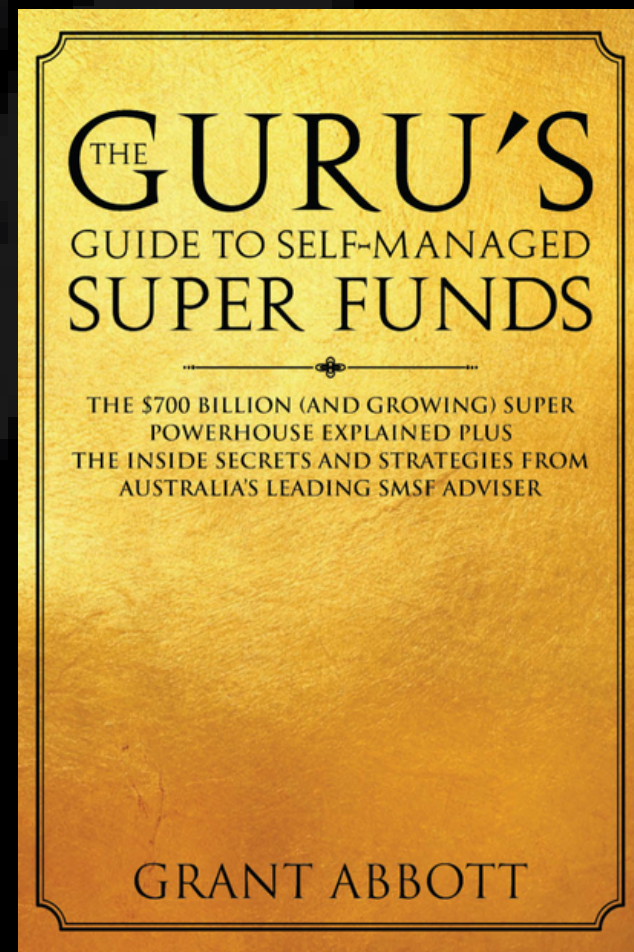


SMSF STRATEGIES



With Grant Abbott
SMSF Author, Presenter, Trainer
and Adviser



Accredited LightYear Training Courses

coming soon
"Badges"



2-3 Day Courses



SAPEPAA Accreditation Course

Mon, 13 Mar | Zoom Webinar

Tickets



Advanced Estate Planning Course...

Mon, 17 Apr | Zoom Webinar

Tickets



Family Advisory Board Accreditation

Mon, 15 May | Zoom Webinar

Tickets



SMSF Specialist Accreditation Course

Mon, 14 Aug | Zoom Webinar

Tickets



SAPEPA Accreditation Cour...

Self-paced | Rise

Tickets



Trusts and Companies Intensive

Time is TBD | Zoom Webinar

Tickets

I  **SMSF**

SMSFs have been a major part of my professional life for 30 years now and I have seen everything. They have had a good run but in 2016 Treasurer Morrison increased the rate of tax by 15% for pension funds with more than \$1.6M. The industry response to this retrospective tax was lukewarm to say the least

And if a pro-SMSF government can do this what are you expecting from an Industry Super Funds government?

Superannuation Statistics

November 2022



Overview

Type of fund	Total assets (\$billion)	No. of funds	No. of accts (June 2022)
Corporate	56	12	0.2 million
Industry	1,081	28	12.4 million
Public sector	634	32	3.0 million
Retail	633	82	6.6 million
Funds with less than 7 members	865	604,825	1.1 million
Balance of statutory funds	51		
Total	3,322		23.3 million

Source: APRA Statistics – Sep quarter 2022

Manner of investment (funds with more than six members)

Manner of investment	\$ billion
Directly invested	916
Placed with Investment Managers	1,185
Invested in Life Office Statutory Funds	13
Total assets	2,114

Source: APRA Statistics, Sep 2022.

