Chester Cook Super Fund

Product Disclosure Statement

This Product Disclosure Statement is dated and issued on the date specified in the Schedule

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1. About this PDS

This Product Disclosure Statement ('PDS') has been prepared to provide information in relation to being a Member of a Self-Managed Superannuation Fund ('SMSF'). The Corporations Act 2001 (*Cth*) requires that as a Member you are provided with this PDS within three months of the Fund being established.

The PDS is specifically designed to provide future and current Members of the Fund with information that enables them to make an informed decision regarding their Superannuation Interests and the interests of the SMSF. Such interests include, but are not limited to making contributions, commencing an Income Stream, and taking a Lump Sum. Where a word is shown in this PDS in capital letters, it is a term that is defined within the Trust Deed.

Changes to Superannuation Laws are common and thus impact Superannuation Funds, including SMSFs. This PDS has been prepared based upon the Superannuation and taxation laws that apply at the date of this document. Importantly, this PDS is not a substitute for a Member to seek advice from a suitably qualified professional and provides general information only. However, you should closely consider the information contained within this PDS before you decide to become a Member or have contributions made into the Fund by you or on your behalf.

Please note that from 1 July 2017, there are significant reforms to the contribution and Retirement Phase rules within the Superannuation and tax laws. These changes have been reflected within this PDS.

In addition to the PDS and the Deed, you can access other SMSF resources online that may prove useful as educational tools for Trustees and Members. For example, the Australian Taxation Office ("ATO") provides a wide range of content including SMSF videos to help you to understand the benefits and responsibilities of operating a SMSF.

You can access this content at https://www.ato.gov.au/Super/Self-managed-super-Funds/.

2. What is a SMSF?

A SMSF is a special type of trust that is established and maintained for the sole purpose of providing retirement benefits to it Members. The Trust Deed that is created details the rules in which to establish and operate the SMSF. The establishment of the SMSF occurs when the Fund has assets, whether it is a contribution made by a Member or a rollover of existing benefits from another Superannuation Fund. Unlike all other types of Superannuation Funds, SMSFs are regulated by the ATO.

The rules of a SMSF restrict a Fund to having no more than four Members. Generally, this will comprise all Members having to be Trustees or will require a company act as the Trustee of the SMSF where all Members will need to be appointed as Directors. Important decisions need to be made around choosing between Individual Trustees or a Corporate Trustee. The following table outlines many of these important differences that need to be considered to meet the definition of a SMSF:

Individual Trustees	Corporate Trustee
Maximum of four Members.	Maximum of four Members.
Each Member of the Fund must be a Trustee, and each Trustee must be a Member of the Fund (except for single-Member Funds – see below).	Each Member of the Fund must be a Director of the company, and each Director of the Corporate Trustee must be a Member of the Fund (except for single-Member Funds – see below).
A Member cannot be an employee of another Member (unless they are relatives).	A Member cannot be an employee of another Member (unless they are relatives).
Single-Member Funds	
There must be two Trustees. One Trustee must be a Fund Member.	The Trustee Company can have one or two Directors, but no more. The Fund Member must be either the sole Director or one of the two Directors.
If the Fund Member is an employee of the other Trustee, the Fund Member and the other Trustee must be relatives.	If there are two Directors and the Fund Member is an employee of the other Director, the Fund Member and the other Director must be relatives.

Where a SMSF fails to meet the definition requirements, it will have six months to comply as a SMSF or alternatively become an APRA-regulated Fund. Significant penalties apply for non-compliance of this important requirements.

There are a range of other important issues in deciding between Individual Trustees and a Corporate Trustee including cost, ownership of Fund assets, succession, separation of Fund assets, costs and penalties. You can find out more about this information of the ATO website, https://www.ato.gov.au/super/self-managed-super-Funds/setting-up/choose-individual-Trustees-or-a-corporate-Trustee/.

3. Governing rules

It is important that you become familiar with the Trust Deed and governing rules for your Superannuation Fund as this document sets out the rules for establishing and operating your Fund. It is the Fund's Trust Deed and the Superannuation Laws that together form the Fund's governing rules. It includes things such as the Fund's objectives, who can be Members, what contributions can be accepted, investments that can be made, how benefits can be paid and more.

