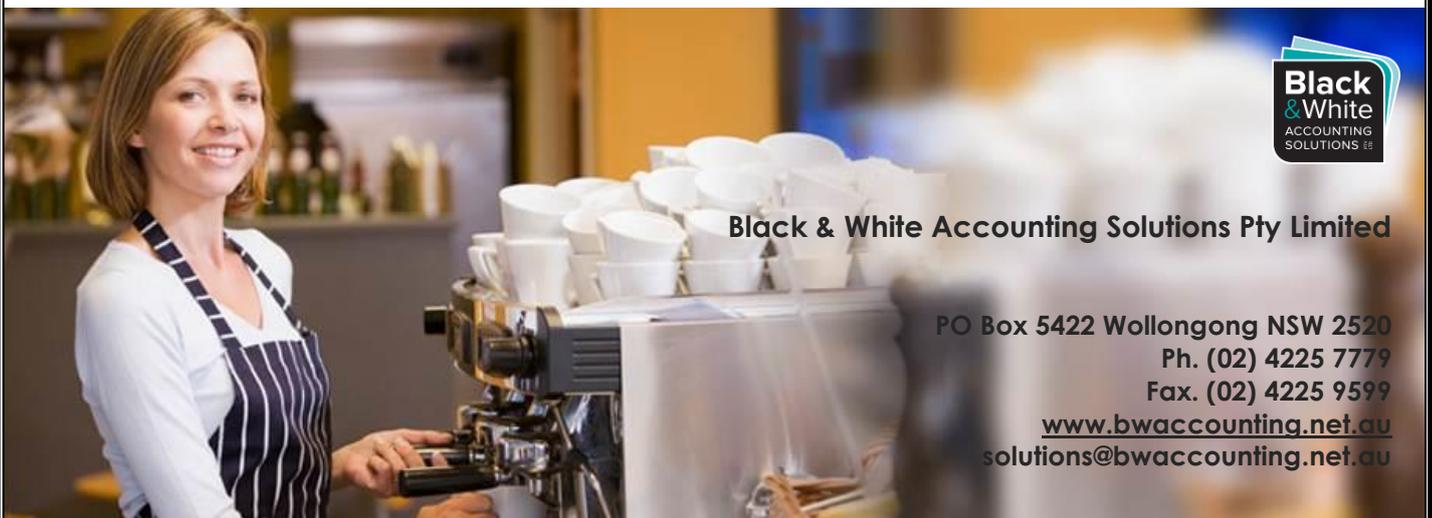




*Specialists in Self-Managed  
Superannuation Funds*



# Self-Managed Superannuation (SMSF) Client Information



**Black & White Accounting Solutions Pty Limited**

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# Self-Managed Superannuation - SMSF

## Your money, your control!

Your superannuation fund is one of the most important investments in your life. Invested wisely, it allows you to have financial freedom when it is time to retire.

When owning your own Self-Managed Superannuation fund, you are in control of the investment strategy for your superannuation portfolio. Unless you are an expert yourself, it is advisable to have a professional assist you with setting up an investment strategy alongside the taxation and auditing rulings that are established and enforced by the ATO.

Our SMSF clients are able to relax knowing that the day to day operations and compliance of their fund is being looked after. Black & White's highly trained and experienced staff and advisers can provide the assistance and skills required to get the most from your SMSF.

## What is a SMSF?

Self-Managed Superannuation Funds ("SMSF's") are a very popular superannuation structure being utilised by approximately 300,000 individuals, families and small businesses. They currently account for over 30% of all assets held in the Australian superannuation system. These small superannuation funds are referred to by a variety of different names including "DIY" funds (do it yourself), "Family" funds, "Mum and Dad" funds and of course "SMSF's".

SMSF's perform the same role as other funds, by investing contributions and making them available to members on retirement. The main difference is that the members of a SMSF are also the trustees of the fund. They control the investment of their contributions and the payment of their benefits.

