



WHAT DO I HAVE TO DO TO IMPLEMENT A DIY SUPER SOLUTION FOR MY CLIENT?

A GUIDE FOR FINANCIAL ADVISERS

INTRODUCTION	2
STYLES OF FUND	2
RELEVANT COMPONENTS IN THE SET UP PROCESS	2
<i>New Funds</i>	2
<i>Existing Funds</i>	2
DECIDE ON APPROPRIATE FUND FOR THE CLIENTS' NEEDS	3
THE SELF MANAGED SUPERANNUATION FUND (SMSF)	3
THE SMALL APRA FUND (SAF)	3
PRESENTING THE FUND TO YOUR CLIENTS	4
SMSF	4
1. <i>Provide Product Disclosure Statement(s)</i>	4
2. <i>Complete the Application Forms</i>	4
Adviser fees	4
Cover page	4
Additional information for existing funds	4
Fund Application Form	5
Authority Form	5
Direct Debit Form	5
Fee summary	5
Investment Strategy Form	5
Member Application Form(s)	6
Rollover Request Forms (cash in or in specie)	6
3. <i>Compile additional information if fund is an existing one</i>	6
As a minimum we require	6
If you want the deed to be reviewed	6
4. <i>Bank Account (new fund)</i>	6
If using Macquarie CMT	6
If using other bank account	6
5. <i>Explain to your clients the most common reasons for delays in establishing your fund</i>	7
HOW TO ENSURE YOUR REQUESTS GET ACTIONED ASAP	7
<i>At Application Time</i>	7
Cover Page	7
Additional Information for existing funds	7
Fund Application Form	7
Authority Form	7
Direct Debit form	7
Fee Summary	7
Investment Strategy Selection Form	7
Member Application Forms	7
Rollover Form	7
Previous records (existing funds)	7
Welcome Kit	7
<i>Post Application Time</i>	8
Contributions in specie	8
Investment details	8
Contributions	8
Quarterly Investment Strategy warnings	8
Changes to address or other contact details	8
Death Benefit nominations	8
Non-Freehills trust deeds used	8
New members	8

Styles of fund

We provide administration services for 2 types of fund:

1. [Self Managed Superannuation Funds](#) ("SMSFs") where the members, or a corporate trustee with the members as directors, act as trustees; and
2. [Small APRA Funds](#) ("SAFs") where an Approved Trustee acts as the trustee

SMSFs come under the supervision of the Tax Office and expose the trustees to liability for all the actions of the fund. SAFs come under the supervision of APRA. Unlike SMSFs the appointment of an Approved Trustee makes the Approved Trustee liable for all the actions of the fund thereby providing an extra level of protection to the members of the fund. This is particularly useful for those who are not prepared to take on all the compliance responsibilities for their fund.

We are currently restructuring the procedures for SAFs so have not included specific instructions regarding these. Please contact us direct if you wish to use a SAF.

Relevant components in the set up process

The major areas that come into account in the set up/takeover process are:

NEW FUNDS

1. Establish the [trust deed](#)
2. Prepare the establishment minutes, member acceptance, and acceptance of trusteeship documents.
3. Establish an investment strategy for the fund and relevant acceptance minutes.
4. Prepare minutes to establish death benefit nominations
5. Prepare documentation appointing auditor, administrator and investment manager as appropriate.
6. Register the fund with the tax office for ABN and TFN – this can take up to 6 weeks.
7. Arrange for any rollovers from other funds/investment institutions. Rollover institutions will not allow this to be done until the ABN is available.

EXISTING FUNDS

1. Organise for review and/or amendment of the existing deed by our preferred legal firm if required.
2. Carry out general review of the fund for compliance, including:
 - a. Review of fund documentation (minutes, consents, appointments, application forms etc) for completeness and prepare any missing documentation.
 - b. Trustees appointed in accordance with deed.
 - c. Members admitted in accordance with deed.
 - d. Correct number of members/trustees.
 - e. Holding permitted investments.
 - f. No loans.
 - g. Investment strategy established and regularly reviewed.
3. Ensure that fund is transferred from the previous administrator and made functional as quickly as possible. To do this we need all the additional information outlined on the application forms.
4. Prepare documentation appointing auditor, administrator and investment manager as appropriate.
5. Register us as the contact point for the fund with the tax office for ABN and TFN.
6. Arrange for any rollovers from other funds/investment bodies.

We control the process with a [new fund control sheet](#) to ensure all actions are carried out and signed off.

New funds/takeovers remain in our new business area until all the above tasks have been done. A [regular update](#) (usually weekly) is sent to the client and/or adviser listing the current status of the set up process.

