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Additional Information Flyers
Self-Managed Superannuation Fund

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Establishing a Self-Managed Superannuation Fund (SMSF)

Your self-managed super fund (SMSF) needs to be set up correctly so that it's eligible for tax concessions, can receive contributions, and is as easy as possible to administer.

To set up an SMSF you need to:

1. Consider appointing professionals to help you
2. Choose individual trustees or a corporate trustee
3. Appoint your trustees
4. Create the trust and trust deed
5. Check your fund is an Australian super fund
6. Register your fund and get an ABN
7. Set up a bank account
8. Get an electronic service address
9. Prepare an exit strategy

Each of these steps is explained below.

1: Consider appointing professionals to help you

You can engage self-managed super fund (SMSF) professionals to help you set up and run your fund. You may want to get them involved right from the start since the decisions you make at start-up can affect their ability to help you later on.

If you use an SMSF professional to help you set up your fund, you're still responsible for making sure it's done correctly:

- An accountant can help set up your fund's financial systems and, once you are operating, they can prepare your fund's accounts and operating statements.
- A fund administrator can assist with administrative tasks during start-up and, afterwards, help you manage the day-to-day running of your fund and meet your reporting and administrative obligations.
- A legal practitioner can prepare and update your fund's trust deed.
- A financial adviser can help you prepare an investment strategy and advise you about different types of investment and insurance products.
- You'll need an approved SMSF auditor to audit your fund.
- A tax agent can complete and lodge your SMSF annual return, provide tax advice and represent you in your dealings with the ATO.

2: Choose individual trustees or a corporate trustee

You can choose one of the following structures for your fund:

a. up to six individual trustees
b. a corporate trustee (essentially, a company acting as trustee for the fund).

You should discuss this decision with an SMSF professional. The two structures differ in terms of:

1. ***Member and trustee requirements:***

Table 1: Comparison of member and trustee requirements for individual and corporate trustees	
Structure	**Features**
Individual trustees	• Two to six members. • Each member of the fund must be a trustee, and each trustee must be a member of the fund. • A member cannot be an employee of another member – unless they are relatives.
Corporate trustee	• One to six members. • Each member of the fund must be a director of the corporate trustee, and each director of the corporate trustee must be a member of the fund. • A member cannot be an employee of another member – unless they are relatives.

Table 2: Single-member funds – Comparison of member and trustee requirements for individual and corporate trustees	
Structure	**Features**
Individual trustees	• There must be two trustees. • One trustee must be a fund member. • If the fund member is an employee of the other trustee, the fund member and the other trustee must be relatives.
Corporate trustee	• The corporate trustee company can have one or two directors, but no more. • The fund member must be the sole director or one of the two directors. • If there are two directors and the fund member is an employee of the other director, the fund member and the other director must be relatives.

2. Cost:

Table 3: Comparison of the costs associated with individual and corporate trustees	
Structure	**Features**
Individual trustees	• There are no ASIC fees, so establishment costs and ongoing administrative requirements are less. • A trustee cannot be paid for their duties or services as a trustee.
Corporate trustee	• ASIC charges a fee to register a corporate trustee for the first time. • There is an annual review fee, which is lower if the corporate trustee acts solely as a super fund trustee, but higher if the corporate trustee also performs another function, such as running a business.

3.Ownership of fund assets: The title of fund assets must be in the name of the current trustees 'as trustees for' the fund.

Table 4: Comparison of ownership of fund assets for individual and corporate trustees	
Structure	**Features**
Individual trustees	• If an individual trustee is removed or another added, you must change the titles of the SMSF's assets. This can be costly and time-consuming. • State government authorities may charge a fee for title changes. • Most financial institutions also charge a fee for title changes.
Corporate trustee	• Recording and registering assets can be simpler, particularly for changes in membership. • When a person starts or stops being a member of the SMSF, they become, or cease to be, a director of the corporate trustee. • You must notify us, and ASIC of any change in director. • The corporate trustee doesn't change, so the titles of the SMSF's assets.