As individuals' superannuation assets have grown, many people have sought to gain greater control over the day-to-day management of their superannuation, hence the rise in popularity of the SMSF.



A SMSF is a superannuation fund that has a number of unique characteristics. Some of these include:

- it has four members or less
- no member of the fund is an employee or another member of the fund, unless they are related
- each member is a trustee
- trustees receive no remuneration for their services as trustees.

Contact our office to obtain copies of Australian Taxation Office publications: *A guide for trustees running a self-managed superannuation fund*, *Self-managed superannuation funds - role and responsibilities of trustees* and *DIY super, it's your money...but not yet!*

Both of these are very good starting points for anyone thinking about setting up a SMSF.

## Who regulates SMSFs?

SMSFs are regulated by the Australian Taxation Office.

## Why do people have an SMSF?

People generally set up SMSFs because they like the sense of freedom and the opportunity to control their own affairs that the SMSF environment provides. They generally use the fund as one part of an integrated strategy to build assets that will provide their retirement income.

Generally these people also have the financial and management skills, and the available time, that is necessary to competently perform the tasks required of a trustee.

The most popular demographic of people that set up SMSF's are:



- Baby Boomers looking to take control of their retirement savings
- Small business owners looking to use their super to purchase business premises
- Generation X using their super to buy investment properties

## Here are six reasons why people are switching to SMSF's:

### 1. Greater control over your investment strategies

Owning a SMSF allows you to invest in more areas than a regular superannuation account which is limited to a range of managed investments, cash and shares. SMSF's extend beyond this limitation and allow you to invest in direct property, shares, hedged funds, managed funds and collectibles e.g. Artwork.

Increasing the sophistication of your investment strategy allows you the opportunity to utilise additional features such as borrowing to invest and leasing your business premises from your SMSF.

### 2. Collective membership

Self-managed superannuation funds can have up to four members. Each additional membership (up to four members) into one fund can increase the balance with which you can invest. This is a particularly advantageous strategy when investors are exploring the additional investment opportunities available in SMSF's, such as investing superannuation into property.

### 3. Increased opportunities for tax benefits

Self-managed superannuation has the potential to give you improved flexibility over your tax position. With the right strategy, you can reduce your tax substantially by considering the opportunities available around tax concessions and capital gains tax

rulings around assets held and sold by your superannuation fund in retirement – you may not even have to pay capital gains at all!

#### **4. Estate Planning**

Your will does not necessarily control your superannuation benefits. SMSFs can leave tax advantaged payments to dependent beneficiaries. The fund can also make binding nominations that do not lapse, where retail funds may not have this option.



#### **5. Borrowing capabilities**

Superannuation funds have the capability of borrowing to invest under certain conditions and circumstances. This has limited application in a retail or industry fund, but can be particularly advantageous should you own a self-managed superannuation fund. Borrowing to invest may have significant longer term benefits, such as investing in property over a long term.

#### **6. Self-Managed Superannuation might be more cost effective**

The cost of administering a retail fund can sometimes be quite expensive! This is due to the fact that most retail funds are calculated on a percentage of the funds in your superannuation account in addition to any commissions payable to your financial planner. If you have a large superannuation balance (usually over \$200,000), starting a SMSF may be more cost effective than investing your retirement income into a commercial fund.

### **Other considerations – disadvantages**

The SMSF structured can offer members many benefits and advantages. However they may also present a number of disadvantages and responsibilities that some people may not be willing to accept including:

- They can be time consuming to administer, particularly where a professional administrator is not engaged to attend to the day-to-day administration
- Trustees must assume responsibility for operation of the fund. Although certain functions may be outsourced to professional advisers, this does not release trustees from their responsibilities
- SMSF's may be costly to administer, particularly where there are only relatively small amounts being invested in the SMSF structure. Furthermore, costs may be duplicated where a SMSF intends to only invest in managed funds and/or listed securities that could simply be acquired through a retail public offer fund.