DECIDE ON APPROPRIATE FUND FOR THE CLIENTS' NEEDS

You should decide with your clients as to whether a SMSF or a SAF is most appropriate for their needs.

The Self Managed Superannuation Fund (SMSF)

A SMSF is a fund with four or less members that meets the definition of an SMSF in Section 17A of the Superannuation Industry (Supervision) Act 1993 (SIS Act). An SMSF is regulated by the Australian Taxation Office (ATO).

The following are benefits an SMSF has over a SAF:

- The trustees have direct access to the cheque book of the fund so can act promptly if required. With a SAF you have to instruct the Approved Trustee who will then write out the cheque.
- You have more direct input into the functioning of the fund.

Ideally an SMSF structure is suited towards the following type of investor:

- Has the skills, and is happy, to act as the trustee.
- Is happy to retain responsibility for the management and compliance of the fund.
- Can ensure that the title to the assets is held in the fund's name and is not mixed up with their own assets.
- Can ensure that the income and expenses of the fund are kept entirely separate from any personal income and expenses.

The Small APRA Fund (SAF)

A SAF is an alternative to a SMSF but is regulated by the Australian Prudential Regulation Authority (APRA). The key similarities between a SAF and an SMSF are as follows:

- Funds have 4 or less members.
- Members direct the trustee regarding investments and have full control over the fund's investment strategy

The following are benefits a SAF has over an SMSF:

- A SAF ensures that the Approved Trustee (an independent professional trustee that has received approval from APRA and has the expertise to ensure continued compliance of the fund), and not the members, is responsible for the ongoing compliance and regulatory responsibility of maintaining the fund
- The Approved Trustee is responsible for the ongoing maintenance of the trust deed and ensuring the deed continues to comply with all legislative changes.
- A SAF allows employees and employers to be members of the same fund.
- A SAF, through an Approved Trustee, allows direct access to wholesale investment and insurance markets.
- A SAF allows for increased estate planning flexibility, particularly upon the death of a member.

Ideally a SAF structure is suited towards the following type of investor:

- Does not want to act as the trustee.
- Wants to be actively involved in the investment decisions of the fund only.
- Is happy to outsource the trustee function to an Approved Trustee.
- Does not want to worry about ensuring the compliance of the fund.
- Is happy to have the title of the assets in an Approved Trustee's name.

PRESENTING THE FUND TO YOUR CLIENTS

SMSF

1. PROVIDE PRODUCT DISCLOSURE STATEMENT(S)

By law superannuation trustees must provide prospective members with a [Product Disclosure Statement](#) (PDS) which outlines the features of the fund. To simplify this process we have produced a PDS for the trustees to use which also includes an agreement to use our administration service. The PDS covers such areas as:

- What is superannuation
- Responsibilities of the trustees and other parties to the fund
- Features of the fund including:
 - who can be a member
 - what types of contributions can be made
 - what investments can the fund make
 - what investment strategies can be adopted
 - how benefits can be accessed
 - the impact of taxation on the fund and member benefits
 - dispute resolution
 - potential risks
- Fees payable for administration of the fund and other services

The members must sign the [application form](#) to confirm that they have been given a PDS and are aware of the features of the fund as outlined in the PDS.

2. COMPLETE THE APPLICATION FORMS

Please ensure that the Application forms as follows are completed:

Adviser fees

A space is provided on [page 23](#) of the PDS (so the client can retain details of your charges) and on [Page 8](#) of the application forms (so we have confirmation of what you are charging). Would you please fill in both sections so we can retain signed confirmation of the fees the client has agreed to.

Cover page

This provides a [checklist](#) to help you determine whether you have included all relevant forms and other material. In addition it serves as a place to notify us of any other tasks that you would like done.

Please indicate your choice of auditor. While the fund is free to select its own auditor, Ure Lynam provide a discount rate due to the volume of funds which they audit. We would prefer you to use Ure Lynam as it is not efficient for us to have to communicate with hundreds of different auditors in different locations. In addition the Trustees need to be able to satisfy themselves that the auditor has the relevant qualifications and experience to perform audits for superannuation funds. Superannuation audits have different requirements to standard financial audits for companies.

Additional information for existing funds

Setting up existing funds is much more complicated than setting up a new fund as we need to obtain the whole fund history. This form provides a [checklist](#) for the client/yourself to use to ensure we obtain all the relevant information as soon as possible. The [cover page](#) provides us with the details of the former administrator/accountant so we can also follow up any outstanding information. If the information is not supplied promptly the set up and administration of the fund will be delayed.