Funds with more than six members

Sep quarter 2022	\$ million
Employer DB contributions	4,050
SG contributions	21,196
Salary sacrifice	1,940
Personal contributions	10,405
Net rollovers to SMSFs	1,052
Lump sum benefits	13,463
Pensions	10,327
Contributions taxes	3,921
Earnings tax	-3,243
Operating expenses	1,735
Net earnings	-15,063
Net growth	-904

Asset allocation (funds with more than six members)

Asset class	Amount (\$billion)	%
Cash	213	10
Australian fixed interest	231	11
International fixed interest	170	8
Australian listed shares	459	22
Listed property	56	3
Unlisted property	117	6
International shares	537	25
Infrastructure	165	8
Hedge funds	16	1
Unlisted equity	112	5
Other	31	1
Total	2,114	100

MySuper funds

Characteristics	Amount (\$billion)	%
Cash	30	3
Australian fixed interest	99	11
International fixed interest	56	6
Australian listed shares	167	19
Listed property	17	2
Unlisted property	61	7
International shares	237	27
Infrastructure	88	10
Hedge funds	0	0
Unlisted equity	54	6
Other	68	8
	878	100

Source: APRA Sep quarter 2022.

Aggregate contributions

	2020-21 (\$b)
Employer	104.0
Member & other	39.4
Total	143.4

Source: APRA Annual Statistics, June 2021

Accounts with insurance cover (million)

	2020	2021
Life	10.1	9.6
TPD	8.9	8.5
IP	4.4	4.3

Source: APRA Annual Statistics.

SMSFs were once the largest but now take second place next to Industry Super. But much higher member balances which means it's a target!

I  SMSSF

Mean and median balance (June 2020)

Characteristics	Age	Mean \$	Median \$
Males	15+	161,834	56,425
Females	15+	129,506	44,634
Males	30-34	48,603	35,673
Females	30-34	40,479	30,614
Males	60-64	357,963	180,928
Females	60-64	287,777	139,056

Source: ATO Covers those with balance greater than zero.
Around 17 million Australians currently have a super account.

Projected superannuation assets

Year	Consensus private sector forecast (\$billion)	Forecast total assets % of GDP
2020/actual	2,900	148%
2025	3,500 - 4,500	158%
2030	5,000 - 6,500	170%
2035	6,100 - 8,500	180%
2040	9,000 - 10,500	185%
2060		245%

Source: Assorted forecasts, Treasury MARIA model and Cooper Review.

Benefit structure (funds with more than six members)

	Accumulation	Defined Benefit	Total
Member accounts (000s)	21,309	809	22,118
Assets (\$b)	1,922	436	2,358

Source: APRA Annual Statistics, June 2021.

Persons receiving regular superannuation income 2015-16

	Account based	Defined Benefit	Term Annuity
Number	1,027,000	339,000	61,000
Average weekly income (\$)	496	616	328