### **Is a SMSF suitable for me?**

There are certain regulatory responsibilities placed on trustees of SMSF, therefore when setting up a fund it is important to consider the following:

- Will I have the time to manage and administer the SMSF?
- Will there be sufficient funds in the SMSF to make the administrative costs worthwhile?
- Will the other trustees of the fund be suitable co-investors?

## **How long does it take to set up a SMSF?**

Once your signed application is received by Black & White Accounting Solutions, it generally takes around 1 week to establish a new fund.

## **How much is required to start a SMSF?**

Ideally, when setting up a SMSF a minimum of \$100,000 is required. If you have more than one member, the total combined assets can be transferred to meet the minimum requirements. If you decide to set up a SMSF with less than \$100,000, you need to weigh up the ongoing administrative costs to see if it will be worthwhile.

## **What funds are used to create a SMSF?**

There are 3 ways of transferring money or assets into a fund:

- make a contribution to the fund
- roll over existing superannuation benefits into the fund
- purchase assets from the trustee of the fund

Another benefit of a SMSF is the ability to consolidate your superannuation (particularly if you have a range of super funds). Consolidating your funds can save on the high fees you pay for managed funds to manage your money.

## **What are the costs to establish and run a SMSF?**

See page 14 for details of the establishment fees and ongoing charges

## **Who can be a trustee of a SMSF?**

The trustee can be either an individual or a trustee company. Individual trustees are generally the most common. Where the individual option is chosen every member must also be a trustee. A fund cannot have a sole individual as a trustee - there must be more than one person as trustee if the individual option is chosen. To overcome this, a single member fund can appoint a second trustee provided the member is one of the trustees and the member is not an employee of the other trustee (unless they are relatives) or they can appoint a company as trustee. Where a trustee company is appointed, all members must be directors of the trustee company.

## **How many members can be included in a SMSF?**

A SMSF cannot have more than 4 members and all members must be Trustees of the fund. Therefore, you have a choice as to who becomes a member of the fund which may include your partner, members of your family, a business partner or friends. This means that the super balances of each member can be consolidated into SMSF.

## **Can employer contributions be included in my SMSF?**

Yes. With the introduction of superannuation choice, you can instruct your employer to pay your superannuation contributions into your SMSF.

## What investments can the fund invest in?

The range of investments that a fund can invest in is quite broad including listed shares, cash and fixed interest securities, managed investments, private unit trusts, direct property, artwork and other collectables. It is important to understand that there are certain regulatory limitations placed on SMSFs; for example, a fund cannot borrow money to invest in assets such as property or shares. A fund cannot also acquire assets from related parties of the fund or invest in in-house assets; for example the fund could not purchase your assets (such as your house) from you. Other restrictions placed on the fund include the inability to lend funds to members or their relatives or to provide the assets of the fund as security for personal borrowing.

As part of our service, we can provide you with access to a range of investments for your SMSF.

## Can the fund provide insurance?

Yes, with a SMSF you can organise life and total and permanent disablement cover to insure the members of the fund. The SMSF pays the cost of the insurance and claims it as a tax deduction, which makes the costs of insurance more tax effective.

We can assist you in selecting the best insurance options for your SMSF.

## Fund structure rules

The permitted structure for a SMSF varies depending on the number of members, and whether the trustee of the fund is a company or a group of individuals.

*For a SMSF with 2 to 4 members and individual trustees, the basic definition is as follows:*

- Every member of the fund must be a trustee of the fund, and every trustee of the fund must be a member of the fund
- No member of the fund can be an employee of another member of the fund unless they are also a relative of that, or another, member of the fund

*For a SMSF with 2 to 4 members and a corporate trustee, the basic definition is as follows:*

- Every member of the fund must be a director of the corporate trustee, and every director of

the corporate trustee must be a member of the fund

- No member of the fund can be an employee of another member of the fund unless they are also a relative of that, or another, member of the fund

*For a SMSF with 1 member it must have one of the following trustee structures:*

- A corporate trustee, and the member is the sole director of the corporate trustee
- A corporate trustee, and the member is one of only two directors of the corporate trustee and the other director is either a relative, or a person who is not a relative and not an employee of the member
- Two individual trustees, one of which is the member with the other being either a relative, or a person who is not a relative and not an employee of the member

There are special rules to cover the situation where a member of the fund is under a legal disability.

