



# INVESTMENT STRATEGY Guidance Statement

**LEN BARONE SUPERANNUATION SCHEME**

## **LEN BARONE SUPERANNUATION SCHEME ("The Fund") INVESTMENT STRATEGY**

### **The Commissioner's Guidelines on Investment Strategies for SMSF Trustees**

#### **1. What needs to be included in my SMSF's investment strategy?**

Your SMSF investment strategy should be in writing. It should also be tailored and specific to the relevant circumstances of your fund rather than a document which just repeats the words in the legislation.

Relevant circumstances may include (but are not limited to) personal circumstances of the members such as their age, employment status, and retirement needs, which influence your risk appetite. Your strategy should explain how your investments meet each member's retirement objectives.

In particular, under the super laws your strategy must consider the following specific factors in regard to the whole circumstances of your fund:

- risks involved in making, holding and realising, and the likely return from your fund's investments regarding its objectives and cash flow requirements
- composition of your fund's investments including the extent to which they are diverse (such as investing in a range of assets and asset classes) and the risks of inadequate diversification
- liquidity of the fund's assets (how easily they can be converted to cash to meet fund expenses such as the cost of managing the fund and income tax expenses)
- fund's ability to pay benefits (such as when members retire and require a lump sum payment or regular pension payments) and other costs it incurs
- whether to hold insurance cover (such as life, permanent or temporary incapacity insurance) for each member of your SMSF.

When formulating your investment strategy, it is not a valid approach to merely specify investment ranges of 0 to 100% for each class of investment. You also need to articulate how you plan to invest your super or why you require broad ranges to achieve your investment goals to satisfy the investment strategy requirements.

The percentage or dollar allocation of the fund's assets invested in each class of investment should support and reflect your articulated investment approach towards achieving your retirement goals. If you choose not to use allocated portions or percentages in your investment strategy, you should ensure material assets are listed in your investment strategy. You should also include the reasons why investing in those assets will achieve your retirement goals.

## **2. Are there any restrictions under the super laws with respect to my SMSF investments?**

You are free to choose what type of assets you may invest in, providing those investments:

- are permitted by your fund's trust deed
- are not prohibited by the super laws
- meet the sole purpose test.

For instance, you need to be aware of the in-house asset rules and acquisitions from related party rules. You also need to be aware of the non-arm's length income rules for income tax purposes.

Where your investments breach the super laws, we can take compliance action against you. Depending on the severity of the breach, we may apply penalties and potentially disqualify you as trustee.

## **3. What does having regard to diversification mean and can I invest all my retirement savings in one asset or asset class?**

While a trustee can choose to invest all their retirement savings in one asset or asset class, certain risks such as return, volatility and liquidity risks can be minimised if a trustee chooses to invest in a variety of assets. This is called a diversified portfolio which helps to spread investment risk.

Investing the predominant share of your retirement savings in one asset or asset class can lead to concentration risk. In this situation, your investment strategy should document that you considered the risks associated with a lack of diversification. It should include how you still think the investment will meet your fund's investment objectives including your fund's return objectives and cash flow requirements.

Asset concentration risk is heightened in highly leveraged funds, such as where the trustee has used a limited recourse borrowing arrangement to acquire the asset. This can expose members to a loss in the value of their retirement savings should the asset decline in value. It could also trigger a forced asset sale if loan covenants (for example, the loan to valuation ratio) are breached.

Super laws also require trustees to invest in accordance with the best interest of all members. You need to be aware of any legal risks that may result from investing in one asset class.

## **4. What does giving effect to my investment strategy mean?**

The super laws require that you as trustee must formulate and regularly review your fund's investment strategy. You must also give effect to an investment strategy that has regard to the whole of the fund's circumstances.

This means ensuring your fund's investments are in accordance with your investment strategy so that you are on track to meet your retirement goals. To help meet this requirement, you could consider specifying appropriate allocations or percentage or dollar ranges for each class of investment ranges that you have chosen for your strategy. These allocations or ranges typically allow some flexibility for market fluctuations.

However, broad investment ranges between 0 to 100% in a broad range of assets do not reflect proper consideration in satisfying the investment strategy requirements. Your strategy must articulate how you plan to invest your super in order to meet your retirement goals.

We don't consider that short term variations to your articulated investment approach, including to specified asset allocations, constitute a variation from the investment strategy.

#### **5. How often do I need to review my SMSF's investment strategy?**

Your investment strategy should not be a 'set and forget' document. You should review your strategy regularly to ensure it continues to meet the current and future needs of your members depending on their personal circumstances.

