



FIRST STATE SUPER

FSS Trustee Corporation

ABN 11 118 202 672 AFSL 293340

Self managed superannuation funds and do it yourself super

If you have chosen to read this brochure, it's more than likely you're a person who has thought a lot about your super. You're interested in how your super is performing and you would like to learn more.

You may be thinking about setting up your own fund because the idea of being in control of your super investment and having greater flexibility and lower fees is particularly attractive.

The purpose of this brochure is to provide you with important information to consider before you move into a self managed superannuation fund.

The brochure focuses on matters such as what type of a person might a self managed superannuation fund suit, the requirements of setting up and running a self managed superannuation fund, and how a self managed super fund might compare to First State Super.

Please take the time to stop and consider your options.

The growth of self managed super funds

Advisers like to recommend self managed super funds to individuals because of their tax efficiencies and investment flexibility. Self managed super funds **may be suitable** if a person:

Wants to **invest in specific assets**

- to use business assets more effectively
- to choose assets that are not available in other vehicles (provided they meet the sole-purpose test)

Wants to implement **specific tax strategies**

- to control of timing of sale of growth assets to manage Capital Gains Tax liability
- to use dividend imputation credits

Options and alternatives...

Even if some of these specific requirements apply to you, you should think carefully before selecting a self managed fund as the best option for your super.

If you want control of investment options, effective tax strategies, flexibility, low cost super and access to financial advice when you need it, perhaps First State Super may be an alternative.

A self managed superannuation fund may be the right option for you right now. If your circumstances change in the future, like you decide to retire or you no longer wish to run an investment portfolio, remember you can join First State Super at anytime.

Self managed superannuation funds and do it yourself super

➤ What's involved in setting up and running a self managed super fund?

You'll need time, knowledge and money

Setting up and running your own super fund requires a substantial amount of time, effort and responsibility as well as knowledge and adequate savings. This is because when you establish or join a self managed super fund you must become a trustee of the fund.

Be prepared to spend the extra time and/or use and pay for the services of specialist advisers to make a self managed super fund work successfully.

If your super is with your employer's fund or a fund run by somebody else, consider how much time you currently spend thinking about your super now, then how much time you will need to spend running your own fund later...

➤ Self managed superannuation funds – the facts

Purpose, obligations and requirements

As a trustee of self managed super fund you have legal responsibilities, obligations and duties.

Structure and legal obligations of a self managed super fund:

- The fund has to meet the 'sole purpose test' (it exists solely for the provision of retirement benefits, death benefits for dependants and certain permitted purposes)
- They must have one to a maximum four members
- All members must be trustees
- No member of the fund can be an employee of another member of the fund, unless a relative
- Superannuation law, tax law and compliance issues apply to self managed super funds
- A trust deed is required
- Assets cannot be held in individual names, they are held in the name of the trust
- Trustees cannot receive any remuneration for their services as trustee
- Trustees can be personally liable for their actions

- Trustees are responsible for:
 - administration of the fund – account keeping, benefit payments, maintaining member records and recording trustee decisions
 - audit and annual account preparation
 - member and trustee reporting to regulators
 - setting and implementing investment objectives and strategies (including risk/return objectives, liquidity of assets, diversification of investments), investment research and regular review.

Generally, to run your own fund involves a lot of paperwork and you're likely to need assistance from a number of service providers (eg an accountant, auditor, financial planner, lawyer, and tax agent).

And just like any other super fund, heavy tax and legal penalties apply if you have breached your responsibilities. Penalties can be both personal and financially severe.

More about investments

Legally, you're required to devise an investment strategy typically including a target asset allocation and benchmark indicators; manage the investments and meet the objectives set out in your investment strategy; and review your investment strategy on a regular basis.

You need to consider if the investments you are contemplating are actually permissible as super fund investments:

- Except in limited circumstances, self managed super funds cannot acquire assets from related parties
- Assets bought for personal use, like a holiday house or art to decorate your home, won't comply.

And the same concessional and non-concessional contribution limits that apply to your employer's fund also apply to self managed super funds.



7 Fees and costs

Set up, ongoing and additional

The Australian Securities & Investment Commission (ASIC) suggests “you need at least \$200,000* in super to make a self managed super fund worthwhile”.

With an account balance of \$200,000, the costs of running your own fund could match (or possibly be lower than) the costs of having your super in a professionally managed fund*.

The cost of setting up a self managed super fund may be about \$2,000. It will then cost around **\$2,000* each year** to run a median sized fund. And there are likely to be additional costs of:

- locating and managing suitable investments without the ‘wholesale’ purchasing power of large funds
- death and disability insurance cover (which you’ll need to arrange yourself, if required)
- advice from professional accounting, tax, audit and legal.