4. Separation of assets: The fund's assets must be kept separate from any assets members hold personally.

Table 5: Comparison of the separation of assets for individual and corporate trustees	
Structure	**Features**
Individual trustees	• Fund assets must be in the fund's name • Fund assets must not be combined with personal assets.
Corporate trustee	• Fund assets must be in the fund's name. • Fund assets must not be combined with director's personal assets. • Companies have limited liability, so a corporate trustee offers greater protection if the trustee is sued for damages.

5. Penalties

Table 6: Comparison of penalties for individual and corporate trustees	
Structure	**Features**
Individual trustees	• If super laws are breached, administrative penalties are levied on each trustee. • For example, for failing to prepare financial accounts and statements, each trustee is liable for a $2,100 penalty (10 penalty units). This would amount to $8,400 if there were four trustees. • The value of a penalty unit is $210.
Corporate trustee	• If super laws are breached, administrative penalties are levied on the corporate trustee. • For example, for failing to prepare financial accounts and statements, a corporate trustee would be liable for a $2,100 penalty (10 penalty units). • The value of a penalty unit is $210

6. Succession

Table 7: Comparison of succession for individual and corporate trustees	
Structure	**Features**
Individual trustees	• Where changes in trustees occur, the fund is not likely to continue to operate as usual unless an appropriate succession plan has been prepared.
Corporate trustee	• A corporate trustee continues in the event of a member's death. • In the event of the death or incapacity of a member, control of an SMSF and its assets by a corporate trustee is more certain.

3: Appoint your trustees or directors

All members of the fund must be individual trustees or directors of the corporate trustee. New funds usually appoint trustees or directors under the fund's trust deed.

You need to ensure that the people who become trustees or directors of the SMSF:

- are eligible to be a trustee or director
- understand what it means to be a trustee or director.

All trustees and directors must:

- consent in writing to their appointment
- sign the Trustee declaration stating that they understand their duties and responsibilities (this must be done within 21 days of becoming a trustee or director).

You must keep these documents on file for the life of the SMSF and for 10 years after the SMSF winds up. Penalties may be imposed if these things aren't done. All trustees and directors are bound by the trust deed and are equally responsible if its rules aren't followed.

4: Create the trust and trust deed

A trust is an arrangement where a person or company (the trustee) holds assets (trust property) in trust for the benefit of others (the beneficiaries). A super fund is a special type of trust, set up and maintained for the sole purpose of providing retirement benefits to its members (the beneficiaries).

To create a trust, you need:

- trustees or directors of a corporate trustee
- governing rules (a trust deed)
- assets (an initial nominal consideration to give legal effect to the trust can be used, for example, $10 attached to the trust deed)
- identifiable beneficiaries (members).

a) Trust deed

A trust deed is a legal document that sets out the rules for establishing and operating your fund. It includes such things as the fund's objectives, who can be a member and whether benefits can be paid as a lump sum or income stream. The trust deed and super laws together form the fund's governing rules.

The trust deed must be:

- prepared by someone competent to do so as it's a legal document
- signed and dated by all trustees
- properly executed according to state or territory laws
- regularly reviewed, and updated as necessary.

b) Assets

To establish your fund, assets must be set aside for the benefit of members.

If a rollover, transfer or contribution is expected in the near future, a nominal amount (for example, $10) can be held with the trust deed. This amount is regarded as a contribution and must be allocated to a member.

If a member can't contribute to the SMSF, an administrative discretion is automatically applied to allow a nominal contribution for the member. The amount must be allocated to the member, solely for the purpose of registering the SMSF.

5: Check your fund is an Australian Super Fund

To be a complying super fund and receive tax concessions, your SMSF needs to be an Australian super fund at all times during the financial year.

If your fund stops being an Australian super fund because it does not satisfy the residency rules, it may become non-complying, and its assets (less certain contributions) and its income are taxed at the highest marginal tax rate.

6: Register your fund and get an ABN

Once your fund is established and all trustees have been appointed (including signing the Trustee declaration), you have 60 days to register the SMSF with the ATO by applying for an Australian business number (ABN).

When completing the ABN application you should:

- ask for a tax file number (TFN) for your fund
- elect for your fund to be an ATO-regulated SMSF. If you don't, your fund will not receive tax concessions and the members' employers can't claim deductions for contributions
- register for GST (if necessary).