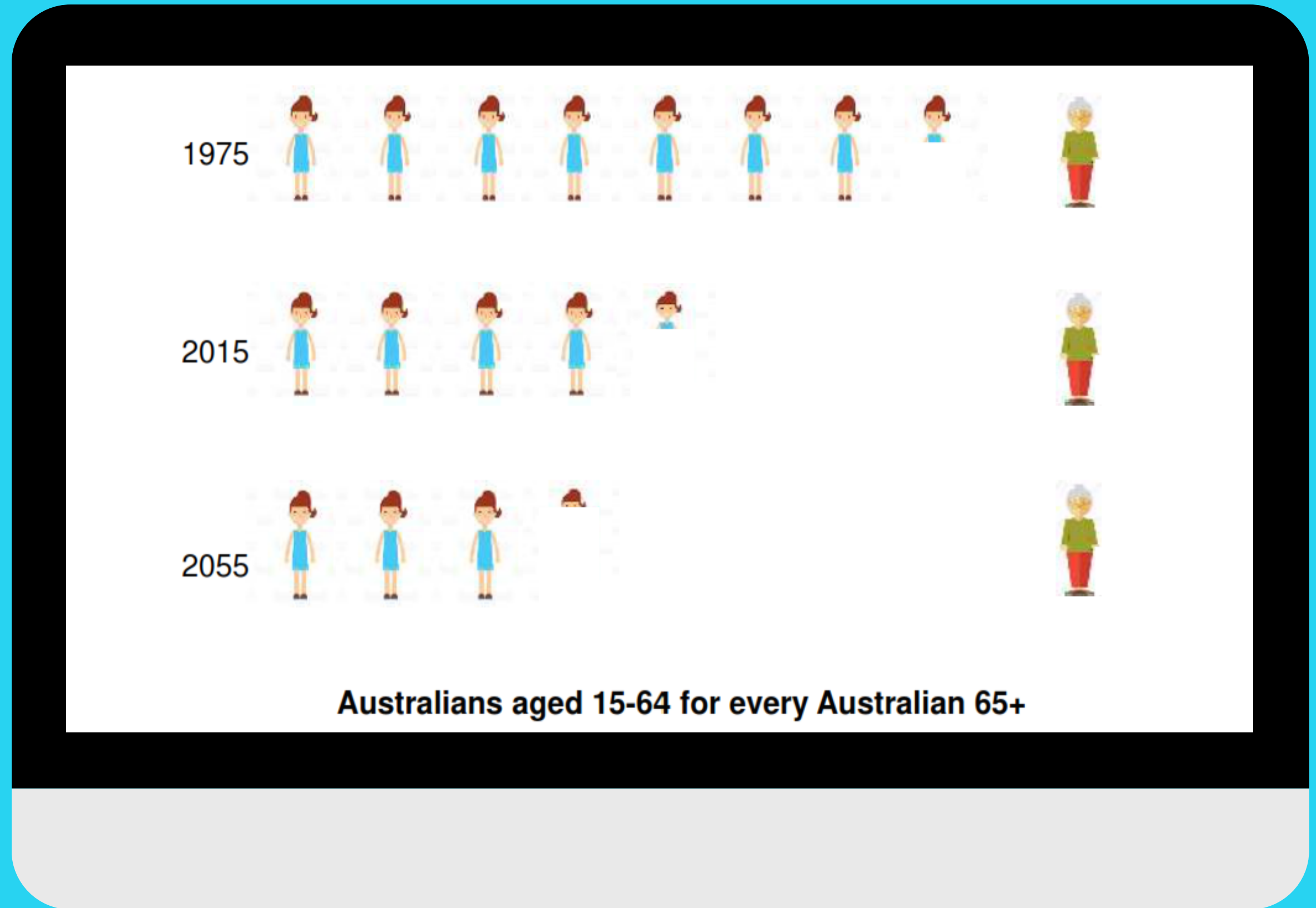
Source: ABS 6523.0

Investment returns to 30 June 2022

Period (% pa)	Fund returns	Real returns
		vs CPI
1 year	-3.3	-8.9
5 years	5.8	3.1
10 years	8.1	5.7
20 years	6.6	4.0
30 years	7.3	4.7

Super fund returns published in the Sept 2019 issue of Superfunds magazine and ASFA estimates.

What do you think the Millennials will do once they get power?



A modest reform and the hysteria sets in

GRATTAN
Institute

An intergenerational transfer tax (IGTT)?

An IGTT/income tax swap could also boost disposable income for young people. For example, if all inheritances above \$500,000 were taxed at 20 per cent, and the revenue was used to fund income tax cuts, most people under 50 would be ahead financially.¹⁴³