The Trust Deed has been written in "plain English". This allows Members, Trustees and Directors to clearly understand how the Fund is to operate, without having to learn an entire dictionary of technical legal terms or have a legal degree. In addition, they qualify the Member's rights and entitlements under the Trust Deed and establish the obligations and responsibilities of both a Member and Trustee or Director of a Corporate Trustee of the SMSF. It is important to understand that with ongoing changes to Superannuation and tax laws, it is likely that over the life of your SMSF that you will need to update (potentially several times) the governing rules to accommodate any subsequent new Superannuation measures.

4. Trustee Role & Responsibilities

The Trustee is bound by all provisions of the Trust Deed and the Superannuation Laws as they apply to SMSFs. The Superannuation Laws provide various levels of penalties for non-compliance by Trustees (or Directors of a Corporate Trustee) including fines, penalties, disqualification and in some circumstances imprisonment. The Trustee has a range of important responsibilities, including amongst others:

- to be aware of, understand and act in accordance with the Fund's Trust Deed;
- the appointment of a registered ASIC approved SMSF Auditor;
- to ensure that the Trust Deed of the Fund is continuously upgraded to meet any changes and requirements of the Superannuation Laws;
- to abide by the Superannuation Laws;
- to document the Fund's investment strategy, to make investments in accordance with the investment strategy and regular review the investment strategy;
- to ensure that at all times the Fund remains a Complying SMSF; and
- to seek appropriate advice to assist the Trustee in meeting its responsibilities. This may include an accountant, a Fund administrator, an investment adviser, and a SMSF estate planning lawyer.

All new Trustees or Directors of a Corporate Trustee from 1 July 2007 are required to complete and sign a Trustee Declaration (ATO, NAT 71089) which confirms their understanding of their roles and responsibilities.

5. Contributions made by you or for you

The Superannuation Laws allow the Trustee to accept contributions made by you or for you under the conditions as outlined in ***Item 2 of Schedule 1*** of this PDS.

The Trust Deed allows the Trustee of a SMSF to accept any contribution on behalf of a Member, including both cash and assets in-specie provided the Fund retains its status as a complying SMSF. By drafting the Deed in this manner, it ensures the Deed will be able to easily adapt with future legislative changes with the contribution rules. Importantly, the Trust Deed rules have been updated to comply with the new Superannuation measures that are to take effect with contributions from 1 July 2017.

Item 3 of Schedule 1 provides you with the contribution caps that limit the tax concessions available on the concessional contributions and non-concessional contributions made into a Fund each income year.

6. Investments Strategy & Restrictions

Under the Trust Deed and Superannuation Laws, the Fund can invest in a wide range of investments including cash and fixed interest; public or private company shares; commercial, rural and residential property; unit trusts and pooled Superannuation trusts. Furthermore, activities can extend to engaging in property development and other pursuits so long as the Fund remains a complying SMSF.

In certain circumstances, the Fund may also borrow to acquire an asset through a limited recourse borrowing arrangement ('LRBA') subject to the Superannuation Laws. Any borrowing through an LBRA can be obtained from a bank or similar financial institution. Alternatively, the loan can be provided by a related party; however, the terms and conditions of any loan must demonstrate that the arrangement is at arm's length. The ATO have issued extensive guidance on this topic, which is available on their website (refer to ***Schedule 2, Useful SMSF Resources***).

The Trustee can create separate investment strategies for each Fund Member, or alternatively, establish separate investment strategies for differing Member account including a Member's accumulation or Retirement Phase accounts. However, this is not a mandatory requirement. The Trustee can use their power to create a pooled investment strategy to benefit all Fund Members proportionately provided the investment strategy meets the necessary requirements of the Superannuation Laws.

Any investment made by the Trustee must meet with the Fund's written investment strategy. The Superannuation Laws outline the following information must be contained within a Fund's investment strategy:

- 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;
- The composition of the Fund's investments as a whole including the extent to which the investments are diverse or involve the entity in being exposed to risks from inadequate diversification;
- The liquidity of the Fund's investments having regard to its expected cash flow requirements;
- The ability of the Fund to discharge its existing and prospective liabilities; and
- Whether the Fund should hold a contract of insurance that provides insurance cover for one or more Members.

