

## Self Managed Superannuation Fund Investment Strategy Requirements

**Warning:** This information is intended to form general comments only and does not constitute advice. No investor should rely solely on this information when making investment decisions. This information has not been prepared to take account of investment objectives, financial situations or the particular needs of investors. Investors should consult their client adviser, who can assess their particular needs and circumstances when making investment decisions.

As a trustee of a self managed superannuation fund, one of your key areas of responsibility is to manage the fund's investments in a prudent manner.

The superannuation legislation (SIS) places certain duties and responsibilities on trustees when making investment decisions. These requirements are designed to ensure the superannuation fund is focused on the sole purpose test – building funds for members retirement benefits.

Trustees are required to prepare, implement and review on a regular basis an investment strategy for self managed superannuation funds.

There is no set format prescribed by the Australian Taxation Office (ATO) in regards to an investment strategy.

The ATO indicates that the investment strategy must reflect the purpose and circumstances of the fund and in the least consider:

- investing in such a way as to maximise member returns, taking into account the risk associated with various investments;
- appropriate diversification and the benefits of investing across a number of asset classes (for example, shares, property, fixed deposit) in a long-term investment strategy;
- the ability of the fund to pay benefits as members retire and pay other costs incurred by the fund; and
- the needs of members (for example, age, income level, employment pattern and retirement needs).

An appropriate investment strategy should set out the investment objectives of the fund and detail the investment methods the fund will adopt to achieve these objectives.

The investment strategy should be unique to the requirements of the fund and its members. Some of the unique aspects to consider when documenting the investment strategy include:

- Investment time frame – the length of time until members retire and have access to their benefits is in important consideration.
- Fund liquidity levels – what is the appropriate level of funds that should be

### In this issue

Trustee responsibilities of managing SMSF investments

retained in cash account reserves for day to day cashflow requirements of the fund;

- Capital expenditure plans – the fund may have a unique requirements in regards to (say) capital outlays for a commercial property asset. These will need to be allowed for within the investment strategy;
- Member income needs – if a fund in paying a pension to a member than the investment strategy will need to consider the investment income profile of the fund;
- Ongoing trustee decisions regarding the management of the fund investment portfolio should be made in accordance with the investment strategy of the fund.

## Investment Restrictions

The superannuation legislation does not prescribe what a fund can and cannot invest in, but it does restrict the entities the fund can invest in or with and the entities from which the fund can acquire assets. The investment restrictions aim to protect fund members by ensuring fund assets are not exposed to particular undue risks (for example, the risk of an associated business failing). The restrictions also aim to ensure that funds make investment decisions with the primary purpose of generating retirement benefits for members, rather than providing current-day support to members or other parties.

## Regular Review

The ATO prescribes that the investment strategy of the fund must be reviewed on a regular basis, however they do not indicate what is considered to be regular.

Managed. Financial Strategy believes that the formal investment strategy of the fund should be reviewed every three years or when circumstances of the fund change substantially. For example, the retirement of a fund member would represent an opportunity to review the investment strategy of the fund.

## ATO Auditing of SMSF Investment Strategy Adherence

The ATO has indicated that increased resources are being focused on auditing of self managed superannuation funds with a particular focus on SMSF investment strategy issues.

## Managed. Financial Strategy – SMSF Investment Strategy Service

With over 3 decades of specialist experience with self managed superannuation funds, Managed is well positioned to assist SMSF trustees with investment strategy development and review services. Our superannuation specialist advisers can meet with fund trustees on a consulting basis to develop and/or review the unique and appropriate investment strategy for your superannuation fund.

To arrange a meeting to discuss your SMSF Investment Strategy please contact Managed Financial Strategy on 07 3391 5055 or email us at [super@managed.com.au](mailto:super@managed.com.au)

**Disclaimer:** This publication contains general information only and is not intended to constitute financial product advice. Any information provided or conclusions made, whether express or implied, do not take into account the investment objectives, financial situation and particular needs of an investor. It should not be relied upon as a substitute for professional advice.

© 2009 managed.financial strategy ltd



**managed.financial strategy ltd**  
AFS licence no. 222600

PO Box 7074  
30 Lisburn Street  
East Brisbane Qld 4169

**Telephone:** 07 3391 5055  
**Facsimile:** 07 3391 1711  
**Email:** [super@managed.com.au](mailto:super@managed.com.au)  
**www.managed.com.au**