## Some special issues for people running a SMSF

The following are some matters that anyone who is currently running a self-managed superannuation fund (SMSF), or who is thinking of setting up a SMSF, may need to give special consideration:

### **Residency status of trustees and members**

The *Superannuation Industry Supervision Act* imposes restrictions on the residency of members and trustees. This may be an issue if a SMSF member / trustee is overseas for more than 2 years.

### **Trustee and member qualifications**

Special membership and trustee rules apply to SMSFs.

Care must be taken in the following situations:

- where the fund only has one member,
- when a new member joins the fund,
- when a member leaves the fund,
- where a person has a legal disability, or
- where the persons legal history bars them from being a trustee.

### **Investment in related entities**

There are special rules that restrict the investments that any superannuation fund may make. One of these rules is known as the "in-house asset" rule. It restricts the amount of a fund's assets that may be invested in people and entities known as "Part 8 Associates". The definition of a Part 8 Associate is very broad. These rules should be looked at if you are thinking of investing money with people, companies, trusts or businesses that you have a close association with.

### **Investment Strategies**

There is a legal requirement for all superannuation funds to have and follow an investment strategy. Care should be taken in preparing the strategy. The legislation does not set out the details of what the strategy should contain, or how it should be documented, but it does list issues which trustees should take into account when developing the strategy. The strategy should reflect the purpose and circumstances of the fund and take account of:

- the risks involved in making and holding the investments and the likely returns from the investment,
- the diversification of investments and the risk of not diversifying the fund's investments,
- the liquidity of the investment, and
- the ability of the fund to meet its current and future liabilities.

The strategy should set out the investment objectives of the fund and the methods the fund will adopt to achieve these objectives. Any changes to the strategy should be documented.

### **Bankruptcy**

When a fund member is declared bankrupt not all superannuation benefits are protected from the member's creditors. Unprotected benefits may include excess benefits, unrestricted non-preserved benefits and amounts in an allocated pension account.

On bankruptcy, the member can no longer be a trustee of the SMSF. Seek professional advice in this situation as there may be severe repercussions for the fund.

### **Family Law**

Superannuation benefits are viewed by family law as "property". In a divorce the Family Court can treat the superannuation benefit as a property asset and order that it be split up.

### **Record Keeping**

There are legal requirements imposed on trustees to keep proper records, including a requirement that certain records be kept for at least 10 years.

### **Audit**

All superannuation funds must be audited annually by an independent auditor. Trustees of SMSFs should be aware of the requirements to maintain proper records and to keep the fund's assets separate from their personal assets.

### **Pensions**

Notwithstanding the simplification proposals announced in the 2006 Federal Budget, funds paying pensions may be required to have an actuarial certificate in respect of the pensions.

There are strict rules on the types of pensions that an SMSF can pay.

There are also strict rules that apply to the level of pension payments made during each financial year. Pension payments may also give rise to PAYG reporting requirements.

#### **Acquiring assets from related parties**

There are restrictions on acquiring assets from parties, which includes people, trusts and companies, that are related to the fund. The rules that define such relationships are broad. The restrictions apply to many types of assets but there are exemptions in certain circumstances for listed securities and business real property. You should seek professional advice before your fund acquires any assets from a party related to the fund, whether it acquires the assets by purchase or by contribution.

#### **Super funds owning businesses**

The primary purpose of running a superannuation fund must be to provide retirement and related benefits (the "sole purpose test"). Having a superannuation fund own a business may breach the sole purpose test. It is essential you first seek professional advice if you are contemplating having your fund buy or start a business.