7 The right advice

Are you getting advice from appropriate sources?

ASIC advises people thinking about an SMSF to make sure the person giving them advice about a self managed super fund is licensed to do so.

Tax agents or accountants can help you set up a self managed super fund and advise you on the establishment, operation, structuring and valuation of a self managed super fund.

Unless a person holds an Australian Financial Services (AFS) Licence or is an authorised representative of an AFS Licensee they cannot advise you about:

- which super fund best suits you
- whether you should switch your superannuation savings to a self managed super fund
- which assets should be in your fund
- the investment strategy for a self managed fund.

Advice regarding investment strategies and asset allocations must be made by licensed adviser or authorised representative of an AFS licensee. They may be able to assist you with your insurance requirements and non-superannuation investments.

Even if you get advice and assistance from professionals you’re ultimately responsible for the decisions made about your self managed super fund.

Self managed super fund scorecard

The positives/advantages

- ✓ Control of your financial future
- ✓ Control over the investment strategy
- ✓ Establish an asset allocation that suits your needs and goals
- ✓ Arrange insurance that is necessary to protect your family
- ✓ More decisive estate planning
- ✓ Tax benefits like imputation credits and capital gains

The negatives/disadvantages

- ✗ Set up fees and ongoing costs are generally more expensive and support services may vary in value and quality
- ✗ Tax and legislative requirements are onerous
- ✗ Penalties for breaches are heavy including possible fines, gaol sentences and imposition of a 46.5% tax rate
- ✗ Insurance cover is not automatic
- ✗ Regulation and scrutiny from the Australian Taxation Office – auditors are generally required to report any actual or potential compliance breaches
- ✗ Key watch points are time, level of responsibilities and skills needed to properly manage investments and compliance aspects

A self managed super fund may not be for everyone. Control and flexibility could be achieved with simpler alternatives. There may be other more suitable options available for your super needs...

* Source: The Australian Securities and Investments Commission and the Australian Taxation Office joint publication ‘Thinking about self-managed super’ NAT72579-03.2009, page 5.

➤ Could First State Super meet your requirements?

Do you like to be in control, make your own decisions and keep informed? Are you after low fees, investment choices and ongoing advice? Did you know with First State Super you can make your own decisions about investing, contributing, insurance and staying up to date? Why not compare First State Super to a self managed super fund, you could be surprised...

Choice of investments

You can choose from 11 investment options ranging from 100% shares to 100% cash. You can mix the options in any combination for your current account balance, future contributions and rollovers.

Generally, there is no minimum amount required to invest in an option. And you can switch as often as you feel the need to (see table on the next page for switching costs).

Contribution options

Within the Government's contribution limits you decide how much you'd like to contribute and when you want to contribute. You could contribute on a regular basis or make a one-off contribution.

Insurance choices

You can choose to have no insurance or to apply for insurance cover of up to \$5 million for death (or terminal illness), \$2 million for total and permanent disablement, and \$20,000 per month for income protection. Cover is subject to acceptance by the insurer.

Estate planning preferences

You can make a binding death benefit nomination so that your super will be paid in accordance with your nomination.

Stay informed

The website, www.firststatesuper.com.au contains up-to-date facts and information aimed at allowing you to make informed decisions. Through the website you can sign up for e-newsletters, register for a seminar, use our calculators and read the latest investment performance. And you have access to financial advice when you need it.

Access to financial advice

If you would like personal financial advice, why not give FSS Financial Planning* a call on 1800 665 756 and arrange an appointment with one of their experienced financial advisers.

Need more information about First State Super?

Visit our website at www.firststatesuper.com.au

Call Customer Service on **1300 650 873**

Send an email to enquiries@firststatesuper.com.au

As a member of First State Super you:

- ✓ Determine your asset allocation
- ✓ Have access to flexible insurance options
- ✓ Nominate how your super will be distributed should you die while a member
- ✓ Have the benefit of professional managers for administration, investments, legal, audit, accounting, reporting, compliance, trustee issues
- ✓ Are unlikely to experience difficulty switching between asset classes (eg between shares and cash)
- ✓ Enjoy significant fee savings
- ✓ Can see a financial planner* for wealth creation strategies and ongoing financial advice

* Neither FSS Trustee Corporation nor First State Super is responsible for any advice given to you by Q Invest Limited ABN 35 063 511 580 AFSL Number 238274 trading as FSS Financial Planning.



