee Structures

Trustees can be individuals or a company. Legally a fund with a corporate trustee is able to pay members a lump sum as well as a pension. It is also a legal requirement that, where the trustees of the Fund are individuals, then a pension must be taken and not a lump sum. This means that, technically, a member of a Fund with individual trustees who wants to withdraw a lump sum must first start a pension then make a commutation of the pension. As this requirement has been almost totally ignored by Funds over the years and its enforcement now would be impractical the tax office has announced that they will ignore it. It is mentioned here for completeness in case the tax office unexpectedly changes their mind.

Similarly the law states that a pension payable from a fund with individual trustees cannot be considered to provide the 15% tax rebate to its members. Once again the tax office has announced they will ignore this.

Where a trustee of a Fund dies, retires or is removed then any assets of the Fund in the name of the departed trustee must be switched into the names of the remaining trustees. This can be time consuming and expensive if the trustees are individuals. No change of asset names is required where a corporate trustee is in place.

### The Trust Deed – The Foundation of the Fund

The Fund deed should be flexible and up to date. If this is not the case then the Fund may not be able to take advantage of all the options available to it under the legislation. For example the deed may define who can make contributions to a Fund such that spouse contributions cannot be made even though the legislation states that they can. Similarly the deed may prescribe a certain type of benefit or membership criteria which precludes some pensions or child members. The Fund may wish to take advantage of the new super borrowing rules without the appropriate provisions in the Trust Deed. There are many such examples.

The Tranzact Super supplied Deed has been selected for its flexibility and comprehensiveness.

**Tranzact Super does not insist on this deed for Funds it administers but some of the Self Managed Superannuation Fund features mentioned in this PDS may not be available under a deed used by the Fund if it is not a Tranzact Super supplied deed and no warranty is given to the contrary.**

### **Sole purpose test and payment of benefits**

A superannuation fund must be maintained for the sole purpose of providing retirement benefits to the member:

- on their retirement;
- on reaching the age for payment of preserved benefits;
- or to their dependants or estate if the member dies before retirement.

However, payment of other benefits is allowed as an 'ancillary purpose' provided certain conditions are met. This allows benefits to be paid:

- to a member on termination of employment;
- to a member as a result of temporary or permanent disability;
- to a member's dependants or estate when the member dies after retirement.

The Fund must be operated for at least one of the sole purposes. If the nature of investments suggests a purpose behind the investments other than a permitted purpose, this may mean the sole purpose test has been contravened. In serious cases this could result in the Fund losing its tax concessions and suffering severe penalties.

### **Who can contribute to a self managed super fund?**

Anyone who can contribute to an institutional fund can contribute to a self managed superannuation fund. Basically, anyone under age 65 can make a contribution to a superannuation fund. Persons aged from 65 to 74 must satisfy a 'work test' before they are able to make a contribution. No contribution can be made once a person turns 75. The Fund is also able to accept rollovers from other funds or contributions of certain assets in specie.

From 1 July 2007 there are annual limits, known as "caps", which apply to contributions made to a superannuation fund. If these "caps" are exceeded, penalty tax will be levied.

There are basically 2 types of contributions that a superannuation fund will receive: 'Concessional' also known as "Taxable" contributions; and 'Non Concessional' also known as "Non Taxable" and previously as "Undeducted" contributions.

For the 2009/10 income year, the Non Concessional cap is \$150,000, which is six (6) times the standard Concessional Cap (currently \$25,000). Consequently, as the Concessional Cap is increased, so too the Non Concessional Cap will increase.

In relation to the Non Concessional cap, a 3 year average concession applies such that \$450,000 may be contributed in any one year with a nil contribution in the following two years provided the member is under 65 at some time in the income year that the contribution is made. For members between 65 and 74 there is no 3 year concession average available.

Regular contributions can be made by periodic payments from your nominated bank account or by irregular deposits. Contributions to your fund can be made by yourself, your spouse, or your employer, provided a contribution condition is satisfied.

You may also transfer your existing superannuation entitlements into the Fund. This will enable you to consolidate your superannuation benefits. Alternatively you may transfer certain approved assets into the Fund at their market value.

<b>Age of Member</b>	<b>Personal &amp; Employer Contributions</b>
<i>0 – 17 (inclusive)</i>	No work test. Any tax deduction is subject to “self employed” deductibility conditions and gainful employment.
<i>18 – 64 (inclusive)</i>	An individual may make contributions whether or not they are gainfully employed and take a tax deduction if applicable.
<i>65 – 74 (inclusive)</i>	An individual may contribute if they are gainfully employed at least 40 hours in a period of not more than 30 consecutive days in that financial year. They do not need to be employed at the time of the contribution. A tax deduction may be available. Their employer or another person can contribute if the contributions are mandatory (SG or industrial award).
<i>75 and over</i>	An individual cannot make contributions. An employer may make industrial award/certified agreement contributions

## **Taxation**

The taxation information provided is intended as a guide only. You should consult an appropriately qualified Adviser to determine the taxation implications of your investments in the fund.

There are basically four instances relevant to tax:

### **When you make contributions**

Tax-deductible contributions, known as “Concessional Contributions”, to the Fund are taxed at a rate of 15%. No tax is payable on contributions to the Fund for which no tax deduction has been claimed. These are called Non-Concessional contributions (previously undeducted contributions).

No tax is payable on amounts rolled over into the Fund unless they contain an “untaxed” element.

From 1 July 2009, the maximum tax deduction that may be claimed in a year is \$25,000 unless the member is at least 50 at the beginning of the year of income. In this case a tax deductible limit of \$50,000 applies until 30<sup>th</sup> June 2012. This amount is not indexed. Again, these are called “Concessional Contributions”.

