

# When to get out of a Self Managed Super Fund (SMSF)?

## When should you get out of your SMSF?

There has been quite a tide of members who have moved into Self managed Super funds over the past decade. Our *Fact sheet #25 - Is self managed super the right choice for you?* explores the pros and cons of going into a SMSF. However, an equally important issue is when should you get out of such an arrangement?

### 1. Assets fall below a certain level

It is generally accepted that for an SMSF to be financially viable, it needs to have at least \$200,000\* in assets. The fixed costs for running an SMSF are prohibitive below this amount.

You may well go into an SMSF with more assets than this, but either as a result of a market downturn, or because you retire and move into the draw down phase, your asset values may drop below the financially viable threshold.

\* The FIDO website indicates that this is the minimum amount for a viable SMSF.

### 2. The death of the key person running the fund

Typically SMSFs have a couple's superannuation in it and typically one partner has the much larger share of the assets and is the dominant partner in terms of making investment decisions. If that dominant partner should die, does the previously passive, and perhaps less financially sophisticated member have the skills, time and inclination to keep it going? Is it going to cause them an undue level of stress at a time when they are already under stress organising a funeral etc?

### 3. Divorce

As stated above, typically SMSFs have a couple's superannuation in it. Unfortunately, one in three couples get divorced. What will happen to the SMSF in this event? Will this necessitate the liquidation of assets at a bad time? Will both parties agree on the fund valuation if the assets include things for which there is no ready market e.g. property or unlisted shares or artwork?

### 4. Failing mental acuity to choose the 'right' investments

People would typically roll into an SMSF while they are still working and are still in control of all their faculties. Unfortunately, as they get older, some people start to lose their mental edge or have less energy to remain as engaged as they may have previously. Is it appropriate to have all your retirement savings under the control of a person who is not at the top of their game, and probably only going to get less skilled at choosing the right investments? The 'catch 22' of this scenario is that when a person starts to lose their mental edge, they are often the last person to realise it. So how are they going to identify the right time to hand over the decision making to someone else?

## How easy is it to get out of an SMSF?

It is usually relatively simple to get out of an SMSF, but it will ultimately depend on the terms of the SMSF's Trust Deed (its set of rules). Generally when setting up a SMSF, most people are probably not focussing on the wind up provisions. If you choose to start a SMSF, keep in mind that at some stage, most SMSF will almost certainly need to be wound up.

## Getting advice

If you would like to speak to an Equipsuper Financial Planner about your options and setting up a SMSF, please call **1800 065 753**, or you can visit the Equipsuper Financial Planning website [www.equipfp.com.au](http://www.equipfp.com.au) for further information.

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