Compare the costs

First State Super fee structure at 30 June 2009

Type of fee	Amount of fee
Establishment fee	No charge
Administration fee	\$4.33 per month (plus 0.20% pa for income stream accounts)
Investment management expenses	0.05 to 0.49% pa.
Investment switching fee	Future contributions: Nil Current account balance: No charge for the first switch in a financial year then \$25 per subsequent switch
Financial planning advice – standard comprehensive plan	\$2,000 (may be more if your situation is unusually complex)

Compare the cost of running a self managed super fund over 10 years

The table below compares the typical costs of running a self managed super fund (SMSF) with the annual cost of a First State Super **accumulation account** compounded over a 10 year period and includes the cost of lost investment earnings.

Investment option	10 year average return to 30 June 2009 ¹	First State Super annual fees over 10 years ²	SMSF annual fees over 10 years ³	The difference
High growth 90% growth/10% income assets	4.2% pa	\$656	\$25,254	\$24,598
Diversified 70% growth/30% income assets	5.0% pa	\$686	\$26,414	\$25,727
Balanced 50% growth/50% income assets	5.3% pa	\$698	\$26,863	\$26,165
Capital Guarded 30% growth/70% income assets	5.5% pa	\$706	\$27,167	\$26,461
Cash 100% income assets	5.1% pa	\$690	\$26,562	\$25,872

1. The 10 year average return % pa to 30 June 2009 is based on the rate of return achieved by the underlying investments of the particular investment option and the final market prices and values of the Fund's assets (which are available only after the end of each financial year). The returns have been calculated after allowing for income tax on investment income, and investment management expenses but before deduction of administration fees from members' account balances. Past performance is not a reliable indicator nor is it a guarantee of future performance. Neither the investments of First State Super nor payments of capital to members are guaranteed by the Trustee. The value of investments can rise or fall. We encourage you to seek advice from a licensed or authorised financial adviser before selecting an investment option.

2. Based on an administration fee of \$51.96 pa and the 10 year average return % pa to 30 June 2009 for the selected option. Note: An additional administration fee of 0.2%pa applies to Income Stream accounts.

3. Based on a cost of \$2,000 pa from www.fido.gov.au – Warning lights flash over 'do it yourself' super & Thinking about self-managed super NAT72576-03.2009 and the 10 year average return % pa to 30 June 2009 for the selected First State Super option.

4. The annual cost of a superannuation fund is one factor that will have an impact on future account balances and retirement payouts. The costs of different funds may change in the future and any such change would impact on the comparison set down on this page. Other factors that will impact on future account balances and retirement payouts include investment performance of a fund and, where applicable, investment performance of investment options available within a fund.

For the latest information about
First State Super, visit www.firststatesuper.com.au

Before moving to a self managed super fund ask yourself the following questions

- 1 Do you trust the source of the advice and guidelines given to you to set up and run your own self managed super fund?
- 2 Is the self managed super fund strictly for retirement purposes?
- 3 Do you have at least a few hours each week to manage the fund?
- 4 Are you disciplined and comfortable with the responsibilities that come with being a trustee, keeping proper records, filling out forms and dealing with regulators such as the Australian Taxation Office?
- 5 Do you understand and are you comfortable with the rules about making contributions, running a fund and the administrative requirements?
- 6 Are you comfortable with the risk of controlling your retirement savings?
- 7 Are you confident that the self managed super fund will achieve your goals and meet your expectations?
- 8 How much flexibility or self determination do you really have with your self managed super fund, have you really achieved investment flexibility?
- 9 Are you confident that your self managed super fund will provide better investment returns than your current super fund?
- 10 Are you confident your returns will exceed the additional costs incurred to operate self managed super fund?
Will the benefits be worth the costs?
- 11 How will switching to a self managed fund affect your current super?
- 12 Are the investment opportunities through self managed super fund available in your current super fund?

Here's what the experts say about First State Super

First State Super rates highly with industry experts... three of the super industry's best-known research companies[#] have awarded First State Super with their highest rating for 2008/2009. These research companies looked at things like organisation, investment performance, fees, services, communications, administration and insurance.

How First State Super has been rated:

- Chant West Apple Ratings Five apples – highest quality fund
- SelectingSuper Fund Quality Ratings AAA – an exceptional quality super fund
- SuperRatings Fund Ratings Platinum – the best value for money funds



[#] Source: Chant West Pty Limited ABN 75 077 595 316, SelectingSuper a company of Rainmaker Information Pty Limited Pty Ltd ABN 86 095 610 996, SuperRatings Pty Ltd ABN 95 100 192 283

Contact information

Web: www.firststatesuper.com.au
Phone: 1300 650 873
Email: enquiries@firststatesuper.com.au

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