If the total of all contributions into all funds is greater than these limits then the top marginal tax rate will be levied. Any such excess will also be counted towards the non-concessional (undeducted) contribution cap.

There are two ongoing exemptions to the non-concessional cap.

1. The proceeds from the disposal of eligible small business assets are exempt up to a lifetime limit of \$1 million (indexed - \$1.1 million for 2009/2010). The \$1 million exemption may include up to \$500,000 of capital gains that are disregarded under the small business capital gains tax (CGT) retirement exemption and proceeds from the disposal of assets that qualify for the small business CGT 15-year exemption. The latter includes pre-CGT assets, assets on which there is no capital gain or loss, and assets disposed of after the permanent disablement of the owner.
2. The proceeds from a settlement for an injury resulting in permanent disablement are also exempt.

The cap will apply to all non-concessional contributions made on behalf of an individual. For example, contributions made by one spouse for the benefit of the other spouse will be counted against the receiving spouse’s cap.

The Government co-contribution is not included in the non concessional cap.

Contributions above the concessional cap will also count towards the non-concessional contributions cap. This will ensure people cannot circumvent the non-concessional cap by making excessive concessional contributions. Consequently, where a person exceeds their Concessional and Non Concessional cap in the same year tax of 93% will be applied against the excess concessional contributions.

Non-concessional contributions will not be able to be split with a spouse. Splitting of concessional contributions will still be allowed.

### **When your Fund earns income**

Investment earnings are taxed at a current maximum rate of 15% for complying superannuation funds. Tax deductions and other offsets, such as imputation credits, can be used to reduce the basic rate of 15% to a lower level or even to zero. Assets in a member's account being used to pay a pension are tax exempt. Any franking credits earned by such an account may be claimed back from the ATO by the fund.

### **When your Fund realises a capital gain**

For a complying fund a capital gain on an asset is taxed at a maximum rate of 10% if the asset has been held for a year or more. If the asset is not held for this time then the capital gain is taxed at a maximum rate of 15%. No capital gains tax is payable on an asset in a member's account which is paying a pension to the member even if the pension did not commence until some time after the asset was acquired.

### **When you receive payments**

Benefits paid from the Fund are also subject to special taxation treatment. The actual taxation of benefits depends on the components that are included. From 1<sup>st</sup> July 2007 a member pays no tax on any income or drawdown once they have achieved age 60.

### **Tax File Number (TFN)**

While it is not compulsory for a member to provide their Tax File Number to the Trustees, if it is not provided, the Trustees must deduct the highest personal marginal rate of tax from any withdrawals. From 1<sup>st</sup> July 2007 a trustee will not be able to accept a non-concessional (undeducted) contribution for a member who has not supplied a TFN.

### **Reasonable Benefit Limits (RBLs)**

Reasonable Benefit Limits were abolished from 1<sup>st</sup> July 2007.

### **Preservation**

The government has provided generous tax benefits to super funds so that they may cater for the retirement needs of members. This means that member balances need to be preserved until retirement age. There are three categories of member benefits. They are

- preserved benefits
- restricted non-preserved benefits
- unrestricted non-preserved benefits.

Unrestricted non-preserved benefits are accessible at any time subject to the sole purpose test.

### **Accessing preserved and restricted non-preserved benefits**

A member may rollover preserved and restricted non-preserved benefits to another complying superannuation fund or retirement savings account at any time but can only access the benefits if a condition of release is satisfied. Where a condition of release is satisfied, preserved benefits and restricted non-preserved benefits become unrestricted non-preserved benefits and can be accessed subject to the sole purpose test.

Conditions of release are:

- Retirement (working less than 10 hrs/week) after preservation age (age 55 to age 64);
- Termination of employment after age 60 (even if working for another employer);
- Attaining age 65;
- Permanent incapacity;
- Compassionate grounds (approved by APRA);
- Upon death;
- Financial hardship (receipt of CentreLink benefits for 6 months consecutively or 9 months cumulatively if >55).

Preserved benefits may be used to pay a non-commutable account based pension to a member who has reached their preservation age (presently 55). Such pensions become commutable once a condition of release has been met as listed above. These are often referred to as transition to retirement pension or income stream.

### When can benefits be paid?

Benefits are payable on retirement, temporary or total disablement or death of the member in the form of lump sums or pensions. Benefits may be payable in cash or by asset transfer upon:

- permanent retirement from gainful employment after reaching preservation age;
- paying a non-commutable account based pension to a member who has reached their preservation age even if not retired

Date of Birth	Preservation Age
<i>Before 1 July 1960</i>	55
<i>1 July 1960-30 June 1961</i>	56
<i>1 July 1961-30 June 1962</i>	57
<i>1 July 1962-30 June 1963</i>	58
<i>1 July 1963-30 June 1964</i>	59
<i>1 July 1964 and after</i>	60

- ceasing one situation of employment on or after age 60;
- retirement due to mental or physical ill health and the trustee is satisfied that the member is unlikely ever to be able to resume gainful employment for which the member is reasonably qualified by education, training or experience;
- satisfying compassionate grounds requirements as defined in the SIS Act;
- satisfying financial hardship requirements as defined in the SIS Act;
- reaching age 65;
- Death.

The Federal Government introduced a new rule that allows a member suffering from a terminal medical condition to access their full benefits without restrictions. There are conditions that a member must satisfy including certification by two (2) medical practitioner (one (1) being a specialist in the area of the members illness) that the illness will result in the death of the member within twelve (12) months.

The payment of all benefits is subject to the Trust Deed governing the Fund. The benefit paid is generally the accumulated value of the Member's Account within the Fund but may be converted to a pension to provide a tax effective retirement income stream.