Broaden super death benefits tax

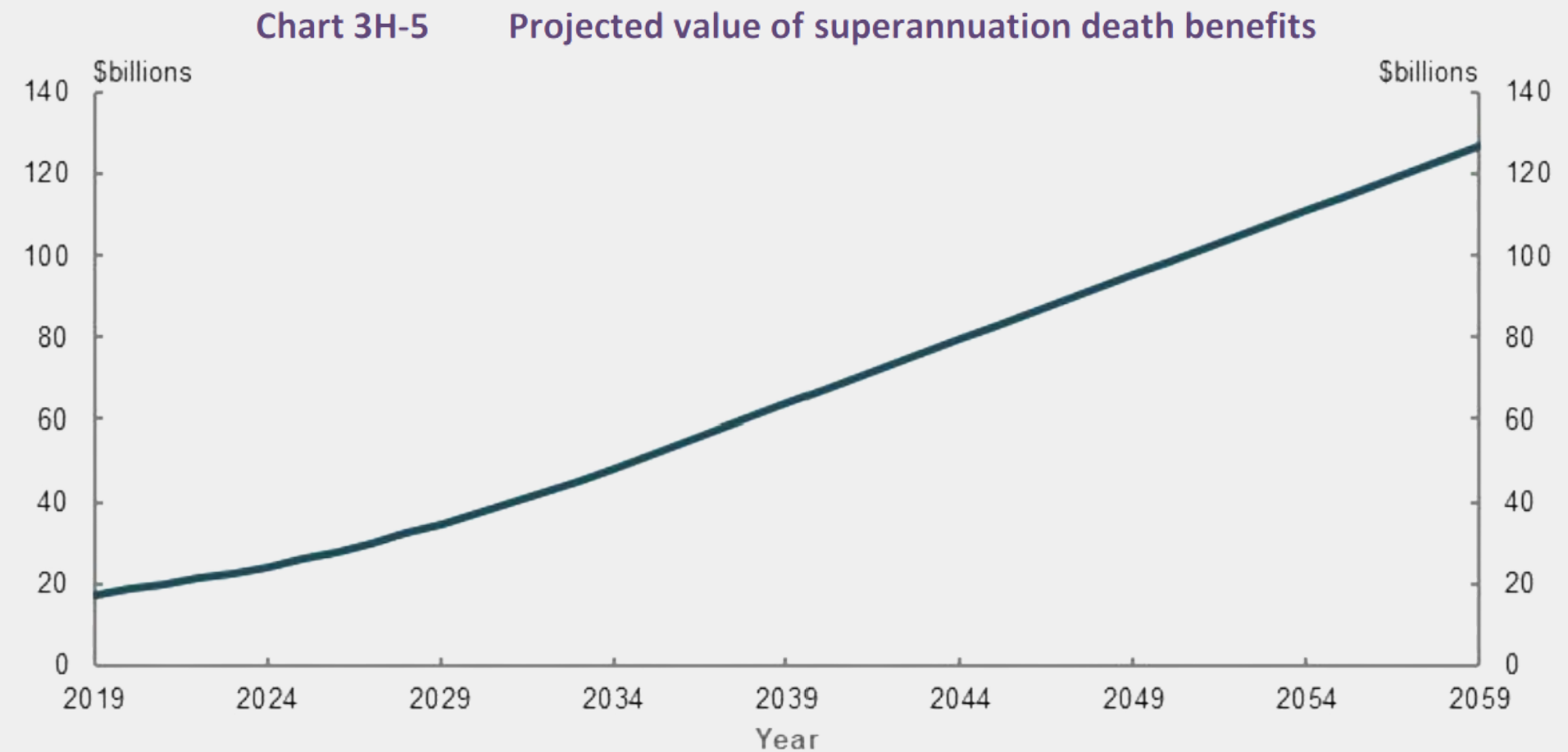
But the Greens' treasury spokesperson, Nick McKim, argues Labor's changes don't go far enough and, by ending all tax concessions above the indexed \$1.9m balance transfer rate, rent assistance could be immediately doubled.

THE SUPER
HONEY POT



How did we get here?

- *Super was always for retirement income purposes*
- In 2007 as part of Simple Super, the government removed the mandatory requirement for super to be paid as a lump sum or as a pension at age 65
- Prior to that time pension payments were dependant on age with a maximum drawdown
- Now it is used for estate planning purposes



Note: In 2018-19 dollars. Superannuation death benefits include insurance payouts due to death. Source: Analysis of Rice Warner estimates for the review.

Things could be worse!

- **A Yale professor said in an interview that mass suicide could solve Japan's aging population issue.**
 - **His controversial opinions have made him popular with Japan's youth, per The New York Times.**
 - **Yusuke Narita now has a large social media following and even appeared in an energy drink advert.**
-



\$3M Super Balance Proposals

- Treasury has thrown a spanner in the works by applying accrual measures used for the taxation of tax haven companies and trusts
- They had to do it this way or cost Industry Super a fortune in administration upgrades
- Take this years super balance and deduct last years (across all funds) and then apply proportionally to find out the next wealth increase applicable to over \$3M
- In short it is a Super Wealth Tax
- I would expect a different system for SMSFs so that it applies to taxable income

BUT

- Do you trust the government?
- Age based deduction limit for concessional contributions for over 55's in 2007 was \$100,000 now it is \$27,500
- Section 293 of the ITAA 97 for the additional 15% tax on super contributions was \$300,000 but now \$250,000 - then what
- Here is my expectation - the \$3M cap will end up being the transfer balance cap as that is indexed and the \$3M reduces over time and indexation increases TBC.
- We will go back to retirement income only