Certain significant events should also prompt you to review your strategy, such as:

- a market correction
- when a new member joins the fund or departs a fund
- when a member commences receiving a pension. This is to ensure the fund has sufficient liquid assets and cash flow to meet minimum pension payments prior to 30 June each year.

You should also review your strategy at least annually and document that you have undertaken this review and any decisions made arising from the review. For example, you could do this as part of the annual trustee meeting minutes. You should then provide these minutes or other evidence of a review to your auditor. This will show that you've met the requirement to review regularly and, where necessary, revised your investment strategy.

#### **6. What is my auditor's role in relation to my SMSF investment strategy?**

When conducting the annual audit on your fund, your auditor will check whether your fund has met the investment strategy requirements under the super laws for the relevant financial year. This means they will check that:

- your SMSF had an investment strategy in place for the relevant financial year that considered the factors outlined above

- your fund's investments during the relevant financial year were in accordance with that strategy
- your strategy had been reviewed at some stage during the relevant financial year.

Where you don't comply with the investment strategy requirements, your auditor may need to notify us about this by lodging an auditor contravention report (ACR).

## **7. What happens if my SMSF investment strategy is not compliant?**

If your auditor identifies that you have breached the investment strategy requirements then you should fix the breach. If your strategy failed to adequately address some of the factors mentioned above, such as the risk of inadequate diversification, you can fix this by attaching a signed and dated addendum to the strategy or a trustee minute which adequately addresses the requirements. You should then show this to your auditor prior to finalisation of the audit.

If you failed to invest in accordance with your strategy, you should revise your strategy to ensure it reflects your fund's investments and how those new investments will meet your retirement objectives. You should then make sure you regularly review and adhere to your new strategy in the future.

Your auditor will only need to lodge an ACR notifying us of the breach if it meets the ACR reporting criteria. For most funds, the criteria will be met if either:

- the auditor has identified the same breach in a previous income year and it has been repeated in the current income year
- it is a breach from a previous year that remains unrectified at the time of audit.

However, the criteria may also be met if the fund is less than 15 months old and the value of any single breach exceeds \$2,000.

## **8. What action will the ATO take if my auditor lodges an ACR in relation to my SMSF's investment strategy?**

If your auditor is required to lodge an ACR and the breach has not been rectified, we will ask you to rectify the breach.

A penalty of \$4,200 (as indexed each 1 July) can be applied on each individual trustee or the corporate trustee for a breach of the investment strategy requirements. The directors of a corporate trustee are jointly and severally liable to pay this penalty.

## **9. Who can help me prepare, update or review my investment strategy?**

We cannot assist you with preparation of your SMSF investment strategy as this could amount to the provision of financial advice.

If you require assistance with the preparation of an investment strategy, you should consider seeking advice from your usual SMSF adviser or a licensed financial adviser.

Note that your usual SMSF adviser may not be a licensed financial adviser and legally capable of assisting you. They may be able to guide you on where to obtain resources such as an investment strategy template. Take care when obtaining standard investment strategy templates as these may not satisfy the super rules. They must be appropriately tailored to your fund's particular circumstances as discussed above and reviewed regularly as required by the super rules.

# TRUSTEE MEETING: ACCEPTANCE OF THE FUND'S INVESTMENT STRATEGY

**DATE:** 5 July 2021

**NAME OF FUND:** LEN BARONE SUPERANNUATION SCHEME

**CURRENT INCOME YEAR ENDING:** 30 June 2022

**ATTENDED BY THE TRUSTEE:**

LEONARD ANTHONY BARONE AND GRACE FRANCES BARONE AS DIRECTORS FOR LEN BARONE HOLDINGS PTY LIMITED ACN: 104 474 777

**HELD AT:** 19 MANNA WAY , SILVERDALE, NSW 2752.

**CHAIRPERSON:** LEN BARONE

## **TRUSTEE: ADOPTION OF INVESTMENT STRATEGY**

The Trustee has reviewed the Fund's proposed investment strategy – attached in this minute and has considered the adoption of the investment strategy for the Fund. The purpose of the Investment Strategy is to maximise the Fund's members retirement benefits, including income streams and lump sums, as well as maximising any death benefits if the members superannuation benefits are not being used for pension purposes. Further the Trustee has reviewed the Investment Strategy for its adherence to the SIS Act and Regulations.