### When must benefits be paid?

Benefits can be retained indefinitely in the Fund except on death (unless a reversionary pension is payable).

In the event of death the balance of the member account together with any insurance proceeds may be converted to a pension and paid to dependant beneficiaries. At the Trustee's discretion upon death, in the absence of a binding death benefit nomination, the benefit may be paid as a pension

or lump sum to a surviving spouse, tax dependants or to a legal personal representative (the estate). Care should be taken when paying benefits to an estate to ensure the executor is able to distribute them in the most tax effective manner. From 1<sup>st</sup> July 2007 death benefits may be paid to tax dependants as a tax free lump sum or a pension. Non-tax dependants are only able to receive a lump sum on which tax may be levied.

## Benefits

Benefits accrue in the Fund over time and are comprised of contributions/rollovers received and investment earnings. Benefits are comprised of two components. These are the Tax Free component and the Taxable component.

Benefits may only be paid when a condition of release is met. The conditions required for release will depend on preservation status and have been discussed above. Once a condition of release has been met and the member account becomes “unrestricted non-preserved” the following benefits may be paid subject to the sole purpose test and the trust deed of the fund.

## Lump Sums

Lump sum withdrawals from superannuation are taxed at different rates depending on various factors. Rollovers are not taxed unless they contain an untaxed post element. There has been a significant change to the treatment of components after 30<sup>th</sup> June 2007.

Component	Before 1 <sup>st</sup> July 2007	From 1 <sup>st</sup> July 2007
Pre-July 1983	5% taxed at marginal rates + Medicare	Exempt Component (Tax Free)
Concessional	5% taxed at marginal rates + Medicare	
Undeducted Contributions	Tax Exempt	
Post-June 1994 Invalidation	Tax Exempt	
CGT Exempt	Tax Exempt	
Non-Qualifying	Taxed at marginal rates	Taxable Component Under 55 taxed at 20% (plus Medicare). 55 - 59 First \$150,000 ② (indexed in \$5,000 increments each year) at 15%. Over 60 is tax free.
Post-June 1983	Under 55 taxed at 20% (plus Medicare). 55 & Over: First \$135,590 ① (indexed each year) at 15%.	
Excessive Post-June 1983	38% ①	

① Applicable to the 2006/2007 income year

② Applicable to the 2009/2010 income year

Lump sum benefits may be paid in cash or actual assets. If you choose to take your benefit as assets, transfer costs such as stamp duties and capital gains tax may be deducted from your benefit.

All Funds commenced from 1<sup>st</sup> July 2007 will contain the exempt and non-exempt components only. The conversion from the pre 1 July 2007 to the post 1 July is not automatic for existing members.

For existing members an event must occur before their old components are crystallised as new components. These events are;

- Taking a partial commutation

- Commencement of a pension
- Rollover of an existing pension or accumulation account
- Achieving age 60 from 1<sup>st</sup> July 2007 or before

### Lump Sum Rollover

When a member balance is rolled over from one super fund to another there are generally no taxation effects. Tax at 15% will be deducted from any Untaxed element however.

### Pensions

From 20 September 2009 a self managed superannuation fund can only commence an Account Based Pension in respect of a member. In previous years there was a variety of pensions that a member or a dependant of a member may or may not have become entitled to. Where a member is in receipt of a pension benefit all or part of the pension payment is included in the member's assessable income until age 60. In addition, a member may access a 15% tax rebate on any assessable pension income. From 1<sup>st</sup> July 2007, for members aged 60 and over, pension benefits are completely tax free and do not need to be declared as income.

The following table is a comparative of the features of all pensions that a self managed was able to provide. As stated above, from 20 September 2009 a self managed superannuation fund can only commence a new pension in the form of an Account Based Pension. However, a self managed superannuation fund which has any of the other types of pension, known as "legacy pensions", in place may continue to pay those pensions in accordance with the pension terms and conditions provided they do not contravene the superannuation law.

Feature	Allocated Pension	Term Allocated (Market Linked) Pension	Lifetime Complying Pension	Life Expectancy (Fixed Term) Comp. Pension	Flexi Pension	Account Based Pension
<b>Complying</b>	No	Yes	Yes	Yes	No	No
<b>Availability as New</b>	To 20/9/2007	To 20/9/07	No	No	No	Yes
<b>Pension Level</b>	Min/Max PVF Factors	PF divided into account balance at 30/6	Fixed by actuary	Fixed by actuary	Fixed by actuary	% Depending on age
<b>Indexation</b>	N/A	N/A	Fixed by actuary or greater of 5% or CPI + 1 if Asset Test Exempt	greater of 5% or CPI + 1	Average of last 3 years CPI	N/A
<b>Residual Capital Value</b>	No	No	No	No	Yes	No
<b>Centrelink Asset Test Exemption</b>	No	50%	100% if commenced before 20/9/04 otherwise 50%	100% if commenced before 20/9/04 otherwise 50%	No	No
<b>Centrelink Income Test Efficient</b>	Exempt amount is Purchase Price/Term	Exempt amount is Purchase Price/Term	Exempt amount is Purchase Price/Term	Exempt amount is Purchase Price/Term	Exempt amount is Purchase Price/Term	Exempt amount is Purchase Price/Term
<b>Max Guarantee Term</b>	N/A	N/A	10 years if started before 20/9/04 or 20 years if after	15 years if started before 20/9/04 or 20 years if after	N/A	N/A
<b>Actuarial Requirement</b>	Generally no	Generally no	Yes	Yes	Yes	Generally no
<b>Commutability</b>	Yes except preserved component	Within 6 months of start	No	No	limited to RBL Value	Yes except preserved component
<b>Revert to Accumulation</b>	Yes	No	No	No	Yes but limited to RBL Value	Yes
<b>Rollover Allowability</b>	To Account Based	To New Market Linked	To Market Linked	To Market Linked	To Account Based	To New Account Based Pension

## Account Based Pensions

Account based pensions have been available from 1<sup>st</sup> July 2007 and is only type of pension a self managed superannuation fund can commence for a member or dependant from 20 September 2007. The pension has a minimum payment based on the table below.

