

SMSF TRUSTEES – TIME TO REVIEW YOUR INVESTMENT STRATEGY

Now that another financial year has passed, and accountants are busy working on Self-Managed Superannuation Fund (SMSF) financials, now is the perfect time for SMSF trustees to review their investment strategy.

It is the trustees' responsibility to develop, review and give effect to the investment strategy for their fund. This responsibility provides trustees with the ultimate control and flexibility over their retirement savings.

SMSF's are obliged to have an investment strategy, however what are a trustees obligations?

Trustees should determine their fund's investment objectives and the methods by which these objectives will be achieved. An SMSF's investment strategy should take into account the following:

- Maximising returns for members - taking into consideration the risks of different types of investments and how much risk members are willing to accept;
- Diversification of investments - to help manage potential losses across different asset classes;
- Liquidity - maintain enough cash to pay benefits, fees, etc.; and
- Insurance cover - appropriateness of holding insurance for members.

Trustees need to set quantifiable and attainable investment goals; i.e. to outperform inflation by 4%. To do so, Trustees need to determine the fund's investment objectives; needs of members based on age, member's retirement status and years of contributions before retirement, the level of risk all members are willing to accept, investment income and franking credits etc.

Determining an asset allocation

Trustees need to determine how they will invest and allocate funds across the different asset classes taking into consideration members risk tolerance; age, life stage, individual goals and objectives. The investment strategy should clearly identify the allowable asset classes, using percentage ranges, i.e. shares 70%-100%, cash 0-30%, property 0-30% etc. There are no set rules to determine the percentage range, simply wide enough to cover market deviations and narrow enough to be practical e.g. nominating 0-100% across all asset classes shows a lack of thought and consideration.

Trustees also need to consider whether the fund will hold life insurance cover for its members. The fund is not required to actually hold life insurance, merely to have considered the appropriateness of holding such cover.

Keeping the investment strategy up to date

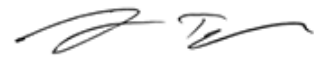
The fund's investment strategy should be reviewed annually, as a minimum. However, more frequently in certain circumstances e.g. if trustees are considering investing in asset classes outside of the funds existing asset allocation then the strategy should be updated prior to the purchase of the investment. Similarly, a change in personal circumstances such as retirement may also trigger the need to review the investment strategy.

Ultimately, the major advantage of operating an SMSF is obtaining control and flexibility to actively manage retirement savings. Clear goals and objectives, with appropriate asset allocations, are essential to complete this task effectively. Actively reviewing asset allocations and reweighting investments, will provide trustees the confidence that their SMSF is on track

to meet their goals approaching and during retirement.

Get in touch

If you would like to discuss further, please contact your adviser who can put you in touch with a member of Bell Potter's Technical Financial Advice team.



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).

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