



Life Insurance and Self-Managed Super Funds.

You're not on your own.

A lifetime of assets

After a lifetime of hard work and diligent saving, you deserve to dream of a leisurely retirement. Self-Managed Super Funds (SMSF) offer a flexible and tax effective way to help you accumulate the wealth you need to do just that.

Your responsibilities

While being an SMSF trustee allows you to actively manage the investment choices for your super, it also carries a number of responsibilities, which are not always well understood.

As Trustee, you must:

- act in the best interests of all fund members.
- manage the fund separately from your own affairs, and
- make sure money in the fund is only released if the law allows it.

But that's not all.

Under the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations), trustees of SMSFs need to 'consider' the life insurance needs of their members as part of the investment strategy of the fund.

You don't have to go it alone

As a life insurance specialist, your financial planner is well equipped to help you understand the benefits and complexities of holding insurance cover through superannuation.

Together, you and your financial adviser can work through the personal circumstances of each SMSF member and develop specific insurance plans to suit the requirements of the SMSF investment strategy and those of the individual members.



LIFE INSURANCE AND SMSFs THINGS TO CONSIDER

A common reason for holding an SMSF is the access it provides to different kinds of investments; in particular, fixed property. SMSFs can also obtain interest bearing loans to acquire those fixed property assets.

However, if structured incorrectly, these investment options can raise liquidity issues within the SMSF.

In addition to introducing liquidity risk, the SMSF may also experience difficulties in servicing loan principal plus interest following the death or disability of a member.

Your financial adviser can also work with you to ensure the mix of your investments provides the fund with sufficient liquidity to enable the payment of death or disability benefits to members when required.

Benefits of insurance through your SMSF

Purchasing insurance through your SMSF allows you and your fund's members to take advantage of a number of financial benefits.

Preserve disposable income

With premiums paid directly from the balance of the SMSF, day-to-day cash flow is unaffected.

Access tax concessions

If eligible, the fund can claim a tax deduction on super contributions to fund insurance premiums.

Pay premiums with pre-tax earnings

Employer contributions into an SMSF are paid with pre-tax dollars, so any insurance premium paid from the fund will often be a more tax effective premium solution.

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Next steps

Below is a simple checklist you can work through with your financial adviser to determine whether your SMSF would benefit from an insurance review.

- Carry out an asset and liability review.
- Consider Life, Total and Permanent Disability and Income Protection insurance along with other strategies.
- Identify the cover required – this involves determining the types and amounts of insurance cover each member needs and deciding whether that cover should be held within or outside super.
- Select the methodology for allocating premiums and claims proceeds.
- Review the SMSF trust deed to ensure that insurance in the proposed format is permitted.
- Brief the SMSF auditor on your proposal.
- Ensure the statement of advice (SOA) is consistent with other fund documentation.
- Hold a trustee meeting and provide minutes - the trustees should document the reason(s) why the decisions were made. This will provide evidence the new requirement has been addressed.
- Once agreed, ensure that the insurance is properly disclosed in annual member statements.
- Review the insurance annually and update it where necessary.

Note, these steps look at the issues relating specifically to the need to include insurance in the investment strategy, and they ignore the other investment strategy requirements in the *Superannuation Industry (Supervision) Act 1993* and SIS Regulations.



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PROVIDING PEACE OF MIND TO PROTECT DREAMS, ASPIRATIONS AND THOSE YOU LOVE MOST

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