Age of Member	% Factor
Under 65	4
65 - 74	5
75 – 79	6
80 – 84	7
85 – 89	9
90 – 94	11
95 and over	14

The Federal Government previously announced a 50% reduction to the minimum pension requirements in respect of the 2008/2009 and 2009/2010 income years. The 50% reduction only applies to: Account Based Pension; Allocated Pensions; and Market Linked Pensions. It does not apply to any Defined Benefit Pension, eg. Lifetime pension.

There is no maximum payment except for a transition to retirement pension (mentioned below) which has a maximum of 10% of the account balance at pension commencement or the previous 30<sup>th</sup> June (whichever is the nearest).

Taking an example of a person who has an account balance of \$500,000 on 1 July 2009 and is aged 65. The acceptable pension amount is in the range of:

Maximum Pension      \$500,000  
Minimum Pension      \$500,000 x 5% = \$25,000

If the member wished to take advantage of the Federal Government 50% reduction rate then the minimum pension for 2009/2010 income year would be \$12,500.

The higher the pension taken the sooner the account will be depleted.

It is crucial that at least the minimum pension is paid to the member by the end of the year of income. Failure to do so will result in the fund being unable to claim income tax exemption on the income earned in the member's pension account. Further, when the pension was commenced under the Transition to Retirement Rules the fund will also be in breach of the preservation rules.

If a pension only operates for part of the income year then the minimum pension amount is pro-rated unless the pension commences on or after 1 June in the income year. In this case the minimum pension is zero (0).

For a Transition to Retirement Pension commenced part way through the income year the 10% maximum pension limit is not required to be pro-rated.

For social security purposes the account balance is counted as an asset under the assets test. The income is counted under the income test less the amount that is calculated by dividing the account balance by the member's life expectancy

You may access part or all of your capital (referred to as a commutation) at any time unless this a "transition to retirement" pension which was commenced with preserved benefits. Such a pension is available once a member has reached age 55 when the member is able to access preserved benefits for pension purposes only. Lump sums cannot be withdrawn unless and until a condition of release has been triggered which has converted preserved benefits to unrestricted non preserved benefits.

## Allocated Pensions

Allocated pensions may no longer be commenced but existing allocated pensions may be retained. There is some confusion generated as the term “allocated pension” is still widely used to describe the account based pensions that were introduced under the Simpler Super legislation even though they are covered by separate legislation.

The pension must fall within minimum and maximum levels prescribed by legislation. The actual amounts are calculated by dividing the balance in the account at 1<sup>st</sup> July each year by the appropriate Pension Valuation Factors (‘PVFs’) shown in the table below.

This table is current from 1<sup>st</sup> January 2006 and is to apply to all allocated pensions from 1<sup>st</sup> July 2006. The range of ages actually extends from age 0 to 100 but these are not shown here.

Age	Minimum PVF	Maximum PVF	Age	Minimum PVF	Maximum PVF
55	21.1	11.5	68	16.0	9.1
56	20.8	11.4	69	15.5	8.7
57	20.4	11.3	70	15.1	8.4
58	20.1	11.2	71	14.6	8.0
59	19.7	11.0	72	14.2	7.6
60	19.3	10.9	73	13.7	7.2
61	18.9	10.7	74	13.3	6.7
62	18.5	10.5	75	12.8	6.2
63	18.1	10.3	76	12.3	5.7
64	17.7	10.1	77	11.9	5.1
65	17.3	9.9	78	11.4	4.5
66	16.8	9.6	79	10.9	3.8
67	16.4	9.3	80	10.5	3.1

Taking an example of a person who has an account balance of \$500,000 on 1 July 2009 and is aged 65. The acceptable pension amount is in the range of:

Maximum Pension      \$500,000 ÷ 9.9 = \$50,505 (rounded to \$50,510)  
Minimum Pension      \$500,000 ÷ 17.3 = \$28,902 (rounded to \$28,900)

The higher the pension taken the sooner the account will be depleted.

**The minimum pension is higher than the minimum pension available in the account based pension and the maximum pension is lower so it is suggested that consideration be given to converting existing allocated pensions to account based pensions. This will provide a greater range of payments and simplicity of calculation.**

For social security purposes the account balance is counted as an asset under the assets test. The income is counted under the income test less the amount that is calculated by dividing the account balance by the member’s life expectancy. In the above example:

Income Test Exempt Amount      \$500,000 ÷ 17.7 = \$28,249

You are also able to access part or all of your capital (referred to as a commutation) at any time unless this a “transition to retirement” pension which was commenced with preserved benefits. Though the minimum pension is the same as for allocated pensions the maximum, until the account becomes unrestricted non-preserved, is limited to 10% of the balance on which the pension was calculated. You are unable to withdraw a lump sum unless and until you have satisfied a condition of release which has converted your preserved benefits to unrestricted non preserved benefits.

## Market Linked Pensions

Market Linked Pensions, otherwise known as Term Allocated Pensions or “TAPS” have been available since 20<sup>th</sup> September 2004. This pension is paid for a set term and must be paid at least annually. The pension has no residual capital value. It is treated like any other pension for income

test purposes as described above. 50% of the assets underpinning the pension are exempt from the assets test if commenced before 20<sup>th</sup> September 2007. This is assessed semi-annually.