7: Set up a bank account

You need to open a bank account in your fund's name to manage the fund's operations and accept contributions, rollovers of super and income from investments. This account is used to pay the fund's expenses and liabilities.

If you did not provide your financial institution details when you registered your fund, you must provide this information to us now.

The fund's bank account must be kept separate from the trustees' individual bank accounts and any related employers' bank accounts.

You don't have to open a separate bank account for each member but you must keep a separate record of their entitlement, which is called a 'member account'. Each member account shows:

- contributions made by or on behalf of the member
- fund investment earnings allocated to them
- payments of any super benefits (lump sums or income streams).

8: Get an electronic service address

If your SMSF will receive contributions from employers (other than related-party employers), it needs to be able to receive the contributions and associated SuperStream data electronically.

SuperStream is a data and payment standard that applies to super contributions made by employers to any super fund, including SMSFs.

To receive SuperStream data you need an electronic service address, which is a special internet address. It's different to an email address.

Your administrator may provide you with an electronic service address or you can use a 'SuperStream message solution provider'.

An employer will need the following information about your SMSF:

- ABN
- bank account details (BSB and account number)
- electronic service address.

9: Prepare an exit strategy

Even when you're setting up your SMSF you need to consider what happens when your SMSF ends, or 'winds up'.

Sometimes SMSFs become difficult to manage because of an unexpected event such as:

- a relationship breakdown between the trustees
- an illness or accident that leaves a trustee incapacitated (and unable to perform their role as a trustee)
- a trustee dies.

Having an exit strategy may reduce the impact of 'unexpected' events. As part of your exit strategy, some of the things you should consider are:

- ensure all trustees can access the SMSF's records and electronic transaction accounts
- include specific rules in your fund's trust deed that are triggered by events that could otherwise lead to the fund becoming unmanageable
- members to make binding death benefit nominations (and renew them every three years)
- encourage members to appoint an enduring power of attorney
- the likely costs involved in winding up an SMSF.

Source: Australian Taxation Office https://www.ato.gov.au/Super/Self-managed-super-funds/Setting-up/
Date: 1 July 2021

Commencing an SMSF pension

If you operate a self-managed superannuation fund (SMSF) you can commence an account-based pension once you satisfy a condition of release.

It is important that the pension is set up properly in line with legislative requirements to avoid taxation penalties. Following is a summary of the steps that need to be taken.

1. Member requests pension and trustee acknowledges

The member provides the trustee with a written request confirming that a condition of release has been met and their intention to access benefits as an account-based pension. This request should specify how much to roll over to the pension phase.

The total amount of super monies used to start pensions is capped at your personal transfer balance cap. For the period from 1 July 2021, your personal transfer balance cap is between $1.6 million and $1.7 million. You can view your personal transfer balance cap in ATO online. All superannuation income streams are assessed against the transfer balance cap regardless of when it first commenced. You can retain excess amounts in your accumulation accounts where tax at 15% continues to apply.

The trustee acknowledges the request by preparing a trustee minute. The trustee should retain on file evidence that the member has met a condition of release and interim details about the pension, including the intended commencement date, capital sum, required pension and frequency, estate planning preferences (e.g. reversionary beneficiary, death benefit nominations) and member bank account number.

2. Review trust deed

The trustee should check the fund's trust deed to determine if there are any restrictions. In particular, the trustee should check that the member's benefits can be released, that the fund is able to pay an account-based pension, and whether or not the fund can cater for the estate planning needs of the member.

3. Provide confirmation to member

The trustee should provide the member with a written confirmation that the fund can pay the requested pension and is able to satisfy estate planning requirements.

4. Determine the member's entitlement

Trustees should verify the value of the member's superannuation account and the underlying tax components. This will require obtaining a current valuation of assets.

5. Determine whether to segregate assets or not

If the SMSF will have members in both accumulation and pension phases, trustees will need to decide whether pension assets should be segregated or not. If left unsegregated, the trustee will need to obtain an actuarial certificate each year to determine exempt current pension income to obtain tax exemptions.