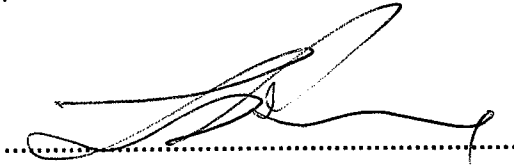
## **TRUSTEE RESOLUTIONS:**

It was resolved by the Trustee:

1. To cease the Fund's former investment strategy (if any); and
2. Adopt the current investment strategy – as detailed in this document to take effect from the date of execution of this Investment Strategy meeting until it is revoked or amended;
3. The Trustee shall keep this current Investment Strategy on file for the benefit of Members of the Fund.

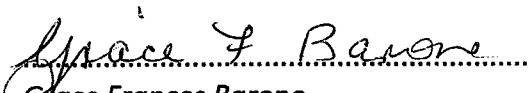
**SIGNED BY THE TRUSTEE:**

LEN BARONE HOLDINGS PTY LIMITED – ACN: 104 474 777 of 11 Daniel Street, Granville, New South Wales 2142 by being signed by the persons authorised to sign for the company pursuant to section 127 of the Corporations Act 2001:



.....  
*Leonard Anthony Barone*  
Director

..... 5-7-2021  
Date



.....  
*Grace Frances Barone*  
Director

..... 5-7-2021  
Date





DEED OF RECTIFICATION AND RATIFICATION OF  
THE INVESTMENT STRATEGY OF LEN BARONE  
SUPERANNUATION SCHEME FOR THE YEARS  
ENDED 30 JUNE 2021

**DEED OF RECTIFICATION AND RATIFICATION FOR THE INVESTMENT STRATEGY OF THE THE  
LEN BARONE SUPERANNUATION SCHEME**

**THIS DEED IS DATED: July 5, 2021**

**PARTIES:**

1. **TRUSTEE:** LEN BARONE HOLDINGS PTY LIMITED - ACN: 104 474 777 OF 11 DANIEL STREET, GRANVILLE, NEW SOUTH WALES 2142 (the "Trustee").

**RECITALS:**

1. Len Barone Superannuation Scheme ("**the Fund**") was established by Deed dated 24 April 2003.
2. Leonard Anthony Barone and Grace Frances Barone are the current Trustee Directors and Members of the Fund.
3. The Trustee of the Fund has previously created an investment strategy, pursuant to the provisions of SIS Regulation 4.09 for the following income years:
  - a. Year ending 30 June 2021
4. An updated and rectified investment strategy, as prepared by the Trustee is attached to this Deed as the Fund's formal and hereby rectified and ratified investment strategy for the income years as noted in this Deed.
5. By this Deed the Trustee wishes to rectify the former investment strategy as well as ratify that strategy as the correct investment strategy for the periods as noted above.
6. The rectified and ratified investment strategy is to form part of the Fund's Governing Rules for the income years as noted in this Deed.

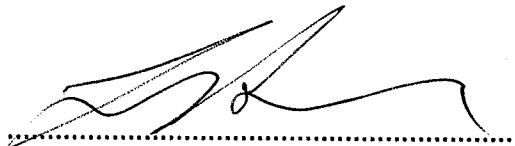
**PROVISIONS:**

1. **Rectification of the Investment for the Income Years ending 30 June 2021:** The Trustee hereby rectifies the former Fund investment strategy for the years ending 30 June 2021 and hereby attests that the attached investment strategy represents the Fund's investment strategy for the income years as noted.
2. **Ratification of the Investment Strategy:** The Trustee hereby ratifies that the pre-rectification investment strategies used by the Trustee are to be replaced by the Investment Strategy attached to this Deed and the Trustees further ratify that this Investment Strategy is the Fund's investment strategy as required under the Fund's governing rules and also the SISR 4.09.

3. **No Resettlement at Law:** Any amendment to the Rules of the Deed effected by this Deed does not result in a resettlement of the Trust at law, equity or under other Law.

**EXECUTED AS A DEED BY:**

LEN BARONE HOLDINGS PTY LIMITED – ACN: 104 474 777 of 11 Daniel Street, Granville, New South Wales 2142 by being signed by the persons authorised to sign for the company pursuant to section 127 of the Corporations Act 2001:



