



BALANCED INVESTMENT STRATEGIES

FINANCE ♦ BALANCE ♦ LIFE

SMSF Definitions

A Self Managed Superannuation Fund:

- Has up to four (4) members;
- Each individual Trustee of the Fund is a fund member;
- Each member of the Fund is a Trustee;
- No member of the Fund is an employee of another member of the Fund unless those members are related;
- No Trustee of the Fund receives remuneration for services as a Trustee.

If the Trustee is a company (corporate trustee):

- Each director of the company is a member of the Fund;
- Each member of the Fund is a director of the company;
- No member is an employee of another member (unless related);
- The Trustee does not receive remuneration for services as a Trustee.

A single member Self Managed Superannuation Fund may have a company as Trustee if the member is:

- The sole director of the Trustee Company;
- Is related to the other director of the Trustee Company and there are only two directors of that company;
- Is not an employee of the other director of the Trustee Company and there are two directors of the company.

If the single member Fund Trustee is not incorporated the Fund must have two individuals as Trustees where the non member Trustee is:

- Another person who is a relative of the member;
- Any other person provided the member is not an employee of that person.
- Generally anyone over the age of 18 can be a Trustee of a superannuation fund if they are not a disqualified person. An individual is a disqualified person if:
 - At any time the person has been convicted of an offence involving dishonesty;
 - At any time the person has been subject to a civil penalty order under SIS;
 - The person is an undischarged bankrupt.

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A company is not permitted to act as Trustee if:

- A responsible officer of that company is a disqualified person (a responsible person includes a director, secretary or executive officer);
- A receiver, official manager, or provisional liquidator has been appointed to the company;
- Action has commenced to wind up the company.

Binding & non-binding nominations

The methods by which a member can assign their benefits upon death. Binding nominations must be adhered to by the trustee and should be renewed every three years. Non-binding nominations are a guide for the trustee.

Benefit

Member account balances that are paid to the member when they meet a condition of release - usually retirement. They can be taken as lump sum amounts or as a pension income stream.

Accumulation phase

The period where member benefits are accumulating

Drawdown/Pension phase

The period where benefits are being paid to the member

Trust deed

Signed by the trustees to start the fund and contains the rules by which the trustees must abide.

Condition of release

Trigger events that allow the payment of benefits from a fund. They include retirement, total & permanent disability, death and compassionate grounds.

Investment Policy Statement

A document that details how member benefits are to be managed and covers areas such as contributions, investment allocation, investment performance, risk and benefit payments.

In specie

Non-cash transfer of assets into or out of the fund. The Latin term in specie means "in its own form". Such contributions typically involve members contributing listed securities or business real estate into their SMSFs. There are restrictions on the types of assets that can be transferred or contributed by members into their SMSFs.