Where one or more Superannuation Income Streams have commenced, the Trustee may decide to run separate investment strategies for Members where they have an accumulation and an Income Stream account. This may require the Trustee to create and document separate investment strategies which must be regularly reviewed. There may be significant taxation and estate planning advantages in creating separate investment strategies for accumulation and Income Stream interests – however, changes from 1 July 2017 will prohibit the ability to segregate specific assets for income tax purposes where a Member has an account balance in excess of $1.6 million at the 30 June in the prior year.

The Superannuation Laws provide further rules restricting certain investments made by a SMSF, including:

- Acquisition of an asset from a Member or related party of the Fund - whether purchased or as a contribution for a Member's benefit. There are limited exceptions to the related party acquisition rules which allow for the acquisition of listed shares, widely-held units in a unit trust, managed Funds, term deposits and business real property as provided for under the Superannuation Laws.

- The Fund may not invest more than 5% of its assets in an in-house asset ("IHA"). An IHA is defined in the Superannuation Laws to be an investment in, a loan to or a lease arrangement with a related party. Specific exclusions apply within the IHA rules including business real property, which may be leased back to a Member or related party entity.
- Any dealings of by the SMSF with any related party or any other person must be at arm's length. In addition, it must meet the sole purpose test.

7. Superannuation Benefits - Lump Sums and Income Streams

Superannuation Laws allow a Member to cash their preserved benefits or restricted non-preserved benefit only where they have satisfied one of the conditions or release. Unrestricted non-preserved benefits may be cashed at any time. Some conditions of release restrict the form of the benefit (for example, Lump Sum or Pension) or the amount of benefit that can be paid. These are known as 'cashing restrictions'

The most common conditions of release under the Fund's governing rules for paying benefits are that the Member:

- has reached their preservation age ***(Item 1 of Schedule 1)*** and retires;
- has reached their preservation age and begins a transition to retirement Income Stream;
- ceases an employment arrangement on or after the age of 60;
- has reached 65 years of age (regardless of still working or not); and
- has died

In special circumstances, at least part of a Member's super benefits can be released under the governing rules before a Member has reached preservation age. These are:

- terminating gainful employment
- permanent incapacity
- temporary incapacity
- severe financial hardship
- compassionate grounds
- terminal medical condition

Further details about conditions of release can be found on the ATO website, https://www.ato.gov.au/Super/Self-managed-super-Funds/Paying-benefits/Conditions-of-release/

The Trust Deed allows the payment of a Superannuation Income Stream from the Fund known as an Account Based Pension ("ABP"). The minimum payment each year is calculated using the following formula:

Minimum payment = account balance x percentage factor

The percentage factor is based upon the Member's age at commencement of the Income Stream and based upon their age at the start of each financial year **(Item 5, Schedule 1)**.

In addition to the payment of an Account Based Pension, the governing rules also allow for the payment of a range of other Superannuation Income Streams (including legacy Pension) so long as the Fund remains a complying SMSF.

7.1 Super Reforms – Retirement Phase

From 1 July 2017, there are important changes to the payment of Superannuation Income Streams (or Pensions) which will limit the amount of capital available that is eligible for tax exemption on Fund earnings. The changes to the Retirement Phase measures within this section of the PDS have been reflected with the Trust Deed.

To ensure that the tax concessions within Superannuation are fairer and more sustainable, the Government has introduced a Transfer Balance Cap (“cap”) on the total amount of Superannuation that has been transferred into the ‘Retirement Phase’. It does not matter how many different super accounts you hold these balances in.

The amount of the cap will start at $1.6 million (2017/18), and will be indexed periodically in $100,000 increments in line with CPI. The amount of indexation you will be entitled to will be calculated proportionally based on the amount of your available cap space. If, at any time, you meet or exceed your cap, you will not be entitled to future indexation (i.e. you will have used 100% of your cap).

You will be able to make multiple transfers into Retirement Phase if you have available cap space.