Leonard Anthony Barone  
Director

5-7-2021  
Date



Grace Frances Barone  
Director

5-7-2021  
Date



# INVESTMENT STRATEGY

Fund objectives, investment strategy and benchmark allocations

LEN BARONE SUPERANNUATION SCHEME

## **LIGHTYEAR DOCS AND THE LIGHTYEAR GROUP PTY LTD - LEGAL DISCLAIMER and AUSTRALIAN COMMONWEALTH COPYRIGHT NOTICE**

**LAST UPDATED 1 MARCH 2021**

The documents provided by LightYear Docs (“we”, “us”, or “our”) on the LightYear Platform (“the Platform”) have been reviewed by TGA Legal Pty Ltd T/A Abbott & Mourly (from here on in may be referred to as “Abbott & Mourly”). All of the documents on the LightYear Docs platform have been provided on the assumption that the user has sought its own professional legal and financial advice. We encourage the user to obtain its own legal and financial advice, and that we make no representation or warranty of any kind, express or implied, regarding the accuracy, adequacy, validity, reliability, availability or completeness of any information on the documents.

Under no circumstances shall we have any liability to you for any loss or damage of any kind incurred as a result of the use of the platform and or its documents or reliance on any information provided on the platform and or generally on the LightYear site.

### **LEGAL DISCLAIMER ON LIGHTYEAR DOCS AND LIGHTYEAR GROUP PTY LTD**

LightYear Docs and or the LightYear Group Pty Ltd cannot and does not contain legal advice as the LightYear Group cannot give the user qualified legal advice relating to the documents. In such circumstances, the user can contact Abbott & Mourly for specific legal advice relating to the documents or should the user require a deed of variation and or other General, Estate Planning, Commercial, SMSF and Tax Advice, please contact Abbott & Mourly at [info@abbottmourly.com.au](mailto:info@abbottmourly.com.au)

Accordingly, before taking any actions based upon such information, we encourage you to consult with the appropriate legal professionals or licensed attorneys. We do not provide any kind of legal advice. The use or reliance of any information contained on this site [or our mobile application] is solely at your own risk.

### **AUSTRALIAN COMMONWEALTH COPYRIGHT ACT 1968**

All materials contained within this document are protected by the Australian Commonwealth Copyright Act 1968 and may not be reproduced, distributed, transmitted, displayed, published, or broadcast, without the prior, express written permission of LightYear Group Pty Ltd. You may not alter or remove any copyright or other notice from copies of this content. All other rights are reserved 2021©



## 1. INVESTMENT OBJECTIVE

The Fund's investment objective is:

"The Trustee via its investment strategy seeks to maximise the Fund's member's retirement benefits, including income streams and lump sums, as well as maximising any death benefits if the member's superannuation benefits are not being used for pension purposes."

## 2. MEMBER NAME AND SUPERANNUATION INTERESTS

### a) Leonard Anthony Barone age 77

**Employment:** employed

**Retirement Objective:** The member seeks to be provided with a secure income stream in retirement in conjunction with external investments, superannuation and if needed the aged pension. The amount cannot be quantified at this stage.

**Pension:** No

**Insurance Policy:** The Trustee of the Fund has considered insurance for the member and following discussions around the member's age and circumstances has decided not to insure the member.

### b) Grace Frances Barone age 76

**Employment:** homemaker

**Retirement Objective:** The member seeks to be provided with a secure income stream in retirement in conjunction with external investments, superannuation and if needed the aged pension. The amount cannot be quantified at this stage.

**Pension:** No

**Insurance Policy:** The Trustee of the Fund has considered insurance for the member and following discussions around the member's age and circumstances has decided not to insure the member.

## 3. INVESTMENT STRATEGY

### 3.1. Background

The Fund's investment strategy is consistent with its objective and seeks to formulate, review regularly and give effect to the investment strategy that has regard to the whole of the circumstances of the fund including, but not limited to, the following:

- a) the risk involved in making, holding and realising, and the likely return from, the Fund's investments, having regard to its objectives and its expected cash flow requirements;

- b) the composition of the Fund's investments as a whole including the extent to which the investments are diverse or involve the fund in being exposed to risks from inadequate diversification;
- c) the liquidity of the Fund's investments, having regard to its expected cash flow requirements;
- d) the ability of the Fund to discharge its existing and prospective liabilities;

In addition, if there are any reserves for the Fund—to formulate, review regularly and give effect to a strategy for their prudential management, consistent with the Fund's investment strategy and its capacity to discharge its liabilities (whether actual or contingent) as and when they fall due.

### 3.2. Investment Strategy – Asset Allocation

The Trustee is to ensure the Fund's portfolio has the right mix of assets to suit all Members' circumstances and where separate investment strategies are applied to a specific Member or a superannuation interest of the Member then the Trustee, on the advice of the Member should determine appropriate investment aims and attitude to risk.