I look at SMSFs and Super differently

- Superannuation is a long term vehicle to compound savings thanks to a concessional tax rate
- But it is cumbersome as a member cannot access their superannuation and with constant change this creates fear
- It has great asset protection and a well designed Family Super Fund has built in succession
- Estate planning will always be a part of the SMSF strategy game but with current tax rates on adult children and non-tax dependants it can become quite expensive - how will the \$3M cap play out
- Plus it can take years to get out on death if there is litigation - Ellasil [2023] VSC 69



We are SAPPEPAA

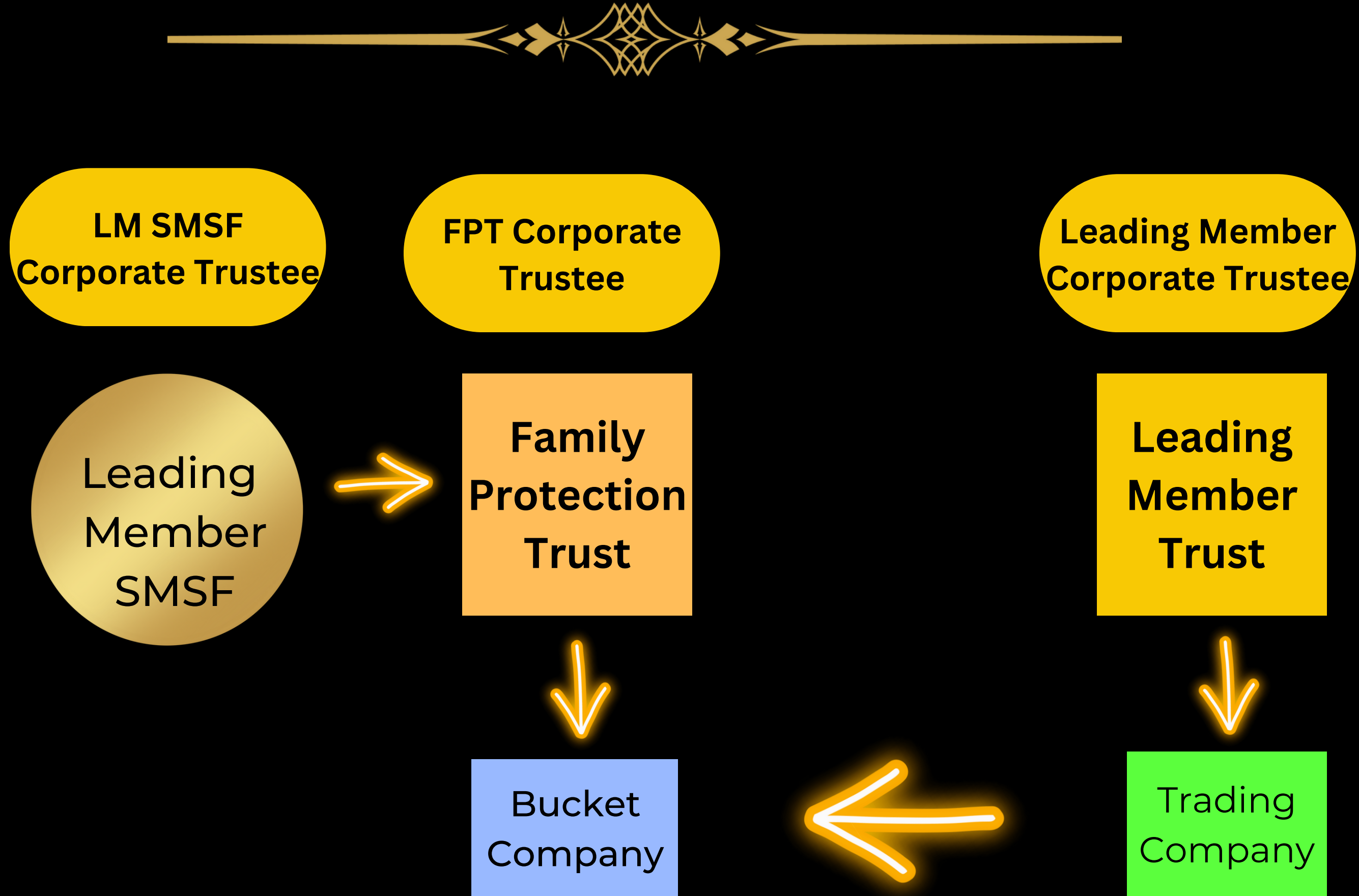
Succession, Asset Protection & Estate Planning Advisers Association

Leave a Legacy

The background of the image features a series of dark silhouettes of people of various ages, including children, adults, and the elderly, all holding hands in a continuous line. The silhouettes are set against a light gray background with a fine, diagonal hatched pattern. The overall composition is centered and conveys a sense of unity and generational continuity.