#### **Unusual investments**

Trustees may consider the purchase of collectibles and residential real estate as investments for their fund. While investments in such assets are not prohibited by the SIS Act, great care needs to be taken in the way any such investments are used. Superannuation funds are prohibited from providing a personal benefit to the members prior to their retirement. Any personal benefit from the use of investments owned by

the fund risks breaching this rule. For example, a painting owned by a fund which is hung at home on the lounge room wall will almost certainly be considered as providing a personal benefit through the enjoyment of looking at it, even if leased from the fund. Similarly, any use of a beach house owned by the fund is likely to breach the "personal benefit" rule. Seek professional advice before buying any such assets in a superannuation fund.

#### **Tax Return and regulatory information**

Since the Tax Office took over the supervision of SMSFs they have also taken over the collection of statistical and regulatory information about SMSFs. Such information is collected as part of the tax return and there are sections of the standard superannuation fund tax return that only SMSFs must complete (other superannuation funds provide equivalent information to the Australian Prudential Regulatory Authority). The Tax Office has announced it will be more vigilant in penalising funds that lodge late returns. You should therefore consult with your accounting professional or the ATO to determine when returns (and any other taxation documentation including BAS' and IAS') must be lodged by.

#### **Complaints**

Members of SMSFs do not have access to the Superannuation Complaints Tribunal as a means of resolving disputes with the other trustees of their SMSF.

#### **Financial compensation**

Members of SMSFs are not covered by the legislation that can allow superannuation fund members to be compensated for a loss of superannuation savings due to the fraudulent activities of fund trustees and administrators.



**Don't leave it to chance!**

We can help you make an informed decision whether a SMSF is right for you.

**Book your FREE consultation now on (02) 4225 7779**

## OUR SERVICES

### SMSF Administration

We can assist you by offering in our all-inclusive packages:

#### ✓ Annual Compliance

We will take care of all aspects of your annual ATO compliance obligations including accounting, taxation and audits.

If you are thinking about setting up a new SMSF, contact us and we can assist you with getting started.

#### ✓ Ongoing Technical Assistance

Our services extend further than just your annual tax return and audit. We offer an ongoing service to our clients to contact us at any time throughout the year with any technical questions or advice you require about your SMSF – free of charge!

#### ✓ SMSF Specialist Service

We are specialists in Self-Managed Superannuation, so you know that you are in the right hands when it comes to compliance, taxation and technicalities of managing and running your fund.

#### ✓ Online Access

You will receive a secure login to our online portal which you can access any time to view your accounting and financial planning reports.

#### ✓ Upfront Fees with no Lock-in Contracts

All of our fees are disclosed upfront, so you won't be left with any surprises.

### SMSF Audits:

The trustee of a SMSF is required to appoint an approved auditor to audit the operations of the fund annually. The role of the approved auditor is to perform an audit of the fund's accounts (a financial audit) and to assess the fund's compliance with the relevant superannuation legislation (a compliance audit) for a year of income and to give the trustee of the fund a report in the approved form within the specified period after the end of the income year.

In addition, the approved auditor is required to inform both the trustee of the fund and the Tax Office of any concerns about a fund's financial position or its compliance with the relevant superannuation legislation. This may include lodging a formal report to the Tax Office referred to as an auditor contravention report where a compliance breach is identified.

Black & White Accounting Solutions will arrange for an independent SMSF audit service to assist with ensuring that the annual audit requirement is satisfied for SMSFs.