### 3.3. The Issue of Risk

As a key part of the process of constructing an investment strategy, the Trustee is required by law to consider the risk in making, holding and disposing of any Fund investments. All investments entail different levels and types of risk. If need be the Trustee may engage the services of an Investment or Portfolio specialist to assess and minimise the Fund's investment strategy risk. Then the Trustee and the investment specialist can work together to decide an asset allocation that offers the Fund or specific Member, where a separate investment strategy is used, the best chance of achieving the Fund or Members investment objective within the requisite level of risk tolerance.

### 3.4. Borrowing to Invest into Fund Assets

At this time the Trustee of the Fund has decided not to borrow.

### 3.5. Diversification to Mitigate Risk

The investment strategy laws require the Trustee of the Fund to consider the use of diversification to reduce or mitigate risk in relation to holding specific asset classes and any underlying investments corresponding to that asset class.

Diversification is best seen by the spread of a Fund's portfolio across a broad mix of assets. At the other end where a Fund applies an asset allocation to 90%-100% property with 0%-10% cash and this is exemplified by a single property, there is

inherent risks if the property drops in value, cannot be tenanted, is impacted by a natural or man made disaster or more importantly if one member dies, gets divorced or is retired and needs a lump sum. A fire sale of the property to meet the Trustee's cash flow needs to satisfy a Members request can result in significant losses to current Members of the Fund.

Importantly the Trustee understands that investment markets move in different cycles, reflecting the underlying strength of the economy, industry trends and investor sentiment. Individual assets also move differently according to external factors. Diversifying its assets can help smooth out market ups and downs.

### 3.6. Cash Requirements

The Trustee has assessed and monitored its cash flow requirements through its investments and has cash at hand to meet any liabilities including on-going such as accounting and audit liabilities.

### 3.7. Balancing Risk vs Returns

The Trustee is aware that the concept of risk/return suggests that low levels of investment risk will result in potentially lower returns, while high levels of risk will generate potentially higher returns. Of course, there are no guarantees. While increased risk offers the possibility of higher returns, it also can lead to bigger losses.

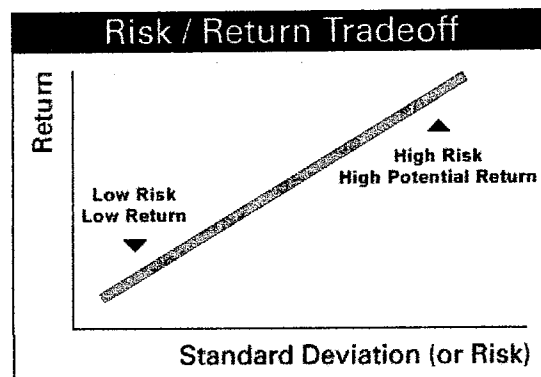


IMAGE: The risk/return trade-off principle

### 3.8. The Major Asset Classes for SMSF Investment and Asset Allocation for the Fund

ASSET CLASS	KEY CHARACTERISTICS	TRUSTEE TIME FRAME	BENCHMARK ALLOCATION
Cash			
Domestic Cash	Invested via bank accounts, bank bills and other similar securities. Provides income via interest. May be suitable for short-term needs.	Short-term (up to three years).	0 - 15%
International Cash	Invested via international bank accounts, term	Short-term (up to three years).	N/A



	deposits, bank bills and other similar securities. International cash investments May have currency risk exposure if not hedged. Provides income via interest. May be suitable for short-term needs.		
<b>Fixed Interest</b>			
Domestic Fixed Interest	Can provide a steady and reliable income stream with potential for capital growth and usually offers a higher interest rate, or yield, than cash. Includes Australian government bonds, Australian company bonds plus Australian special infrastructure bonds.	Short, medium or long-term.	0 - 10%
International Fixed Interest	Can provide a steady and reliable income stream with potential for capital growth and usually offers a higher interest rate, or yield, than cash. Includes International government bonds, International company bonds plus International special infrastructure bonds. May have currency risk exposure if not hedged.	Short, medium or long-term.	N/A
<b>Equities</b>			
Domestic Equities	Potential for capital growth, and may offer income through the payment of dividends with imputation credits. The Trustee may choose to invest in Australian companies either directly or using managed funds or listed companies.	Short, medium or long-term.	0 - 30%
International Equities	Potential for capital growth, and may offer income through the payment of dividends with foreign tax credits. The Trustee may choose to invest in International companies either directly or using managed funds or listed companies. May have currency risk exposure if not hedged.	Short, medium or long-term.	N/A