6. Review investment strategy

The trustees should review the fund's investment strategy to determine if changes are necessary to facilitate the payment of the pension or whether the member's risk profile has changed. Strategies for liquidating investments to enable payment of the pension may need to be considered. The trustee should document the outcomes of this review by preparing a trustee minute and make any necessary changes to investments.

7. Set up pension and review death benefit nominations

The fund accounts should be adjusted to record the commencement of the pension and appropriate mechanisms put in place to make the regular pension payments.

8. Prepare tax documents

If the member is under age 60, the fund will need to register as a PAYG payer and deduct tax (as applicable) from each payment. The member should provide the trustee with a TFN declaration form.

9. Calculate and pay pension payments to member

The trustee must ensure pension payments are paid at the requested frequency into the member's nominated bank account. The trustee should also ensure that at least the required minimum is paid each year.

10. Ongoing review and maintenance

In addition to the usual trustee obligations, commencing a pension increases the fund's annual obligations, which may include arranging actuarial certificates, reviewing minimum pension payments, and issuing pension members with payment summaries (if appropriate) and Centrelink schedules (may be needed only if the pension commenced before 1 January 2015).

Date: 1 July 2021

The SMSF investment strategy

Self-managed superannuation fund (SMSF) trustees are required to prepare and implement an investment strategy. An investment strategy sets out what your fund can investment in. All investment decisions must be made in accordance with the investment strategy.

Some of the key considerations for a fund's investment strategy include:

- The investment objectives for the fund
- Diversification and the benefits of investing across a number of asset classes (such as fixed interest, property and shares)
- The fund's liquidity, including its ability to pay member benefits and other fund expenses
- Whether to hold insurance cover for members
- The circumstances of each member, including their age, income needs and retirement goals.

The investment strategy should be in writing as this provides trustees with clear direction and assists the auditor when preparing the annual report. The investment strategy must be reviewed at least annually and whenever there is a change to the fund, such as if a new member joins or if an existing member commences a pension.

Following is a summary of some of the important features of an investment strategy.

Objective

The investment strategy should set out the fund's investment objectives and the methods that will be used to achieve those objectives. The objective should include a benchmark - for example, to obtain an average yield from all investments of 2% above inflation.

In setting the objective, trustees should consider the needs of each member, such as their time to retirement, risk profile and growth targets. Consideration will also include whether the member is in accumulation or pension phase.

If the risk levels of members are different, trustees can consider segregating member accounts and having different investment strategies for the members.

Risk and return

Risk includes the possibility of loss on an investment. There is a strong correlation between risk and return. Trustees need to determine an acceptable level of risk and volatility of returns according to the fund's circumstances. Risks may include market volatility, liquidity risk, credit risk, operational risk and legislative risk. The investment strategy must include procedures to identify, monitor and manage these risks.

Diversification

A simple risk management strategy is diversification which helps to disperse and manage risk, and reduces the volatility of returns on investments. Diversification can be achieved through:

- investing across a range of asset classes
- investing in a number of assets within a single asset class

- investing in Australia and overseas
- investing in several funds with different management styles.

In some situations an SMSF may have very little diversification, for example if the majority of funds were invested in a single property. In this case the investment strategy should identify the lack of diversification and explain how the trustees will manage this risk.

Liquidity and cashflow

The fund must have sufficient liquidity to ensure that liabilities can be paid as they arise. Liabilities include tax payments, pension payments, administration expenses and any other fund expenses.

One strategy to assist a fund's liquidity is to hold a cash reserve or investments that can be sold quickly.

The investment strategy should specify whether borrowing is allowed and restrictions on any investments that can be held.

Insurance

Trustees should consider the death and disability insurance needs of each member, as well as what level of cover might be appropriate. The types of insurance that should be considered include life, TPD, trauma and income protection. The outcomes of any consideration should be documented in minutes as well as the reasons for the decision, even if this decision is to not hold any insurance for members.

Date: 1 April 2018

Key SMSF investment rules

Superannuation law places a number of investment restrictions on superannuation funds which aim to protect members by ensuring fund assets are not exposed to undue risks, such as the failure of a related business.

Failure to comply with the investment rules can result in significant penalties for both the trustees and the fund. Following is a brief summary of some of the investment rules applying to self-managed superannuation funds (SMSFs).