**This type of pension is non-commutable once it has been in force for 6 months.**

You have a choice as to what the term may be. The term of a Market Linked Pension Account must be based on life expectancy factors and, from 1<sup>st</sup> January 2006, the number of years from the youngest relevant age to age 100.

The choices are:

- Any period between your life expectancy and your life expectancy as if you were 5 years younger; or
- For those who want their pension to revert to their partner and the partner has a longer life expectancy, a period between the life expectancy of the partner and a life expectancy as if the partner was 5 years younger; or
- the number of years before you reach age 100; or
- for those who want their pension to revert to their partner and the partner is younger the number of years before your partner reaches age 100,
- Once commenced, your Market Linked Pension Account cannot be commuted except:
  - If the commutation is made within 6 months after the commencement day of the pension; (only if the pension wasn't started with a balance that had already been part of another complying pension) or;
  - If the pension account is transferred directly to the purchase of another market linked pension or;
  - The commutation is required in order to pay superannuation contributions surcharge or to effect a "split" due to divorce; or
  - On death or;
  - To the extent necessary to pay out a hardship amount

Notwithstanding the above the minimum pension cannot be less than the pension available under the Account Based Pension rules.

There is no possibility of any residual capital to be available for future benefits as the pension has been specifically designed to pay out all of the underlying capital by the end of the term. On the death of a member, prior to the expiry of the term with a reversionary pension, the pension continues until such time as the reversionary beneficiary dies (or the term expires), at which time the capital remaining is paid to the survivor's estate or nominated dependant. On the death of a member with a non-reversionary pension, the assets of the Fund pass to the member's estate or nominated dependant. There is no ability for the benefits to remain in the Fund.

In order to enjoy taxation benefits, the term of your pension must fall within a specified range prescribed by legislation. That term is to be selected as above. The term will be a period of whole years.

Rules were introduced which allow you to alter the term of the Market Linked Pension. However, care needs to be taken, especially if the Market Linked Pension is a 50% Asset Tax Exempt Centrelink pension to ensure that the Asset Test Exempt Status is not lost when the term is altered.

The gross annual payment amount from a Market Linked Pension Account will be calculated by dividing the account balance on commencement and on 1 July each year thereafter by the payment factor corresponding to the remaining term of the income stream, rounded to the nearest \$10.00.

This is shown below.

<b>Term Remaining (whole years)</b>	<b>Payment Factor</b>	<b>Term Remaining (whole years)</b>	<b>Payment Factor</b>
<b>26</b>	16.89	<b>13</b>	10.30
<b>25</b>	16.48	<b>12</b>	9.66
<b>24</b>	16.06	<b>11</b>	9.00
<b>23</b>	15.62	<b>10</b>	8.32

<b>22</b>	15.17	<b>9</b>	7.61
<b>21</b>	14.70	<b>8</b>	6.87
<b>20</b>	14.21	<b>7</b>	6.11
<b>19</b>	13.71	<b>6</b>	5.33
<b>18</b>	13.19	<b>5</b>	4.52
<b>17</b>	12.65	<b>4</b>	3.67
<b>16</b>	12.09	<b>3</b>	2.80
<b>15</b>	11.52	<b>2</b>	1.90
<b>14</b>	10.92	<b>1 or less</b>	1.00

### **Defined Benefit Pensions**

Lifetime and Life Expectancy Complying (Including Asset Test Exempt) and Non Complying (Flexi Pensions) Pensions

These pensions are no longer able to be commenced but can continue if already in force.

When a pension is commuted from a Self Managed Superannuation Fund and the commuted account is rolled over to a new pension the new pension can only be one of which is available now as noted in the earlier pension table. Any grandfathered social security conditions will be lost.

### **Death and Disability Insurance**

The primary purpose of insurance cover is to provide an additional benefit in the event of Death or Total and Permanent Disablement ("TPD"). You may also select Salary Continuance Insurance. Tranzact Super does not provide insurance facilities. The trustee is responsible for arranging insurance through the insurance company of their choice. The policy must be issued in the name of the trustees of the fund in their capacity as trustees. It must not be arranged as a superannuation policy as this would mean that any benefit payout would not be received by your fund but one determined by the life insurance company.

### **Alternative Tax Deductibility**

The payment of lump sum benefits from a Fund on the death of a member may result in a large tax deduction to the fund which may be used by future generations of members. The legislation provides trustees of superannuation funds with an alternative method of claiming deductions for insurance premiums. If the trustee elects to use this provision the deduction is calculated using the following formula:

Death or disability ETP x Days in future service period to age 65 ÷ Days in total service period to 65

Where the trustee elects to use this method, the election is also valid for the subsequent year (i.e. this method of deduction must be used for the year the election is made plus the next year of income).

The trustee of a Self Managed Superannuation Fund would generally not use this provision unless there is a death benefit payable in the year the election is made. The advantage of making such an election is where the fund is paying a large death benefit for a member who is under 65 years old. Where the deduction exceeds the amount of assessable income in the Fund, the loss can be carried forward to future years and be applied against income tax (including contributions tax).

### **Increased Death Benefits (Anti-detriment Payment)**

Where a superannuation fund pays a death benefit to a deceased member's dependants or a deceased member's estate for the benefit of dependants, the Fund may pay an increased death benefit. The increased amount is based on the amount that would be payable if contributions tax had not been included in the assessable income of the Fund.

A Fund which pays this increased amount is allowed a deduction for the grossed up amount of the increase (not the whole amount of the death benefit) provided it has always been a complying superannuation fund. In practice it is difficult for a SMSF to pay this type of benefit as it requires the availability of reserves to fund the payment. One way of ensuring the payment is to ensure that any death cover on the member is payable, not to the member's account, but to a reserve. Reserves can be created over time for this purpose. The trust deed wording is vital.