- If you do not provide the ABN, TFN and establishment date it can delay the setup and transfer process. Please ensure that these numbers are for the FUND itself and not the TRUSTEE company as clients often confuse the two.
- If the fund has an existing corporate trustee you should check with your clients that all members are directors of the trustee company and vice versa.

Obtaining historical information is the area that usually generates the greatest delays in setting up a fund.

Fund Application Form

- Please ensure a [fund application form](#) is filled in and signed by the nominated representative (or adviser provided they hold an authority to do so).
- Please ensure the fund name is filled in.
- Please complete the preferred contact details – this is the person that all communications will be sent to. Written documentation will be forwarded by the preferred contact method (unless a paper copy is required by legislation).
- If the fund wants to use an existing company as trustee you should check with your clients that all members are directors of the trustee company and vice versa.
- Make sure you indicate any additional fees you may wish to charge the client.

Authority Form

Please ensure this [form](#) is signed by all members as it allows us to get in touch with all other parties to the fund:

- To obtain historical information, organise rollovers and speed up the transfer process.
- Assist with ongoing administration of the fund.

Direct Debit Form

- Please ensure that this [direct debit](#) is signed to ensure prompt payment of fees and commissions.
- Westpac did extensive due diligence on our business before issuing us with the facility to direct debit accounts so your clients can have no concerns from that issue.
- If your clients have any concerns, then write on the form “to a maximum of \$...” (an amount say 2 or 3 times the expected fee to allow a margin for growth or catch up fees).

Application forms will not be accepted if this form is not completed. You must ensure that the nominated bank account can accept direct debits.

Fee summary

- This is duplicated from the main body of the PDS to ensure we have a [copy](#) of the agreed fees.

Investment Strategy Form

- Please ensure an [investment strategy form](#) is completed for each fund (in the case of an existing fund, a copy of the existing strategy, provided it is still current, can be supplied instead).
- Explain to the clients the need for the fund to maintain at least \$5,000 or 5% of the fund in cash at all times to meet the expenses and taxes of the fund as well as satisfy the solvency requirements the trustees are required to sign off each year.
- If the fund wishes to invest in non-standard investments please detail what you want to do on the form or an attached document if there is insufficient room. We will advise you what you need to do in each specific case - generally the trustees will need to provide a rationale as to why the investment is suitable for the fund and develop their own investment strategy to implement it. You will generally need to work with the trustees to prepare these documents. A template for a non-standard investment strategy is included on each adviser disk.
- Please note that any investments can only be made in accordance with a stated investment strategy, the fund cannot just buy an investment because they think it is OK.

Many advisers think that they should set ranges for any possible investment the fund may make in the future. Do **NOT** do this as this makes any monitoring meaningless and does not indicate that the trustees have made due consideration of their investment strategy. For further information please refer to our document “Advisers Guide to setting an Investment Strategy” which is included on the adviser disk.

We will accept the adviser’s signature on the initial investment strategy or any variations to the investment strategy provided they hold an authority from the client. If the adviser has signed the form we will take it as understood that the adviser has such an authority in place.

Member Application Form(s)

- Please ensure a [member application form](#) is filled in and signed for each member, including child members.
- Please provide each member's Eligible Service Date. This is a key requirement as it determines the rate of tax that will be paid on any amounts drawn from the fund.
- Please ensure you tick the relevant box to indicate the member's Employment/Contribution status (to determine eligibility for membership).
- It is not critical to complete the beneficiaries section at application time as they can be advised to us at any time

Rollover Request Forms (cash in or in specie)

- These enable us to arrange for the transfer of funds from other super funds or rollover institution to the SMSF. Institutions will not generally pay a benefit unless an ABN is provided. For new funds it may take up to 6 weeks until we receive the ABN from the ATO. This is outside our control.
- Please complete a separate form for EACH rollover to be transferred. Generally investments in the other institution will be [cashed in](#) prior to being transferred, however you may wish to transfer the investments themselves into the fund - if this is the case please fill in the "[In Specie](#)" rollover form.
- These forms are for simple transfers only. Real estate and other assets are more complicated - please contact us for specific instructions for assets which fall into this category.
- Please note that any (capital gains) tax due on the "sale" is still payable by the transferor whether the assets are cashed in or transferred in specie.