Sole purpose test

The sole purpose test requires your SMSF to be maintained for the sole purpose of providing retirement benefits to members, or to dependents if a member dies before retirement.

If an investment decision is made that provides a member with a financial benefit prior to meeting a condition of release this rule may be breached and the fund could be classified as non-complying. This would result in all earnings (plus the taxable component of the fund) being taxed at the top marginal tax rate plus levies.

Investment strategy

As trustee of your fund, you are required to prepare and implement an investment strategy. An investment strategy helps the fund focus on its goal of providing retirement benefits and reduces the risks associated with unplanned investment decisions.

Some of the key considerations for a fund’s investment strategy include:

- The investment objectives for the fund
- Diversification and the benefits of investing across a number of asset classes (such as fixed interest, property and shares)
- The fund’s liquidity, including its ability to pay member benefits and other fund expenses
- Whether to hold insurance cover for members
- The circumstances of each member, including their age, income needs and retirement goals.

The investment strategy should set out the fund’s investment objectives and the methods that will be used to achieve those objectives. All investment decisions for the fund must be made in accordance with the investment strategy.

The investment strategy must be reviewed at least annually and whenever there is a change to the fund, such as if a new member joins or if an existing member commences a pension.

Ownership of assets

Assets belonging to the SMSF must be kept separate to your personal assets. Having a separate bank account for your SMSF will help your fund meet this requirement. All fund expenses can then be paid from that bank account only.

The Australian Tax Office (ATO) prefers assets to be owned in the name of the trustee. If the fund has individual trustees, assets should be owned by all trustees in that capacity. If the fund has a corporate trustee, assets should be owned in the name of the company as trustee for the fund.

Value all assets at market value

All fund assets should be valued at market value. The market value should be used when preparing your fund's accounts, statements and the SMSF annual return.

Arm's length transactions

All SMSF investments must be made and maintained on a strict commercial basis. This means that the purchase and sale price of assets and any income received from those assets should always reflect the true market value for the asset.

Loans and financial assistance

An SMSF cannot lend money or provide financial assistance to a member or their relative. Financial assistance is defined to include non-arm's length dealings with a related party, loans, provision of a guarantee and forgiveness of a debt.

Related party acquisitions

An SMSF cannot acquire assets from a related party of the fund, except in limited circumstances. These limited circumstances include the acquisition of:

- listed securities
- business real property (generally relates to land and buildings used wholly and exclusively in any business)
- in-house assets providing the total of in-house assets is not more than 5% of total fund assets
- units in widely-held unit trusts.

In-house assets

The value of in-house assets cannot exceed 5% of the total value of the SMSF. These assets are defined to include:

- a loan to, or an investment in a related party of the fund
- an investment in a related trust of the fund
- an asset that is leased to a related party (unless it is business real property).

Borrowings

An SMSF is only able to borrow money in very limited circumstances, including:

- For a maximum of 90 days to meet benefit payments due to members or to meet an outstanding surcharge liability. The borrowings in this circumstance cannot exceed 10% of the fund's total assets.
- For a maximum of 7 days to cover the settlement of security transactions if, at the time the transaction was entered into, it was likely that the borrowing would not be needed. The borrowing in this circumstance cannot exceed 10% of the fund's total assets.
- If using instalment warrants or limited recourse borrowing arrangements that meet certain conditions.

Date: 1 April 2018

Limited Recourse Loan

Many people are interested in the ability to purchase property within a Self-Managed Super Fund (SMSF). An SMSF allows you to invest directly in residential or commercial property using the funds accumulated in super. If you want to purchase an investment property within your SMSF, but haven't quite saved enough, your fund may be able to borrow money for the purchase under a limited recourse borrowing arrangement (LRBA). In most situations, an LRBA is used to purchase an investment property, but it can also be used to purchase direct shares or even managed funds. However, an LRBA can only be used to purchase a 'single acquirable asset'.