## **Death Benefit Nominations**

You may nominate to have your benefit paid to a dependant or your estate in the event of your death. Dependants include:

- your spouse (married or de facto);
- your children of any age (including adopted, step and ex-nuptial and adult children);
- any other person financially dependant on you at the time of your death;
- any person living in an interdependent relationship.

Dependants for this purpose (SIS) do not include an ex-spouse though an ex-spouse is regarded as a dependant for tax purposes whilst adult independent children are not.

The definitions of 'spouse' and 'child' in the Superannuation Industry (Supervision) Act 1993 have been amended to ensure equal treatment between opposite sex and same sex de facto couples and their children. This is effective from 1 July 2008.

From 1 July 2008 amendments to tax law will allow a same sex de facto partner and a child of a same sex relationship (under the age of 18) to qualify for the same death benefit tax treatment that applies to opposite sex partners and their children.

There are two types of nominations – binding and discretionary.

### **Binding Death Benefit Nomination**

This nomination is binding on the Trustees. Subject to certain conditions the Trustees must pay the benefits on death as directed. The nomination must be renewed every three years unless the Deed allows otherwise and the nomination states that it is non lapsing. The Trazact Super SMSF Trust Deed incorporates a non lapsing Binding Death Benefit rule.

The Binding Death Benefit Nomination can only include SIS dependants and/or the Legal Personal representative of the Estate. We recommend that you seek professional advice.

### **Discretionary Death Benefit Nomination**

A discretionary nomination is not binding on the Trustees.

### **Tax implications of nominations**

The tax consequences of a nomination can vary depending on the choice of beneficiary. The type of nomination you make may impact the amount of tax payable, if any. Before making a nomination you should seek advice from a suitably qualified professional to ensure any nomination you make will meet your estate planning objectives and suit your particular circumstances.

### **What happens if you don't make a nomination?**

If you don't nominate a beneficiary or your binding beneficiary nomination expires the Trustees have the discretion to determine the recipients of your benefits in accordance with Superannuation laws.

## Death Benefit Issues

A death benefit paid from a pension fund cannot be rolled over, except by a spouse. It will be tax free if paid to a tax dependant. Tax at 15% will be paid by beneficiaries who are not tax dependants on the "Taxable Portion" of the death benefit.

On the death of a member a lump sum benefit can be paid to any class of beneficiary. Lump sums may be tax free or fully or partially taxable depending on the components they contain and the class of beneficiary. Death benefit pension benefit availability is limited to certain beneficiary classes only.

Beneficiary Class	Death Benefit Pension Available?	Death Benefit Lump Sum Available?	Death Benefit Lump Sum Tax Free?
Spouse	Yes	Yes	Yes
Child under 18	Yes to Age 25	Yes	Yes
Child 18-25 financially dependant	Yes to Age 25	Yes	Yes
Child 18-25 interdependent	No	Yes	Yes
Financially dependent Child 25+	No	Yes	Yes
Interdependency 25+	No	Yes	Yes
Independent Child 18+	No	Yes	No
Child 18+ & substantially disabled	Yes	Yes	Yes

## Reserves

A reserve or surplus is where the net market value of the assets of the fund exceeds the Tranzact of member's account balances. All reserves are subject to 15% tax on income and realised growth.

The various types of reserves are often known by more than one name thus a general reserve may also be known as a miscellaneous reserve or a foregone benefits reserve, a pension reserve as a solvency reserve or a mortality reserve and an investment equalisation reserve as a smoothing reserve.

A miscellaneous reserve holds funds not credited to any other reserve. It is most commonly used to receive insurance proceeds or excess amounts from a pension reserve. A pension reserve is used to ensure the payment of long term pension liabilities. Its size is set by an actuary. An income equalisation reserve holds "excessive" returns.

Reserves are not part of any member's account until allocated by the trustee of the fund. On death the trustee of the Fund may allocate some of the miscellaneous reserves in the Fund to a dependant. Otherwise the reserves will stay in the Fund for potential allocation to other members of the fund. Allocation of reserves to members will count towards certain contribution caps.

Reserves may also be used to pay

- administration and advisory fees;
- member's contributions tax or super surcharge liability;
- life insurance and disability insurance premiums;
- death and disability payments in respect of members;
- funding an Anti-Detriment payment.

Care should be taken in crediting a member's account with the proceeds of reserves as they may be counted against the member's concessional contribution caps.

## **Investment Strategy**

The Trustee is required to formulate and implement an Investment Strategy for the Fund which should take into account:

- the risks involved in making, holding and realising investments;
- the likely return from investments;
- the diversity of investments (this is taken to mean basic diversity over a number of investments rather than necessarily across a number of different asset sectors);
- the liquidity and cashflow of the investments;
- the time the members have until they retire;
- the fund's cash flow requirements;
- the investment risk tolerance of the members.

Once formulated, the investment strategy should be signed off by the Trustees and reviewed regularly. All investment decisions and transactions must be governed by the strategy. There is no "standard" correct investment strategy. Tranzact Super does not provide assistance with the development of an investment strategy. The trustees may consider obtaining expert investment advice from a licensed investment adviser in this regard. A copy of the current investment strategy must be supplied for the yearly audit. The investment strategy may be varied at any time. The auditor is obliged by the tax office to determine that a current investment strategy exists and that the fund has invested according to that strategy.

The strategy must take due consideration of the rules of the fund as laid down in the trust deed as well as Australian Superannuation law, as amended from time to time. Under certain circumstances an investment may need to be reversed by the Trustee if such an investment has the ability to jeopardise the compliance of the Fund.