Where you have Superannuation Interests in the Retirement Phase, you will have a personal Transfer Balance Cap, which cannot be shared with any other person. To determine your position with respect to the Transfer Balance Cap, you have a transfer balance account. This tracks the net amounts you have transferred to the Retirement Phase.

The transfer balance account works in a similar way to a bank account. Amounts you transfer to, or are otherwise entitled to receive, from the Retirement Phase give rise to a **credit** (increase) in your transfer balance account. Certain transfers out of the Retirement Phase give rise to a **debit** (decrease) in your transfer balance account.

The Transfer Balance Cap applies to everybody currently receiving a Pension or annuity, in addition to any new Income Stream or annuity that starts from 1 July 2017. For pre-existing Income Streams, Members may require action to be taken to Pension balances currently in excess of $1.6 million to comply with the cap. It is important to obtain advice regarding the likely value of any existing super Income Streams that you have to comply and not have any excess.

Where a Retirement Phase Income Stream is commenced after 1 July 2017, you:

- will need to ensure that your Account Based Pensions and annuities do not exceed the $1.6 million Transfer Balance Cap;
- may need to include income from capped defined benefit Income Stream in your income tax return if you are over 60, and may be required to pay more tax;

- will need to ensure that if you have a mix of Pension types, with a total value exceeding $1.6 million that you reduce any Account Based Pensions to reduce the total value of all your Pensions below the Transfer Balance Cap.

Although there will be a limit on the amount of assets you can transfer into a tax-free Retirement Phase account from 1 July 2017, this does not affect the amount of money that you can have in the Accumulation Phase of a Fund. Any amount of Superannuation you have in your Fund above the $1.6 million amount can be retained in the Accumulation Phase and/or be taken as Lump Sum payments (out of Superannuation). Where retained within an accumulation account, a 15% tax rate will apply to the Fund earnings of this Superannuation Interest.

7.2 What counts towards your cap?

The cap limits the amount that you can transfer into Retirement Phase to start a Pension or annuity over the course of your lifetime. This is no matter how many accounts you hold or how many times you transfer money into Retirement Phase. The cap also includes the value of Pensions or annuities you may start to receive for some other reason, for example:

- your spouse has died and you are receiving, or start to receive, a Pension from their Superannuation balance (e.g. as a reversionary beneficiary);
- your former spouse has been ordered to pay you a portion of their Superannuation Income Stream as part of a family court settlement.

The following table outlines events that can be debits and credits to your transfer balance account to be assessed against your cap:

Debits (-)	Credits (+)
Where you commute (in part or in full) a Superannuation Income Stream, you are generally entitled to a debit for the value of the Lump Sum from their transfer balance account.	Where you have a pre-existing Pension, the value of all Superannuation Interests that support Superannuation Income Streams in Retirement Phase on 30 June 2017.
Where you receive a structured settlement payment and then contribute the amount into Superannuation (e.g. personal injury payment);	The commencement value of new Superannuation Income Streams (including new Death Benefit Income Streams) in the Retirement Phase that start from 1 July 2017;
A range of limited event (replenishment debits) that may result in you losing some or all of the value of your Superannuation Interest. A debit may be granted by the Commissioner upon notification for items including fraud, bankruptcy and void transactions, along with Family Law payment splits.	The value of a reversionary Superannuation Income Streams that you automatically entitled to receive because of the death of a Member.
	Notional earnings that accrue on any Excess Transfer Balance amounts you have reported.

Once the commencement of an Income Stream has been reported against your transfer balance account, the cap does not apply to any subsequent growth or losses of this Pension, nor Pension withdrawals. This means that:

- if you start a Pension with $1.6 million and the value of that Pension grows to $2.0 million, you will not exceed your cap and the tax exemption continues to apply to the Fund earnings it generates;
- if you start a Pension with $1.6 million and the value of that Pension goes down over time as you use it to live on or you suffer losses, you can't 'top up' your Pension accounts. You will still be able to access other Superannuation amounts you may hold in Accumulation Phase by taking these as a 'Lump Sum'.

Changes to the rules for payment of Transition to retirement Income Streams (TRIS) will mean that such Pensions will not count towards your Transfer Balance Cap as from 1 July 2017.