HOW IMPORTANT IS IT TO
YOU TO PROTECT YOUR
FAMILY WEALTH FOR YOUR
BLOODLINE FOR
GENERATIONS TO COME?

Best FAMILY SAPEPAA Structure



Will with
Testamentary
Trust + EPOA

THE GUIDE TO SMSF TRUST DEEDS PLUS STRATEGY REVIEW



AM
Abbott & Mourly

light
year docs

Grant Abbott

- The Deed is the engine of the SMSF
- All transactions must be documented
 - contributions
 - pensions
 - borrowing
 - BDBN or SMSF Will
- If you disobey one of the rules in the Deed or documents then fines, recovery of any losses and even criminal penalties
- Easy way to see a good deed is what happens when a Member dies

Preferred - Leading Member SMSF

- Must have multi-generational members
- Six members but limit leading membership to one from each generation or joint from generations
- Use enduring powers of attorney so each generation gives their proxy directorship to Leading Member
- Trustee must enforce
 - Only bloodline members
 - Only bloodline benefits



Deductible contributions with inflationary in mind

- All contributions are deductible - both employer and self-employed up to age 75
- Inside the fund they are all taxable contributions and assessable income to the Fund
- Amounts over \$27,500 are added back to the member's assessable income in the year in which the contribution is credited to the members account
- So if contribute \$70,000 salary on 1 June 2023 then don't pay tax on \$42,500 until June 2024 **with no penalties**
- **If you put into a contributions suspense account on the same day - pay tax on \$42,500 in June 2025!**

ABBOTT & MOURLY
LAWYERS

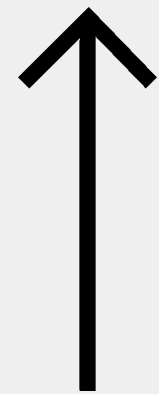
THE
ATO
GUIDE TO
SUPER
CONTRIBUTIONS

GRANT ABBOTT

- Contribution adds value to the Fund
- Can be cash, short term promissory note, in-specie (property) subject to section 66 or in kind by paying a fund's expenses
- Must be for a member or group of members
- SIS Act and regulations allow any contribution for a member up to age 75 - SISR 7.4
- Over age 75 then SGC and downsizer contributions
- Contribute for spouse and child under age 18 - non concessional contribution

Superannuation Estate Planning

**Member
Accumulation**



**Member
Pension**



**Member
Dependant
Pension**

OPTIONS

- Estate and subject to Will + family provisions claim
- Commence a pension - tested against recipients PTB (12 months grace for spouse)
- Pay to dependant directly or into a testamentary trust



SELF-MANAGED SUPER FUND (SMSF) WILL

THE SMITH FAMILY SUPER FUND

JOHN SMITH

- The Deed is the engine of SMSF estate planning
- Binding death benefit nomination is for retail and industry super but sometimes used for SMSFs
- SMSF Will a better way:
 - revoke earlier BDBN and SMSF Wills'
 - reversionary pensions have precedence
 - accountant or planner as administrator of SMSF estate
 - how and to who death benefits are to be paid
- What happens if fund non-compliant
- Taxation - tax free to spouses and dependants (what does that mean)

Intergenerational estate planning

- My preference is an auto-reversionary pension as it can be paid out immediately to the next pension member
- This means instant cash flow for the spouse pension member compared to BDBN in Ellasil plus the estate which could not be touched for three years
- Importantly it does not form part of the member's estate for purposes of family provision claims
- For adult children who cannot take as a pension then place into a SMSF death benefits trust which treats minors as adults for tax purposes
- If a grandchild has school fees paid for then can revert to the grandchild on death - skip a generation and pension income is tax free



- CPD for this session is one hour
-
- As we move into a world of AI what you know is where you will be so invest in your future
- Do the three days course for SMSF specialisation
 - 34% off for SMSF 101 attendees
- Look at completing the SAPEPAA adviser accreditation course - 34% off

