



The rise of self managed super

Self managed super funds (SMSF) offer benefits to experienced investors, but they're not for everyone.

Interest in self managed super is showing no signs of waning, as more and more people seek advice on setting up and managing their own funds.

At the end of March 2011, SMSFs accounted for 31.9% (over \$420 billion) of all of Australia's superannuation assets. Ten years ago, it was just 10%. So what's all the hype ... and is a SMSF right for you?

Setting up & running a SMSF

The attraction of SMSFs is understandable. They can offer various benefits over other funds, including greater investment control and the flexibility to structure your fund to suit your requirements.

An SMSF can allow you to invest directly in properties of your choice which cannot be achieved through retail or wholesale super.

However, they're not for everyone.

As all members within an SMSF must be trustees of the fund, you are responsible for every stage of its lifecycle, from setting up the fund and investing contributions through to annual audits and payment of member benefits.

Often trustees find these obligations confusing and time-consuming and if they aren't vigilant then they risk non-compliance and substantial tax penalties.

The Australian Taxation Office (ATO) and the Australian Securities & Investments Commission (ASIC) highlight several factors to consider if you want to manage your own super:

Seek professional advice

- Accountants can advise on the establishment, operation, structuring and valuation of an SMSF.

- Your financial adviser can consider your personal situation and provide advice on the fund's investment strategy.

Consider your obligations

- Make sure you have enough assets, time and appropriate skills to make investment decisions and meet your obligations as a trustee of your fund.

Understand the risks

- Avoid risking all your retirement savings in one or a few investments.

Invest appropriately

- Your investment strategy needs to take into account the personal circumstances of all the fund members including their age and attitudes to risk.

Meet your reporting and auditing obligations

- Report changes in certain aspects of your fund to the ATO as they happen and you also have annual reporting obligations.

COMMON HEADACHES FOR SMSF TRUSTEES

1. Responsibility and keeping up with all the paperwork

As a trustee of the fund, you're legally responsible for all decisions made – even when you've sought professional help.

2. Staying up to date with legislation

According to the ATO, more than 65,000 tax payers breached the concessional contribution cap in 2009-10, resulting in substantial tax penalties, so it pays to keep an eye on your contributions.

3. Achieving good investment returns

As at December 2010 SMSFs overall held 27% of fund assets in cash and term deposits, yet SMSFs with balances of \$50,000 – \$100,000 held 44% of fund assets in cash.

4. Keeping up with the rules

The personal use of SMSF funds for holiday homes, art to decorate your house and your golf club membership almost certainly won't comply!

Understand your auditing obligations

- You need to appoint an approved auditor, who will provide you with an annual report on your SMSF and report to the ATO if your fund has breached any super rules.

Ultimately, whether a SMSF is right for you depends on the amount you have to invest, what you want to invest in, the time you have available to administer your fund your investment experience and knowledge of how to run a SMSF.

If you already have a SMSF and need help with your investment strategy, or are thinking about starting a SMSF, please make an appointment with your financial adviser.

Your brain matters

Keep your brain healthy and active and it should last a lifetime.

As we age, we hear a lot about getting our bodies into shape to avoid things like diabetes and arthritis, but the brain is given far less attention.

Consider the following tips to improve your long-term brain health.

1. Stay in shape

After many years in the workforce or managing a household, a drop in mental activity can kick-start dementia and other physical ailments. Exercise and challenge your brain by:

- Calculating manually instead of electronically.
- Swapping TV for a book or mind games.
- Taking up a new hobby, learning a musical instrument or studying a new language.

2. Eat well

Like any high-performance machine, the brain needs top quality fuel. Here's what you can do:

- Stick to a well-balanced, low cholesterol, low saturated fat diet.
- Protein and unsaturated fat are especially important for developing brains, so increase your intake of fish and other sources of omega-3 fatty acids.
- Include plenty of anti-oxidant vitamins C and E, which are found in colourful fruits and vegetables – think blueberries, broccoli and sweet potatoes.
- Reduce calories to help slow age-related brain changes, but never skip breakfast.
- Drink plenty of water and enjoy caffeine and alcohol in moderation.

One essential fuel for keeping brain cells alive and functioning is glucose, which provides vital brain cell-building energy. When your concentration wanes in the afternoon, eating fruit can make all the difference.

3. Get physical

Exercise is an essential anti-ageing medicine that not only helps to prevent Alzheimer's, but almost every other age-related disease.

It's a natural antioxidant, anti-inflammatory and stress buster, and can help you sleep better, lower your cholesterol and lower your blood sugar and insulin levels.

You should aim to exercise at least 4 times a week, so pick something you enjoy. It doesn't have to be high impact so consider activities such as walking, yoga, bike riding, swimming and dancing.



4. Stay relaxed

There's increasing evidence that stress actually damages the brain. When we're anxious, our brain produces a hormone called cortisol which damages brain cells in the hippocampus – one of our memory centres – and contributes to over 95% of all illness.

Introducing activities to reduce stress, such as exercise, massage, yoga or tai chi, can help to preserve nerve cells and maintain mental abilities.

Sleep allows the brain to repair itself and boosts the immune system, so try to stick to a regular sleeping pattern and get 7-8 hours per night.

Like to know more?

If you'd like to know more about maintaining a healthy brain, please consult your doctor.

Don't forget to get checked regularly for blood pressure, diabetes, heart rate and cholesterol.

For more information visit The Brain Foundation at www.brainfoundation.org.au

Source: The Brain Foundation