Please note that special rules apply to Pensions paid to children in the event of a parent's death. Furthermore, concessions exist with the Transfer Balance Cap to subtract the value of any structured settlement contributions (i.e. from a personal injury payment) made into Superannuation.

If you have a Retirement Phase account balance more than the $1.6 million cap from 1 July 2017 you will need to:

- remove any amount over $1.6 million, plus Excess Transfer Balance earnings, from Retirement Phase; and
- pay Excess Transfer Balance Tax (15% for first time breach, 30% thereafter)

The ATO will issue a determination for any such breach of your Transfer Balance Cap to remove the excess amount, or alternatively where you identify the breach, you may request the Trustees to reduce this excessive amount.

7.3 New reporting obligations

From 1 July 2017, all Retirement Phase Income Streams will have new reporting requirements associated with the Transfer Balance Cap. The new reporting requirements will be event based, not annual reporting – that is, they will likely require the event to be reported every time there is a change to a Member's Retirement Phase interests.
Fund Trustees (or via the service provider) will need to report directly to the ATO when:

- a Retirement Phase Superannuation Income Stream commences, including the associated value of the income steam;
- an amount in a Retirement Phase account is commuted;
- a Death Benefit Income Stream commences including the recipient and the amount of the Income Stream; and
- the amount of any structured settlements received before and after 1 July 2017.

There are several important considerations in complying with the new Superannuation measures. As a result, you should seek specialist advice from a suitable qualified professional to ensure that you have assessed all the issues and opportunities with these reforms.

8. Taxation of the SMSF and Members

The following details outline the current application of the tax laws that apply to the SMSF and Fund Members that were originally introduced from 1 July 2007, and reflect the changes to take effect from 1 July 2017.

a) Taxation in the Fund

Where the Trustee of a SMSF complies with the rules of the Trust Deed and Superannuation Laws, it will generally be treated by the Commissioner of Taxation as a Complying SMSF. This means that the SMSF is entitled to concessional taxation treatment. Broadly, the tax treatment for a Complying SMSF is as follows:

Accumulation Phase

- Where the assets of a Complying SMSF are set aside to pay Lump Sum benefits for Members, the Fund is to include as assessable income - interest, dividends, rents and other items that would ordinarily be assessable to a taxpayer. In addition, the Trustee is to include as assessable income those contributions made by an employer or made by the Member where a tax deduction is to be claimed within their personal income tax return.
- The Fund is generally entitled to claim a tax deduction for expenses in running the Fund.
- If the Fund pays life or disability insurance premiums they may be entitled to claim a tax deduction for the insurance premium.
- The Fund is entitled to a one-third discount on any capital gains realised on Lump Sum assets held for greater than 12 months.
- The taxation rate on the taxable income of a Complying SMSF is 15% less any tax offsets such as imputation credits or foreign tax offsets.

Retirement Phase

- Where the assets of Complying SMSF are held aside for use by the Fund to pay one or more Income Streams then any income generated or capital gains realised on those investments are eligible for tax exemption on the basis that the rules of the Income Stream and Superannuation Laws have been met.
- Imputation credits derived from dividends that remain unused will be fully reFunded when income of the Fund is exempt from tax, or alternatively can be applied against other taxable Fund income (e.g. accumulation Member benefits).
- If a Member of the Fund becomes disabled during his or her working-life, the Fund may be entitled to a tax deduction for the future liability, instead of the insurance premium.
- The Deed currently provides the ability to create an anti-detriment reserve for the ability to claim a tax saving amount that will augment the Death Benefit paid to a deceased Member's dependants or legal estate. Any such payment will see the Trustee receiving a tax deduction equal to the amount of the payment divided by the Fund tax rate (15%). Please note that from 1 July 2017, the anti-detriment rules will be repealed.

b) Contributions to the SMSF for a Member

Since 1 July 2007, the Superannuation and tax laws have introduced contribution caps that limit the amount of tax concessions available for concessional and non-concessional contributions. Details of the current limits are provided in ***Item 3 of Schedule 1*** of this PDS.

c) Benefits paid to a Member

All the benefits held on behalf of a Member within your accumulation account are classified as a Superannuation Interest under the Superannuation Laws. If an Income Stream is commenced this is generally a separate Superannuation Interest where a separate amount is set aside by the Trustee of the Fund. Any benefit paid from a Superannuation Interest may have different tax-free/taxable proportions established and thus different taxation consequences to the Member or a deceased Member's dependants, non-dependants or his or her legal estate.