*"It is my pleasure to positively recommend Black & White Accounting Solutions. They have provided...advice to me since 1978, carrying out ...establishment of our Superannuation fund in 2006. This later initiative has been highly successful for us, despite the impact of the GFC.*

*I have no hesitation in commending the team at Black & White Accounting Solutions!"*

**Guy W. Mitchell**

## SMSF Trust Deed Services:

We provide a full service in relation to the establishment of Self-Managed Superannuation funds, which includes the following:

- ✓ Provision of a self-managed superannuation fund trust deed
- ✓ Resolution of Trustee accepting the position as Trustee of the fund and admitting members
- ✓ Consent of Trustee/s
- ✓ Applications for fund membership, including death benefit nominations (with the option of a binding nomination)
- ✓ Product disclosure statements
- ✓ Rollover notice
- ✓ Investment strategy template
- ✓ Application for an Australian Business Number (ABN) and Tax File Number (TFN)
- ✓ Assistance with the establishment of a fund bank account

### **Update an Existing Self-managed Fund Deed**

Given that superannuation legislation is constantly changing, it may be necessary to amend an existing deed to ensure that a self-managed fund's trust deed reflects the current legislation.

We provide a full service in relation to annual update of existing self-managed superannuation fund deeds.

## Superannuation Consulting Services

In conjunction with Professional Investment Services we provide a wide range of superannuation consulting services, including the provision of specialised advice in the following areas:

- ✓ Queries regarding compliance with superannuation legislation;
- ✓ Fund compliance reviews;
- ✓ Assistance with compliance rectifications;
- ✓ Assisting with the establishment of SMSFs;
- ✓ Development and implementation of retirement benefit strategies;
- ✓ Strategies to assist with the management excessive benefits;
- ✓ Development and implementation of contribution strategies;
- ✓ Estate planning for clients with SMSFs;
- ✓ Reasonable Benefit Limit ("RBL") strategies; and
- ✓ Advice in relation to retirement income streams.

## Superannuation Education

We provide superannuation education for SMSF trustees covering a wide range of superannuation related topics including specific SMSF topics. Education programs include trustee DVD's, regular newsletters and legislative updates.

## Fee Schedule

The value of this service is established with you in advance. We charge a fixed fee based on the value and complexity of the investments of the fund assets with a minimum fee of \$1,600 (plus GST). This way there are no surprises for you.

- ✓ A rebate of trailing fees and commissions on many financial products (not insurance products)
- ✓ No fee to transfer your current SMSF to our service

## Other fees

### FUND ESTABLISHMENT:

- |  |       |
|--|-------|
| • New Fund (including Trust Deed and Statutory Documents)            | \$550 |
| • Establishment of Corporate Trustee                                 | \$550 |
| • Trust Deed Update  | \$495 |
| • Change of Fund Name  | \$440 |
| • Change of Trustee Form   | \$440 |
| • Other consulting or advisory services - based on upfront fee quote |       |

**Call us now to discuss your requirements and how we can assist you on (02) 4225 7779.**

**Take control of your future today!**



Mark Caldwell - *Managing Director*

**Qualifications: SMSF Specialist/ Accountant/ Financial Planner**

Mark is our specialist superannuation advisor with SMSF specialist accreditation with Self-Managed Super Fund Professionals Association of Australia (SPAA).

Mark is also a CPA qualified accountant with 10 years' experience. He attended University of Wollongong graduating with a bachelor of Commerce specialising in Accounting and Marketing. Mark is an authorized representative of Professional Investment Service and member of the Association of Financial Advisors.

Mark is available for appointments to discuss your needs Monday, Wednesday and Thursdays 9am to 5pm. Call (02) 4225 7779 to arrange an appointment.

# SMSF TRUST DEED AND TRUSTEE COMPANY ORDER FORM

## Fund Details

Name of Fund: .....

Corporate Trustee: .....

Date of Establishment: \_\_\_\_/\_\_\_\_/2014

Registered Address: 2/73 Market Street, Wollongong NSW 2500

## Officer(s) and Member(s) details

*Note: 1st Officer will default as chairman and public officer of the company All Trustee companies are special purpose SMSF trustee companies.*

Given Names: .....

Surname: .....

D.O.B: .....

City of Birth: .....

Country of Birth: .....

Address: .....

**Director:**  YES  NO **Secretary:**  YES  NO **Shareholder:**  YES  NO

Class of Shares: .....

