

THE END OF AN ERA – WINDING UP YOUR SMSF

Whether it's due to a low balance, onerous ongoing trustee obligations, or the passing of the last member, every Self-Managed Superannuation Fund (SMSF) will eventually run its course and will have to be wound up. This process, however, can be easier said than done.

Unlike a retail or industry fund that can be closed quickly, usually with a simple form, the wind up of an SMSF is more complex with strict steps that must be followed, regardless of the reasons behind the closure.

Before commencing the process, members should seek advice to ensure the fund closure is the right course of action. There may be a less invasive option that could resolve the underlying issue; for example, if the reason to close the fund is because of burdensome administration requirements, an administration service could be employed to assist the trustees.

After considering all alternatives, if the members agree that the wind up should take place, the fund's trust deed will need to be reviewed as it may contain steps on winding up the fund, and if so, these must be followed. If not, we've broadly outlined the steps you would need to consider when closing your SMSF.

How to wind up an SMSF

The closure process requires determining the value of the fund's assets and liabilities and using the assets to pay down the liabilities, such as member's entitlements, taxes and expenses, in an equitable fashion.

Delays may occur as lumpy assets, such as property, which will need to wait to be sold and settled before all liabilities can be extinguished.

Once all assets are sold, term deposits have matured, and there is adequate cash in the fund to pay out the members' benefits, each member will be required to rollover or withdraw their balance. This decision will depend on each member's personal situation, and members should consult their financial advisers during this process. A sufficient amount should remain to pay final tax or expenses.

Once the final SMSF annual return and audit is complete, any outstanding tax will be paid.

After all the liabilities have been settled and requested refunds are received, the fund's bank account may be closed.

The ATO will send a letter stating that the fund's ABN has been cancelled and the fund's record on the ATO system has been closed which confirms all reporting and tax obligations have been met.

Note: A fund cannot be wound up without the final audit sign-off and lodgment. Therefore a fund cannot be closed to avoid a fund's underlying compliance issue which would prevent audit sign-off.

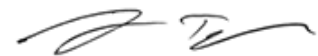
Other considerations

Once the fund is wound up, it cannot be reactivated. A new fund would be required. Additionally, if a member withdraws their balance, it can only be recontributed if the member meets the strict contribution limits.

Life insurance should also be considered. Once closed, any life insurance will be cancelled, which may be difficult to obtain again for age or health reasons.

We're here to help

If you are considering closing your SMSF, or would like to speak to someone about the process, get in touch with your Bell Potter adviser.



Jeremy Tyzack

Head of Technical Financial Advice
Bell Potter Securities

Bell Potter's technical financial advice team can put together a strategy designed to help you achieve your retirement objectives.

Working with you and your Bell Potter Adviser, we can help with most financial aspects of retirement, including:

- Identifying your financial goals
- Structuring your existing assets appropriately
- Identifying your approach to investment and your appetite for risk, and
- Reviewing your current superannuation arrangements.

To create a tailored investment plan based on your needs and objectives call your adviser or 1300 0 BELLS (1300 0 23357).

IMPORTANT INFORMATION: This information was prepared by Bell Potter Securities Limited ABN 25 006 390 772 AFSL 243480 (Bell Potter) for use by Australian residents. This information is of a general nature and does not take into account your personal objectives, situation or needs. Before making a decision about investing, you should consider your financial requirements and if necessary, seek appropriate independent financial, legal, taxation or other advice. This information is believed to be correct at the time of compilation but is not guaranteed to be accurate, complete or timely. Bell Potter and its related bodies corporate do not accept any liability arising out of the use or distribution of this information. Shares should be considered a long-term investment which may be volatile over the short term and may fall in price. Past performance is not a reliable indicator of future returns.