9. SMSF Estate Planning

One of the most important benefits of the Trust Deed is that it allows the Member to provide Death Benefits directly to dependants, non-tax dependants and the legal estate of a deceased Member.

The governing rules of the Fund allow for a Member to direct the payment of their Superannuation Death Benefits through any of the following:

SMSF Will – provides specific written instructions for the trustee that must be followed in the event of the Member's death (once accepted). In effect, the SMSF Will may be a lapsing or non- lapsing binding death benefit nomination made on behalf of the Member, with the addition of directions and other wishes of the Member.

The directions and other wishes may include the provision of death benefits in a manner and form described under the SMSF Will, such as who shall be the replacement Trustee in the event of the death of the Member, which superannuation interest a specific death benefit is to be paid from and whether such benefit is to be made by way of a distribution of a specific Fund asset and the specification of any conditions on the payment of the death benefit. An SMSF Will can be utilised to create a child Accounts Based Pension that may be required, particularly as a consequence of the superannuation reforms coming into operation on 1 July 2017. A SMSF Will can only be created in accordance with the provisions of the trust deed.

- **Binding Death Benefit Nomination** - binds the Trustee with the manner of the payment of the deceased Member's Death Benefit. The Member may choose this nomination to be non-lapsing or alternatively can select a period of time in which it does lapse (and requires renewal).

  Where the Binding Death Benefit Nomination is valid, the Trustee is bound to follow the instructions of the Member for any Death Benefit payment.

- **Non-binding Death Benefit Nomination** – provides a statement of wishes to the Trustee with the manner of the payment of the deceased Member's Death Benefit. However, the Trustee is not bound to follow these instructions, rather simply use it as a guide for payment purposes.

Where a Member decides to have either a Binding or Non-Binding Death Benefit Nomination, to be valid it must be in the format provided in the Schedules 1 and 2 of the Trust Deed.

The Trust Deed and the taxation consequences for Member Death Benefits are:

- A SMSF Will allows the Trustee to make Lump Sum payments by way of assets – called an "in-specie" Death Benefit payment.
- For taxation purposes, a Lump Sum can be paid to a dependant or the Trustee of the legal estate who may pass them on directly to a dependant of the deceased Member. Alternatively, the Trustee of the legal estate may create a Testamentary Trust to only hold the Superannuation Death Benefits for dependants. In these circumstances, any Lump Sum Death Benefit payment is tax-free.
- Lump Sum payments made direct to non-dependants are taxed at 15% on the taxable component plus the Medicare levy (2%), with no tax on the tax-free component.
- A SMSF Will or Binding Death Benefit Nomination allows the Trustee of the Fund to provide an Income Stream to a tax dependant of a Member. This Income Stream can be commencement upon the death of the Member by the tax dependant, or alternatively the Income Stream may automatically revert (known as a reversionary Income Stream). Different tax rules apply based upon the age of the deceased Member and recipient beneficiary.

It is important to note that a SMSF Will or Binding Death Benefit Nomination and any corresponding Death Benefit payments from a SMSF fall outside any external Will the Member may have put in place. Importantly, the Trustee is not legally bound by any direction the Member may have made in the Will regarding his or her Superannuation benefits.

The Superannuation Laws define a dependant to include a spouse, child, a financial dependant or a person who has a close interpersonal relationship with the Member. However, for taxation purposes a "dependant" includes a spouse, a child under the age 18, a person who the Member has a close interpersonal relationship with as well as any person who is a financial dependant. Thus, a child over age 18 would be considered a non-dependant for taxation purposes unless they were a financial dependent.