### **Available investments**

The Fund may invest in assets in accordance with the investment strategy. Subject to the trust deed assets may include Australian listed shares and managed investments, Australian and international unlisted shares and trusts, listed international shares, instalment warrants, derivatives, residential and commercial real property, business real property, collectibles including wine, artwork, antiques and coins.

## **Investment rules**

### **Lending to a member**

The Trustees of the Fund must not lend the Fund's cash or assets to a member or relatives of a member. To do so is a serious breach of the sole purpose test.

### **Acquisition of assets from related parties**

The Trustees and investment managers must not acquire assets on behalf of the Fund (subject to certain exceptions listed below) from the members, their relatives, or any entity controlled by the members or their relatives. Should such an acquisition take place it must be reversed at no cost to the Fund. It does not merely become an "in house asset".

Exceptions:

- securities listed on an approved stock exchange;
- business real property (up to 100%) – funds with fewer than 5 members only;
- widely held unit trusts;
- upon merger of regulated super funds;
- an approved banking deposit;
- certain life insurance policies;
- an arm's length investment in a Pooled Superannuation Trust;
- an in-house asset within allowable limits not being a loan to a member or relative.

## Investments to be on 'arms length' basis

The Fund's investments including those involving related parties must be on 'arms length' terms. That is, investments must be entered into and maintained on a proper commercial basis. The purchase or sale price of an investment should generally be at market value and the income received from that investment should also reflect a true market rate of return.

## In-house assets

An "in-house asset" is a loan, an investment in, or lease of, an asset by the fund to a related party of the Fund. Under Superannuation laws, the limit for in-house assets is 5% of the market value of the fund's Tranzact assets.

Notwithstanding the above the Fund cannot lend to a member or relative of a member.

In-house assets are often confused with acquiring an asset from a related party. It is important to make the distinction between the two. In-house assets are generally investments or leases between the superannuation fund and a related party of the Fund. This is in contrast to the acquisition rules, where the superannuation fund is acquiring (or obtaining) the asset from a related party. The acquisition rules are tested at a point in time, whereas the in-house asset rules are tested continuously. A Self Managed Superannuation Fund is permitted to hold in-house assets, however the fund is limited in the amount of the in-house assets it can hold. (This is in contrast to the acquisition of asset rules where there is no tolerance or allowable limit).

## Borrowing by superannuation entities

The Fund is prohibited from borrowing money, subject to very limited exceptions. This rule is designed to prevent benefits being exposed to the additional risk which leveraging brings.

## Administration of the Fund

### Administration Agreement

Tranzact Super administers the Fund under the terms of the Administration and Compliance Agreement. **Please ensure you read it carefully.** Under this agreement Tranzact Super is appointed by the Trustees as the administrator to manage and administer the Fund on a day-to-day basis. The Fund may be established under the comprehensive and flexible trust deed provided via Tranzact Super. If it is not then certain Fund functions and options mentioned in this PDS may not be available.

The Trustees are required to formally document the investment strategy of the fund. The investment strategy is subject to certain restrictions imposed on superannuation funds by Superannuation laws. The Trustees are required to make all investments in accordance with the documented investment strategy. The Fund's financial adviser may assist the Trustees in determining the investment strategy to best suit the members' needs.

The Trustees are responsible for monitoring investments, strategies and objectives, and supporting systems to ensure compliance and to minimise risk. The Trustees will always retain control of the Fund's bank accounts and as such will make all deposits and payments in relation to the activities of the Fund. This includes, for example, the member contributions, investment income and proceeds from sale of investments, as well as pension payments, tax payments and payments for purchases of investments. The Trustees will need to provide transaction receipts, written confirmations and bank statements to Tranzact Super in order for these transactions to be reflected in the financial records of the Fund.

Tranzact Super, as the Fund's administrator, may enlist the services of other service providers from time to time and has negotiated ongoing relationships with service providers for the provision of trust deeds, audit, actuarial services and certain administration functions. As the agent of the Trustees Tranzact Super will engage service providers as necessary.

Tranzact Super will charge the Trustees a fee for these services as per Tranzact Super's Fee Schedule and some or this entire fee may be paid to the service providers. Tranzact Super may change its service providers from time to time without notice to the Trustees.

The Trustees are free to select insurance and arrange for premiums to be paid. The Fund's financial adviser may assist the Trustees in selecting an appropriate level of insurance cover to meet the needs of members.

## **Taxation Matters**

Attendance to preparation of the Fund's SMSF Annual Return and required Activity Statements will be attended to by Tranzact Tax Services Pty Ltd. Further, any advice provided with respect to income tax matters will be provided by Tranzact Taxation Services Pty Ltd.

Tranzact Taxation Services Pty Ltd is a related company of Tranzact Super and has been established for the sole purpose of providing taxation services for SMSFs who have engaged the services of Tranzact Super. Tranzact Taxation Services Pty Ltd is a Registered Tax Agent and utilises the resources, including system; procedures; manuals and staffing of TS in its duties.

When a fund engages Tranzact Super to attend to its administration and compliance requirements Tranzact Taxation Services Pty Ltd will be appointed as Tax Agent for the fund by the trustee(s) signing a Client Update CU Form. The signed Client Update CU Form will be used to add the fund to the Tax Agent Client List for Tranzact Taxation Services Pty Ltd.

As a Registered Tax Agent Tranzact Taxation Services Pty Ltd is required to advise clients of their rights and obligations that are relevant to the tax agent services. These rights and obligations include (without limitation):

- an explanation of the nature of self assessment, including the Commissioner's ability to amend an assessment within a certain time of the original assessment;
- a client's obligation to keep proper records and the consequences of not doing so;
- that the responsibility for the accuracy and completeness of the particulars and information required to comply with the laws relating to taxation rests with the client; and
- where necessary, the rights or options available to clients including how to seek a private ruling and how to object or appeal against adverse decisions made by the Commissioner.