3. COMPILE ADDITIONAL INFORMATION IF FUND IS AN EXISTING ONE

As a minimum we require

- Copy of the most recent Audited Accounts for the fund.
- Asset Register of the fund as at the date of the last accounts (list of assets by purchase date, number of units/shares and cost).
- Components of each member's account (undeducted, preserved etc).
- Copy of the most recent Income Tax Return for the fund.
- Copy of the most recent APRA Regulatory Return (for small APRA funds only).
- Bank Statements from the date of the last Annual Accounts to today.
- Purchase/sale/income statements for investments from the date of the last Annual Accounts to today.
- Copy of fund's original trust deed plus any amendments.
- Fund Minute Book.
- Existing Investment Strategy.

If you do not have all the information available initially you should still forward the application. We can process what you have and wait for or chase up the missing information.

If you want the deed to be reviewed

- Complete request to review existing deed included on the adviser disk and have the client sign it. The relevant fee will be direct debited to the fund's account when finalised.

The Trustees have to ensure that any deed not updated by Freehills to their standard is complying or is suitable for their needs.

4. BANK ACCOUNT (NEW FUND)

If using Macquarie CMT

- Print out and complete [Macquarie application forms](#) and 100 point check form and forward to Macquarie.
- Please ensure statement request is monthly at end of each month.
- Advise account details to us when available.
- We will organise for us to receive a second copy of statements.

If using other bank account

- Set up account with institution of choice.
- Please ensure statement request is monthly at end of each month.
- Advise account details to us when available.
- Ensure client knows they have to forward us a copy of the statements.

5. EXPLAIN TO YOUR CLIENTS THE MOST COMMON REASONS FOR DELAYS IN ESTABLISHING YOUR FUND

- Delays caused by the former accountant, administrator, Superannuation or Rollover Institution – these are outside our control. Our worst experience to date is 10 months.
- Missing information for an existing fund such as minutes, investment strategies, trustee acceptances, accounting records, investment records.
- Receiving a Tax File Number and ABN for a new fund – the Tax Office can take up to 6 weeks to issue these. This too is outside our control. No Rollover Institution will release funds without an ABN.
- Incomplete Application or Rollover Request Forms.

HOW TO ENSURE YOUR REQUESTS GET ACTIONED ASAP

AT APPLICATION TIME

Cover Page

- Tick off [checklist](#) to ensure you have completed all necessary forms.

Additional Information for existing funds

- Fill in ABN and TFN for existing fund.
- Tick off [checklist](#) to ensure you have arranged for all additional information to be forwarded to us.

Fund Application Form

- Fill in ABN/ACN/TFN for corporate trustee.

Authority Form

- Ensure signed by all members / trustees.

Direct Debit form

- Ensure that the bank account established for the fund accepts direct debits.

Fee Summary

- Ensure you have clearly recorded your fees.

Investment Strategy Selection Form

- Fill in sensible investment ranges (0-90 for all asset classes is unacceptable).
- Explain in detail “other assets” if part of strategy.

Member Application Forms

- Fill in Eligible service date.
- Fill in personal TFN.
- Fill in email address.

Rollover Form

- Make sure you fill in correct form – “cash in” or “in specie transfer”.
- Make sure you have an original signed form for **EACH** rollover.
- Ensure all details of rollover institution are provided (not empty form with signature).
- Provide copy of existing policy or investment certificate.

Previous records (existing funds)

- Ensure previous administrator/accountant provides all requested information and documents in a timely manner (trust deeds, accounts, tax returns, minutes etc).

Welcome Kit

- Ensure all documents (trust deeds, minutes etc) requiring signature are signed and returned to us in a timely manner.

POST APPLICATION TIME

Contributions in specie

- Make sure transfer is done to **"Name of Trustee(s)"** ATF **"XYZ Super Fund"** not just the trustee(s) name, especially when transferring real property.

Investment details

- If smartsuper's mailing address is not used for investments, bank statements, dividend statements etc ensure we receive copies of documents in timely manner, preferably electronically.

Contributions

- [Contribution notice form](#) to be completed with details of the components of the contribution (who for, tax status etc) and forwarded with each contribution made.

Quarterly Investment Strategy warnings

- When we [advise you](#) with the quarterly report that the fund is outside its investment strategy, make sure that a decision is made as to what to do to bring the investments back in line or alter the strategy.

Changes to address or other contact details

- Ensure we are updated in a timely manner.

Death Benefit nominations

- Ensure beneficiaries are eligible to be beneficiaries. Please refer to our guide when recommending beneficiaries to your clients to see if they are eligible. If they are not eligible the nomination is invalid.

Non-Freehills trust deeds used

- Ensure deed is compliant on ongoing basis.
- Ensure deed clauses allow you to actually implement your recommended strategies.
- Ensure types of members/contributions you want are permitted under the deed.

New members

- Ensure member is eligible to be a member/trustee/director of trustee company.