10. Costs of running a SMSF

There are a range of costs associated with establishing, operating and maintaining a SMSF. The level of costs incurred will also depend on the extent that the Trustee has sought expertise in ensuring the Fund remains complying and also has the best possible strategic set up for the Trustee and Members. These costs should be compared carefully to the costs associated with being a Member of an industry based or retail Superannuation Fund.

11. Understanding various risks associated with SMSFs

There are a range of risks associated with becoming a member of a SMSF. The impact of these on you as a member can vary based upon your personal circumstances; however it is important that you seek professional advice where appropriate. These include:

- **Lack of statutory compensation -** you do not have same level of Government protections that are available to APRA-regulated superannuation funds, such as statutory compensation in the event of theft or fraud.
- **Insurance** – it is generally found that life and total and permanent disability (TPD) insurance is more expensive and harder to obtain within an SMSF than for a larger APRA-regulated superannuation fund, which can often also offer default levels of cover without a medical assessment. It is a requirement of the fund's investment strategy to consider the needs of insurance for one or more members of the Fund.
- **Access to complaints mechanism** – not having access to certain dispute resolution mechanisms, such as the Superannuation Complaints Tribunal (SCT). By contrast, the type of disputes and complaints that may arise for you as a SMSF investor may be different from those in an APRA regulated-fund. In these circumstances, access to other complaints mechanisms may be available to you, such as the Financial Ombudsman Service or the Credit and Investments Ombudsman.
- **Appropriateness of different SMSF structures** – as outlined within Section 2 of this PDS, it is important to understand the most appropriate structure when establishing a SMSF. Selecting the most appropriate structure can have important tax and succession planning implications for you. It can be costly to change structures; ownership of assets and trustees after the SMSF has been established.
- **Time and skills necessary to operate a SMSF** – generally, as a member, you will be required under the definition of a SMSF to become a trustee or director of a corporate trustee. Having the appropriate financial literacy, understanding of legal, taxation, and other requirements, along with the available time and general interest are all things you need to give consideration to. Importantly, you must understand the obligations associated with undertaking the role, which many of these have been outlined in Section 4 of this PDS.
- **Developing an investment strategy –** Section 6 of this PDS highlights the requirement for a fund to develop, maintain and regularly review an investment strategy which is to ensure that the Fund is likely to meet each member's retirement needs.
- **Consideration of an exit strategy –** at some point in the future, you may want to exit the Fund due to the compliance requirements becoming too onerous or costly, or where a trustee has passed away or become incapacitated. As a result, you should always give consideration to developing an exit strategy for the SMSF.

SCHEDULE 1

Date of Issue - 1 March 2017

Item 1 - Preservation Age

Your preservation age depends on your date of birth as shown in the following table:

Date of Birth	Preservation Age
Before July 1960	55
July 1960 — June 1961	56
July 1961 —June 1962	57
July 1962 — June 1963	58
July 1963 — June 1964	59
After June 1964	60

Item 2 – Contributions Eligibility

Age	Contribution Type			
	Personal	**Employer – Mandated**	**Employer – Non-Mandated**	**Spouse**
Under 65	Allowed	Allowed	Allowed	Allowed
65 to 69	Allowed if Member satisfies work test*	Allowed	Allowed if Member satisfies work test*	Allowed if receiving spouse satisfies work test*
70 to 74	Allowed if Member satisfies work test*	Allowed	Allowed if Member satisfies work test*	Not allowed
75 and over	Not allowed^	Allowed	Not allowed^	Not allowed^

**Must be gainfully employed for at least 40 hours or more over 30-day period during the current financial year.*

^Contributions that are otherwise eligible may otherwise be accepted 28 days after the month in which the Member turns 75.