Benefits

- The SMSF will be able to purchase an asset (i.e. property) when it does not have enough available capital to purchase the asset outright. This investment may potentially provide greater investment returns than other assets.
- The SMSF assets may have greater diversification by providing funds to acquire other assets.
- SMSFs pay tax at a maximum rate of 15%. The rate of tax on capital gains where a property is held for more than 12 months effectively reduces to 10% on the ultimate disposal of the asset.
- The use of concessional superannuation contributions (tax deductible) can assist in paying down the SMSF debt. The rate of pay down may be faster in a superannuation environment than in a non-superannuation environment.

How it works

There is a general rule that an SMSF cannot borrow under superannuation law. However, there is a very specific exemption for arrangements that meet all of the requirements of an LRBA. It is important to meet all of these requirements otherwise the fund will be in breach of the superannuation rules and may face penalties.

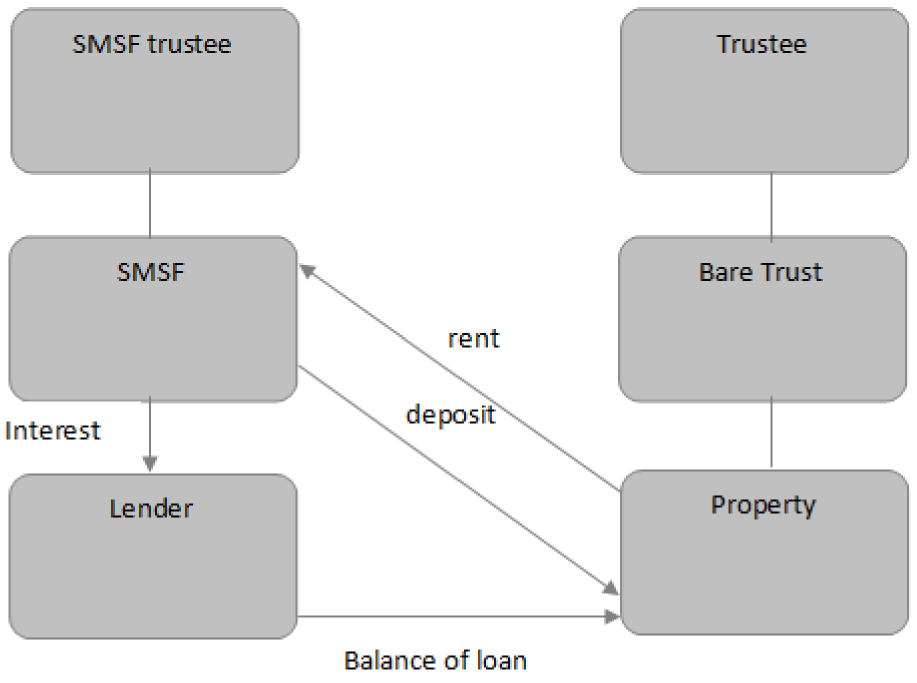
An LRBA is a loan structure where the only SMSF asset that the lender (or any other party) has access (recourse) to is the asset that was purchased using the loan, if the fund is unable to meet its loan repayments.

It involves establishing a security trustee to legally hold the asset on behalf of the SMSF, i.e. a trust that only holds the asset, for the duration of the loan. There are many names for these types of trusts but they are all bare trusts; they don't perform any function or transactions other than holding the asset. Most lenders will require the trustee of the holding trust to be a corporate trustee. The trustee cannot be the same company as the SMSF corporate trustee company, however, it may have the same directors as the SMSF corporate trustee (i.e. the members). This 'bare trust' arrangement broadly recognises that the asset is to be held by the security trust until the debt is repaid, at which point legal ownership can pass to the SMSF. You also need to remember that not every property can be purchased in an SMSF as it should meet the following criteria:

- must meet the 'sole purpose test' of solely providing retirement benefits to fund members
- must not be acquired from a related party of a member
- must not be lived in by a fund member or any fund members' related parties
- must not be rented by a fund member or any fund members' related parties.