These rights and obligations are expanded as follows:

### **Self Assessment**

Self-assessment means the Tax Office uses the information you give on your tax return and any related schedules and forms to work out your refund or tax liability. The ATO does not take any responsibility for checking the accuracy of the details you provide, although the ATO's system automatically checks the arithmetic. As a consequence, a greater onus is placed on taxpayers to ensure that income tax returns are accurately prepared and contain no misleading statements or information. All taxpayers may expect some attention from the Australian Taxation Office about their past taxation affairs. The penalty for any errors and omissions detected at that time may assume large proportions if several years have passed since the income tax return was lodged and assessed.

The ATO may amend an assessment up to four years (or two years for shorter period of review taxpayers) after tax became due and payable under the assessment. Where anti-avoidance provisions apply, the period is extended to six years. Where the avoidance is due to fraud or evasion, there is no time limit on amending the assessment.

### **Obligation to Keep Proper Records**

A taxpayer has obligations under self assessment to keep full and proper records in order to facilitate the preparation of accurate returns. Further, such records are required to be produced in the event of an audit by the Tax Office. Failure to produce the relevant records may result in

amendment by the Tax Office resulting in a tax debt upon which penalties and interest may be imposed.

### **Responsibility for Accuracy and Completeness**

The responsibility for the accuracy and completeness of the particulars and information provided by you rests with the Fund trustee(s). Your attention is drawn to the following important considerations to ensure the correctness of the return:

- That income from all sources have been disclosed;
- That all deductions claimed can be justified and can be substantiated by the required records and receipts; &
- That all statements are correct and complete.

If an answer to a question or any statement made in an income tax return or an attached schedule appears to be incorrect, incomplete or misleading, please provide the information needed to amend the return. Penalties may be imposed in an assessment for an incorrect return under the Income Tax Assessment Act 1936 and/or the Income Tax Assessment Act 1997 for up to double the amount of additional income tax subsequently assessed. These penalties may apply even if the error was made innocently. Alternatively, in more serious cases, prosecutions may be instituted under the Taxation Administration Act 1953 and fines imposed by the Courts, if convicted.

### **Right to Seek Private Ruling; Objections and Appeals**

Advice given is restricted to superannuation and income tax compliance. Any such advice given to a Client is only an opinion based on the knowledge that we possess of the Client's particular circumstances.

The advice is based on legislation as at the date that it is provided. It is always possible there will be changes in the legislation at some future date. We are not in a position to comment on the likelihood of or the possible scope of those changes.

As a taxpayer, your fund also has the option to seek a private ruling, in relation to Income Tax matters or SMSF Specific Advice, in relation to self managed superannuation fund compliance matters, from the Australian Taxation Office on the matter.

A private ruling states in writing how the income tax law applies, or will apply, to your specific fund circumstances. To get a private ruling a written letter must be sent to the Tax Office, describing the facts of the fund's actions and circumstances and ask for a ruling about how the tax law applies to the fund in relation to those facts.

SMSF Specific Advice sets out the Commissioner's opinion about the way the superannuation law applies, or would apply, to your SMSF in relation to a specified scheme or circumstance. Again, to obtain a SMSF Specific Advice from the ATO application must be made on the relevant application form.

The ATO aims to respond to the request for a private ruling or a SMSF Specific Advice request within 28 days of receiving application. If insufficient information is provided with the ruling request for the ATO to form an opinion, they will need to write and ask for more information. When this happens, the request for the private ruling or SMSF Specific Advice usually takes longer.

If you disagree with certain Tax Office decisions, the law gives you the right to object and have the decision reviewed. Decisions you can object against include assessments, amended assessments, and some private rulings. You should consider lodging an objection if:

- you disagree with an assessment or decision you have received from the ATO
- there is a dispute over how the ATO has interpreted the law, or
- you are uncertain about your interpretation of the law.

When the ATO gives you their decision, they explain how you can get the decision reviewed and tell you the time limits that apply in requesting a review.

## **Transferring the administration of the Fund**

### **To Tranzact Super**

Transfer of an existing fund to the Tranzact Super compliance and administration system is deemed to take place from the date of the last audited accounts. As a minimum Tranzact Super requires a copy of these accounts, evidence of all transactions from that date, the cost base of existing investments and the Fund records generally. We will then advise what further items are required, if any. We do not automatically require an existing fund to update its deed however we do not guarantee that a deed, other than one we have provided, can provide all the SMSF features mentioned above.

### **From Tranzact Super**

The Trustees can transfer the administration of the Fund from Tranzact Super to themselves or another nominated administrator at any time subject to the Administration Agreement by giving 30 days notice in writing.

Tranzact Super will need to agree to the necessary steps and timing with the Trustees. Depending on the timing and status of the fund several months may need to be allowed for the transfer to be implemented. The Trustees will also be required to pay fees and charges applicable to the Fund, including Tranzact Super administration fees, until the transfer is complete. If the end of the previous year's work is required with no processing of the current year's work then a one off fee is payable instead of the usual monthly charge. Details are shown in the administration agreement.

### **Winding up the Fund**

The Trustees can wind up the Fund at any time. This will generally involve disposal of all the Fund's assets and either rolling over all member benefits to another complying superannuation fund or making final benefit payments to the members. Disposal of the Fund's assets will realise capital gains and/or losses in the fund which, along with fund income, may become taxable. The Trustees will be required to pay fees and charges applicable to the Fund, including Tranzact Super administration fees, until the wind up is complete. Depending on the timing of the request to wind up the Fund and the ATO lodgement requirements, the wind up of the Fund could take several months.



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