Item 3 – Contributions Caps

Concessional Contributions	
Cap 2016/17	$30,000 if less than 49 years at 30 June of the prior income year $35,000 if 49 and over at 30 June of the prior income year ***NB**. From 1 July 2017, the concessional contribution cap will reduce to $25,000 (regardless of age).*
Treatment of excess – from 1 July 2013	Excess concessional contributions are taxed at marginal rates in addition to an interest charge.
Contribution splitting	A Member can split up to 85% of a taxed contribution made in an income year to an eligible spouse in the following income year.
Non-Concessional Contributions	
Cap 2016/17 *	$180,000*
Bring Forward *	If the Member is under age 65 at any point during the financial year they may bring forward the next two future income years of non-concessional contributions (i.e. making the maximum non-concessional contribution of $540,000). This is automatically triggered if a Member makes non-concessional contributions in the year of more than $180,000*.
Treatment of excess – from 1 July 2013	Excess non-concessional contributions can be withdrawn from the super Fund with a penalty interest rate applying from 1 July in the year that the breach occurred. Alternatively, the excess can be taxed at 49%

Important information regarding super reforms from 1 July 2017:

** From 1 July 2017, the Non-Concessional Contribution (NCC) cap will reduce to $100,000. Where a Member has triggered the Bring Forward rule prior to the 2017/18 income year and has not fully utilised the available cap space, transitional arrangements will apply to the remaining NCC amounts that are eligible to be made after 1 July 2017.*

Transitional arrangements:

- *Where a Member triggered the Bring Forward period in 2015-16 and has not fully utilised the available cap space before 30 June 2017, the maximum NCC cap under the transitional arrangements for the following financial year (year three) is $460,000;*
- *Where a Member triggers the Bring Forward period in 2016-17 and does not fully utilise the available cap space before 30 June 2017, the maximum NCC cap under the transitional arrangements for the subsequent two financial years limited to $380,000;*

From 1 July 2017, the ability to make non-concessional contributions, including the use of the bring-forward rule will be subject to a Member's Total Superannuation Balance.

Item 4- Tax Treatment of Benefits

Lump Sum Member Benefits			
Income component derived in the income year	**Age when payment is received**	**Amount subject to tax**	**Maximum rate of tax (excluding Medicare levy)**
Member benefit – taxable component – taxed element	Under preservation age	Whole amount	20%
	At or above preservation age and under 60 years	Up to the low rate cap ($195,000)	Nil
		Above the low rate cap amount ($195,000)	15%
	Aged 60 years or more	Nil – amount is non-assessable, non-exempt income	N/A
Member benefit – taxable component – untaxed element	Under preservation age	Up to untaxed plan cap amount ($1,415,000)	30%
		Above untaxed plan cap amount ($1,415,000)	45%
	At or above preservation age and under 60 years	Up to the low rate cap ($195,000)	15%
		Above the low rate cap amount ($195,000) and up to untaxed plan cap amount ($1,415,000)	30%
		Above untaxed plan cap amount ($1,415,000)	45%
	Aged 60 years or more	Up to untaxed plan cap amount ($1,415,000)	15%
		Above untaxed plan cap amount ($1,415,000)	45%

Income Stream Member Benefits		
Age of recipient	**Element taxed**	**Element untaxed**
Age 60 years or more	Non-assessable, non-exempt income (that is, tax-free)	Taxed at marginal rates, with a 10% tax offset
At or above preservation age and under 60 years	Taxed at marginal tax rates Tax offset of 15% is available	Taxed at marginal rates, with no tax offset
Under preservation age	Taxed at marginal tax rates, with no tax offset Tax offset of 15% is available if a disability super benefit	Taxed at marginal rates, with no tax offset

All amounts above may also be subject to the Medicare Levy and Temporary Budget Repair Levy.

Important information regarding the super reforms from 1 July 2017:

Certain capped defined benefit income streams must be subject to additional tax after the first $100,000 of pension paid to the Fund Member. The level of tax will depend upon whether the amount includes an Element taxed or Element untaxed.

Item 5 – Minimum Pension percentages

Age of Pension Member	Percentage factor
Under 65	4%
65 to 74	5%
75 to 79	6%
80 to 84	7%
85 to 89	9%
90 to 94	11%
Aged 95 or older	14%

SCHEDULE 2

The following is a list of resources that may assist in making in the decision-making process of becoming a Fund Member:

USEFUL SMSF RESOURCES	
Australian Taxation Office	https://www.ato.gov.au/super/self-managed-super-Funds/
ASIC MoneySmart	https://www.moneysmart.gov.au/Superannuation-and-retirement/self-managed-super-Fund-smsf
SMSF Association	http://Trustees.smsfassociation.com/