

ULTIMATE

REAL ESTATE SUCCESS
COACHING PROGRAM

SESSION FOURTEEN

Superannuation





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SELF MANAGED SUPERANNUATION

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We can help with:

- Superannuation Advice and Consolidation
- Assessing the viability of a SMSF for you
- SMSF set up and implementation
- Ongoing Superannuation/SMSF Advice and Management

General Advice Disclaimer


This presentation provides general information only. Before making any financial or investment decisions, we recommend you consult your qualified Financial Planner and Accountant to take into account your particular investment objectives, financial situation, taxation concerns and individual needs.

Taxing Superannuation
The big advantage

Super in **accumulation phase** before retirement:

- Income Tax – 15%
- Contributions Tax – 15%
- Capital Gains Tax – 10% (15% but 2/3 assessable)



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Taxing Superannuation
The big advantage

Super in **pension phase** after retirement:

- Income Tax* – 0% (over 60)
- Contributions Tax – 15%
- Capital Gains Tax* – 0%

*Subject to the 2016 Budget introduction of a \$1.6m Pension Cap



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Accumulation and Pension Phase

Accumulation 15% tax on Income	Pension No tax on income (Retired over 60)
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Pros and Cons of SMSF's

Advantages

- Greater control
- Wide investment choice
- Estate planning flexibility
- Can borrow to invest (earnings subject to limits)

Drawbacks

- Significant trustee and compliance obligations
- Timeliness of administration
- Investment management
- Generally require at least \$200,000 - \$500,000 to be cost effective

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The Structure

TRUSTEE
(Should be a SPV Company)

SMSF


MEMBERS
Maximum of 4 Members

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Self Managed Super Funds

- How much do you generally need?
- What's the process to set up a SMSF?
- How long does it take?
- How much does it cost? (To set up and to operate?)
- Who can have one?
 - 18 years, max age to set one up?
 - Maintaining Australian Tax Residency?
 - Bankrupts, previous convictions (fraud etc) ?




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SMSF Statistics

- SMSF's represented around 32.4% of the \$2.2 trillion superannuation assets holding over \$650 billion
- Number of SMSF's are now close to 600,000 funds with over 1.1 million members
- Average SMSF balance now exceeds \$1.1 million and average member balance is roughly \$594,000
- Majority (75%) of SMSF's have individual trustees
- LRBA's represent approx 4.4% of the total assets in SMSF's

Source: APRA latest statistics as of February 2017





Legislative Changes




New Super Reforms 2017

Effective 1 July 2017

- Additional contribution tax of 15% for individuals earning in excess of \$250,000 per annum
- Removal of tax exemptions of assets in transition to retirement pensions
- Removal of the 10% income rule (greater flexibility to make contributions).





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New Super Reforms 2017

Effective 1 July 2017

- Catch up concessional contributions on a rolling basis for 5 years for those with balances < \$500,000
- \$1.6 million cap on transfers from accumulation to pension phase for individuals.
- Changes to Concessional and Non-Concessional contribution limits



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What can I Contribute?

Two types of contributions:

1. Concessional (tax deductible) verses
2. Non Concessional (non tax deductible)

Concessional
General Cap (all ages) - FY 2017/18 - **\$25,000**

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What can I Contribute?

Non Concessional - Effective 1 July 2017

- 2017/18 FY onwards \$100,000 per annum (until the member balance reaches \$1.6 mil)
- "Bring forward Rule" allows you to bring forward a further 2 yrs of Non-Concessional Contributions

Sale of a Small Business Active Asset

- Retirement exemption – Lifetime Limit **\$500,000**
- 15-year asset exemption - **\$1,415,000** (2017 FY)

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How can I Contribute?

Concessional:

- Superannuation Guarantee – 9.5% as of 2016 FY (will ratchet increase to 12% from 2020-2025)
- Salary Sacrifice as an employee
- Director Salary Sacrifice
- Lump Sum Contribution (Self employed)

Non Concessional:

- Lump Sum Cash Contribution
- In Specie Asset Contribution




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In-Specie Contributions

- Contributions to your fund in the form of an asset other than money.
- What assets are allowed to be in-specie contributed to a SMSF:
 - listed shares and securities
 - business real property (land and buildings used wholly and exclusively in a business).