No. of Shares: .....

Beneficially Owned:  YES  NO

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Given Names: .....

Surname: .....

D.O.B: .....

City of Birth: .....

Country of Birth: .....

Address: .....

**Director:**  YES  NO **Secretary:**  YES  NO **Shareholder:**  YES  NO

Class of Shares: .....

No. of Shares: .....

Beneficially Owned:  YES  NO

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Given Names: .....

Surname: .....

D.O.B: .....

City of Birth: .....

Country of Birth: .....

Address: .....

**Director:**  YES  NO **Secretary:**  YES  NO **Shareholder:**  YES  NO

Class of Shares: .....

No. of Shares: .....

Beneficially Owned:  YES  NO

---

Given Names: .....

Surname: .....

D.O.B: .....

City of Birth: .....

Country of Birth: .....

Address: .....

**Director:**  YES  NO **Secretary:**  YES  NO **Shareholder:**  YES  NO

Class of Shares: .....

No. of Shares: .....

Beneficially Owned:  YES  NO

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## Authority to Proceed

I hereby instruct Black & White Accounting Solutions Pty Ltd to set up a Self-Managed Superannuation fund on our behalf.

I have agreed to the below costs in relation to the establishment and ongoing management of the SMSF.

Product/service:	Provided by:	Cost:
Fund establishment (including trust deed)	SMSF Strategies	\$550
Trustee company establishment	SMSF Strategies	\$550
SMSF administration service	Black & White Accounting Solutions Pty Ltd	(min \$1,760 p.a)

### Signature(s):

..... Date:.....  
Trustee Name:

..... Date:.....  
Trustee Name:

..... Date:.....  
Trustee Name:

..... Date:.....  
Trustee Name:

### Accountant Authority

I declare that I only provided advice on products for which I am authorised to give advice, and that based upon the information provided by you, those products are appropriate for the identified needs and objectives of you, the client(s).

Signed:

\_\_\_\_\_ Date: / /2014  
Mark Caldwell

## Glossary of Terms

### A

**Administrator** - person or company responsible for the day-to-day operation of the superannuation fund and for the preparation of member statements, benefit payments, income tax returns, audits, lodgment of forms and daily operations.

**All-Ordinaries index** - the barometer of the Australian Stock Exchange, this measures the share-price movements of more than 300 Australian companies. The index is calculated continuously and published daily.

**Allocated Pension** - is a type of pension where the amount of money is set aside and invested to provide an income to its members on retirement.

**Annual Audit** - all SMSFs are required to have the financial accounts and statements of the fund audited each year by an approved auditor.

**Approved Deposit Fund** - a fund carrying specific tax advantages, designed to accommodate sums of money, which would otherwise be taxed at higher rates, such as accumulated superannuation benefits paid to someone leaving a job. Approved deposit funds (ADF) can only accept eligible termination payments. Their purpose is to encourage people to preserve their savings to provide income for retirement.

**At call** - funds that can be withdrawn on demand.

**Australian Business Number** -The Australian Business Number (ABN) is a new single identifier for all business dealings with the Australian Taxation Office (ATO) and for future dealings with other government departments and agencies. Businesses will need an ABN to register for the goods and services tax and other elements of the Tax System. They can register for all of these on the same form.

### B

**Balanced Fund** - a fund or portfolio that invests in all major asset classes, ie. cash, fixed interest, real estate property and shares, local and overseas, to provide long-term capital growth and a reasonable level of return.

**Business Real Property** - is land and buildings used wholly and exclusively in a business.

### C

**Capital Gains Tax (CGT)** - a tax on the income resulting from increases in the market value of an asset.

**Capital Guaranteed Fund** - An investment fund, offered by life offices, which promises the investor, will be repaid the full capital value of his or her investment.

**Capital Stable Fund** - a pooled investment fund with most of its assets in fixed interest and cash and the rest in growth assets such as shares and real estate property. The objective is to achieve a moderate level of income and some capital growth.