Once you decide that purchasing a property using an LRBA is the right strategy for your SMSF, you need to ensure your SMSF's trust deed allows the fund to borrow and buy property and possibly update the SMSF's

investment strategy to confirm that borrowing to purchase a property is consistent with the SMSF's investment objectives. Then you need to set up a holding trust, select the property (ensuring you buy it in the name of the holding trust) and engage with a lender to obtain finances, and settle on the property by using the loaned funds (and any SMSF money) to complete payment. Your fund can then begin receiving rent payments in the SMSF bank account and making loan repayments to the lender.
It is summarised in the diagram below:



Consequences

- The profitability of this strategy depends on the income and capital growth of the proposed investment being greater than the borrowing costs. Potentially greater losses could be made due to the larger investment made by the SMSF.
- Potential stamp duty implications arising from the LRBA structure. Fees and charges can add up and will reduce your super balance.
- Interest expenses should be tax deductible (subject to the property being income producing) however tax legislation can be subject to change.
- Potential illiquidity risk if the asset acquired is a major portion of the SMSF's total assets and the asset cannot be sold quickly, as this may impact the SMSF's ability to meets its obligations to members. The potential that your property will need to be sold at a time when the sale price is at a low-point or it may be purchased when the sale price is at a high-point.
- The possibility that the SMSF investment return is below the inflation rate which impacts the spending power of money.
- The potential risk that tenants are unable to pay rent, or the property is not rented.
- SMSF needs separate bare trusts for each property or title if they can be sold independently.
- SMSF cannot significantly change the property e.g. major renovations etc.
- SMSF cannot use borrowings to refinance an existing super fund property.
- The possibility that the SMSF investment and cash flow will be adversely impacted by a fall or rise in interest rates.

Date: 1 April 2018

Winding up an SMSF

Winding up an SMSF may occur for a number of reasons:

- As a member/trustee you have tired of the responsibility and administrative burden of managing your SMSF.
- The failing health of a key member/trustee may result in an inability to run the fund in the future.
- The fund's assets have reduced to a level such that it is no longer cost effective to run the fund.
- A key member/trustee has become a non-resident for Australian taxation purposes.

How it works

The steps below show a general overview of some of the key considerations and tasks involved in winding up an SMSF. Please note this is not a comprehensive list and professional advice should be sought to cater for your personal situation.

1. Review the SMSF trust deed as there may be specific provisions regarding the winding up process.
2. Arrange a trustee meeting and have all trustees/members sign an agreement to close the fund and to specify how and where they would like their benefits paid - whether rolled over into another fund or paid out as a lump sum, if they qualify. Where there is a corporate trustee the directors will need to decide whether the company should be wound up or continue.
3. Calculate any outstanding expenses, taxes and refunds. You must provide for accounting, audit, actuarial, legal, and administration fees for work done and still to be done, as well as current and estimated future tax liabilities, including CGT on the disposal of assets.
4. Ensure all prior year financial statements, tax returns and other tax and compliance obligations have been finalised and there are no outstanding items.
5. Dispose of assets and calculate member entitlements. The proceeds will determine member entitlements (after fees and taxes) and a reconciliation of member balances to net fund assets should be made. Remember that selling assets may involve a CGT event and must be accounted for in the final return.
6. Note that if the fund is paying a defined benefit pension then the actuary must calculate the commutation value (i.e. capital value of the income stream) and, if the fund is paying a pension, ensure that the pro-rated minimum annual amount is paid before rolling over or paying out lump sums.
7. Pay out lump sums to members who prefer this option and can meet a condition of release, or roll over the funds to another complying superannuation fund, such as a retail fund or industry fund. ATO forms generally need to be completed if there is a rollover - and others may be applicable depending on circumstances.
8. Arrange for a final audit and completion of the final SMSF annual return - specifying within the return that the fund is being wound up. All tax and reporting obligations must have been met at the time the SMSF is wound up and you should wait until your SMSF has no remaining assets or liabilities before lodging the final return.
9. Following the winding up of your SMSF, bank accounts can then be closed unless there are post closure costs to be paid or the fund was scheduled to receive a refund.

There may be other steps that your adviser thinks are relevant, based on your circumstances (e.g. insurance policies). The ATO also suggest you do not close your bank accounts until all expected final liabilities have been settled and any refunds are received.

The ATO will let you know when it cancels the SMSF ABN, and if the trustee is a company, you may consider if you want to wind the company up as well. Remember that any SMSF records will need to be kept for as long as the law requires.

Once a fund is wound up, it can't be reactivated.

Date: 1 December 2020