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Excess Contributions

Excess Contributions will no longer incur the excess contributions tax of 46.5%

- Excess concessional contributions are treated as non-concessional contributions and taxed at your marginal tax rate with an excess concessional contributions charge
- Excess concessional contributions may be refunded back to you with release authority provided by the ATO
- If the excess is above the non-concessional limits and the member leaves the excess in the fund the fund will continue to be taxed at the top marginal tax rate (46.5%)

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Excess Contributions

ATO can issue fines of up to \$10,800 per penalty to the Trustee
 Examples – *these are only some penalties*

- Failure to prepare financial statements \$ 1,700
- Providing financial assistance to members \$10,800
- Failing to comply with ATO education directive \$ 850
- Contravention of the in-house asset rules \$10,800
- Failing to keep trustee minutes for at least 10yrs \$ 1,700

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When can you get access to your Superannuation?

Three main events:

- Reach age 65
- Reach Preservation age and retire
- Use a transition to retirement strategy (limitations apply)



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When can you get access to your Superannuation?

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 - 30 June 1961	56
1 July 1961 - 30 June 1962	57
1 July 1962 - 30 June 1963	58
1 July 1963 - 30 June 1964	59
From 1 July 1964	60

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Can a Super Fund Pay For?

- Set up of the Fund?
- Insurance?
- Remuneration payments to Trustees?
- Training expenses to train Trustees?
- Personal expenses or anything that provides a current benefit?

SMSF SOLE PURPOSE TEST

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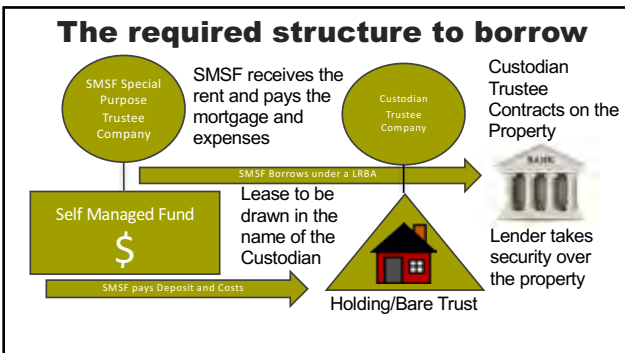
Buying property with your SMSF, what can be done?

With Borrowings

Without Borrowings

What Can I Do With My SMSF?

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Considerations for Borrowing in SMSF

- Time frames
- Max LVR's
- Interest rate
- Structure / Cost

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Unit Trusts and SMSF's


- Un-Geared (controlled) Unit Trust - 'related parties'
No borrowing on the property owned in the Unit Trust
- Geared (uncontrolled) Unit Trust - 'unrelated parties'
SMSF and members related parties/entities must not hold more than 50% ownership or exercise control/influence
*What is the level of control or influence?

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Why do Property in Super?

- Freddie has \$300,000 in Super
 - Current earning on Super Fund 5%
 - Annual fees of 1.5%
 - Currently contributing \$15,000 /yr
- Why should Freddie give this up to buy a investment property in a SMSF with all the extra costs?



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\$439,000
Property type: Semi-Detached
Suburb: NAMBOUR
Land area: 782 sqm
 Rent \$720/wk

Currently achieving a weekly rent of \$720 per week which equates to over \$37,000 per year, this prime property would be an ideal superannuation income investment. With 3 flats; being 3 bedrooms, 2 bedrooms and 1 or 2 bedrooms. Located in the centre of bustling Nambour, adjacent to train station and bus terminal. Short walk to shops, hospital and schools.

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SOUTH WEST HIGHWAY FRONTAGE – Brunswick WA
 \$500,000
 Rent \$54,000 pa
 High Yield Investment
 Fantastic Exposure on the South

Large property of 2,024 square metres of land with about 850 square metres of building. The owner has just signed a new lease with the tenants, a long standing business in the area, earning a return of 10.9%. Priced at only \$500,000 as a Going Concern

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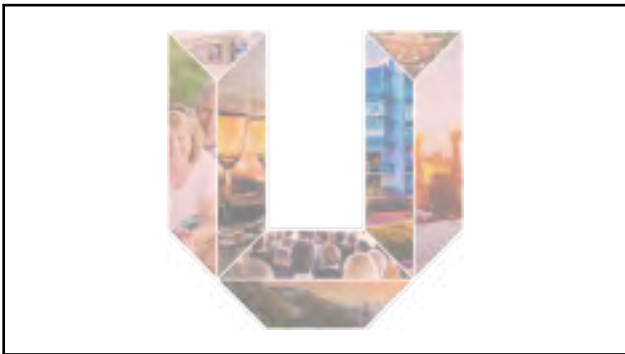
Should you build wealth inside Super or external to Super?

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WIZDOM Advisory
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