**Cash Management Fund/Trust** - a type of fund or trust that pools investors' money into high-yielding money market instruments otherwise available only to professional investors with hundreds of thousands of dollars.

**Company** - a company acting as trustee is referred to as a "corporate trustee". If a company acts as trustee, the fund can pay a lump sum benefit to beneficiaries. The directors of the trustee company, should have a family relationship with each other, and not be related by purely being employees.

**Company Name** - the company may have any name that is currently not being used by another company or business. The chosen name is registered with the company regulators, and, two more alternative names should be provided in the event that the first choice is not available.

**Complying Pension** - is a pension that provides that the pension is paid for life or a fixed term and meets specified conditions under regulations.

**Consumer Price Index (CPI)** - compiled by the Australian Bureau of Statistics, this measures movements in a list of goods and services to provide a widely used indicator of the rate of change in prices (inflation).

### D

**Directors** - a company must have one or more persons to act as a director. Directors are responsible for the operations of the company. The directors of a trustee company are treated similarly to individuals who act as trustees. The directors should be members or have a business or family relationship with members. They should give their consent to act as directors.

**Dividend Imputation** - a tax-accounting treatment which removes the "double" taxation of company dividends in Australia. Dividends distributed by a company that has paid full Australian company tax carry a tax credit which may be offset against the shareholder's tax liability on the dividend or, if the shareholder's marginal tax rate is less than the company tax rate, the excess credit can be offset against tax payable on other income.

**E**  
**Earnings Per Share (EPS)** - calculated by dividing a company's earnings by the number of its shares on issue to show the profit earned in terms of each share; this is one of several measures of a company's performance.

**Employee** - a person is classified as being employed if he/she works for more than 10 hours a week under a direction of another person in return for a wage or salary.

**F**  
**Fiscal Policy** - an arm of government policy that influences the economy through the budget by changes in tax and welfare payments and government spending.

**Full Vesting** - full vesting is the most common option for the fund members, meaning that the member is entitled to the full benefit of superannuation funds in his/her name. The superannuation guarantee legislation requires that full vesting occur for superannuation guarantee contributions.

**Fund Name** - you may choose whatever name you prefer.

**L**  
**Legal Representative** - or Legal Personal Representative, is a trustee in place of a member who is under a legal disability.

**Lump Sum Fund** - this fund provides for the benefits to be payable to a member, to be taken as a single lump sum payment. This option is only normally available if the trustee is a company or corporate trustee.

**M**  
**Member** - a person who has contributions made for them or who receives benefits from the fund. In retirement, a member has the option of receiving either lump-sum payment or a pension, or a combination of both.

**P**  
**Pension Fund** - a pension fund provides retirement benefits in the form of pensions or regular payments rather than a single payment.

**Principal place of business** - this is the place where the business will be conducted. This can be either a home or office address.

**R**  
**Rollover** - a benefit transferred or rolled over from one superannuation fund to another.

**S**  
**Shares** - part of the ownership of the company. An investor buying a portion of a company's capital becomes a shareholder in that company and receives a share of the company's profits in the form of an annual dividend.

**SIS** - Superannuation Industry (Supervision) Act 1993 is the legislation governing the operations of SMSF trustees.

**Sole Purpose Test** - the object of the Sole Purpose Test is to ensure that SMSFs are complying with their purpose of providing benefits to fund members upon their retirement.

**Supervisory Levy** - SMSFs must pay the annual \$150 levy to the ATO with lodgment of the annual return.

**T**  
**Trust Deed** - a document that lays down the rules within which a trust must operate, dictates its investment guidelines and describes how benefits will accrue to the beneficiaries under the trust.

**U**  
**Unit Trust** - an investment facility that enables small investor's to pool their funds and earn a greater return than if each had acted individually. The investors buy units that may fluctuate in value in line with the market performance of the underlying assets. Common types of unit trusts are cash management, equity, real estate property and fixed interest trusts.