



# SMSF ADVISERS NETWORK PTY LTD

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## STATEMENT OF ADVICE

**Prepared for**  
Mr Andrew Kerr  
Mrs Stacey Kerr

**Prepared By: Elizabeth Meiklejohn**  
Authorised Representative Number: 001270504  
Dated: 17-Oct-2021  
Version: 1.1

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### What this document is about

Mr Andrew Kerr, Mrs Stacey Kerr, you have asked for my advice in relation to your superannuation situation. This document (called a Statement of Advice or 'SOA') explains my advice. At the front of the SOA I highlight the key points of my advice, but please make sure you read each section of the SOA.

Please note that the advice given is based on the objectives you have stated and that of your current situation. Where the information you have given is incomplete or incorrect this may have an effect on whether my advice is appropriate. It is important you check the information contained in relation to your current situation and not just the recommendations provided.

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## Important information regarding this advice

### What is the scope of this advice

As an authorised representative of SMSF Advisers Network Pty Ltd I am authorised to provide advice only in relation to your superannuation needs. This scope is further restricted to the following:

- Whether the establishment of a Self Managed Superannuation Fund is appropriate given your goals and circumstances.
- Whether you should make use of a Limited Recourse Borrowing Arrangement (LRBA) as part of your superannuation structure.

### What impact does this "scope" have on my situation

This advice is related only to your superannuation fund structure; it does not provide advice on any other area of your personal financial needs.

Further, it does not provide you with recommendations for any specific investment or insurance advice to meet the requirements of the fund members and their member accounts.

### Can these areas be addressed if I request?

I am only allowed to provide advice in relation to my authorisation given by my licensee (SMSF Advisers Network Pty Ltd).

Should you wish to receive advice recommendations for any specific investment or insurance advice, I will be happy to provide a referral for this purpose. By providing such a referral it should not be taken as a recommendation made by this practice of any financial product that the referrer should recommend. Any recommendation made by such a group is solely the recommendation of that party and is independent of any advice you have received from myself as an authorised representative of SMSF Advisers Network Pty Ltd.

## Section 1: Important information about you

This section has information about you that I used in preparing my advice, such as:

- Your goals and objectives;
- Your personal and financial information; and
- Your risk profile.

Advice is only appropriate as the information on which it is based, you need to review the information before proceeding.

If we have misinterpreted or failed to identify any relevant information, please inform us prior to implementing the advice, as it may be inappropriate for your financial needs and goals.

### Your goals and objectives

You have approached me requesting advice regarding:

Goals and Objectives	Priority
<p>You want to set up your own Self-Managed Superannuation Fund (SMSF) and have controls over the investment decisions.</p> <p>Your main goal is to own your own premises for your business, Blackhaus Construction , you are looking for a way to purchase this property by limiting the impact on your personal cash flow.</p>	<b>High</b>

## Your personal and financial information

Member Name: Mr Andrew Kerr

Personal Details	
Full Name	Mr Andrew Kerr
Date of Birth	20th November 1980
Health Status	Excellent
Smoking Status	Non-Smoker
Occupation	Builder
Employer	Blackhaus Construction
Gross Annual Income	\$150,000.00
Estimated Annual Living Expenses	\$80,000.00
Intended Retirement Date	20th November 2045
Desired Retirement Income (today's dollars)	\$200,000.00
Total Life Insurance Held	\$1,736,438.00
Total TPD Insurance Held	\$1,736,438.00
Salary Continuance Held	\$9,778.00 per month
Total Debt Owed	\$350,000.00
Dependants (Ages)	2 (8,12)
Will in place	Yes - Last updated: 1st January 2006
Power of Attorney	None
Superannuation Assets	
Sunsuper	\$125,977.00
<b>Total Superannuation Balance</b>	<b>\$125,977.00</b>

## Your personal and financial information

Member Name: Mrs Stacey Kerr

Personal Details	
Full Name	Mrs Stacey Kerr
Date of Birth	2nd February 1980
Health Status	Excellent
Smoking Status	Non-Smoker
Occupation	Teacher Aide
Employer	Department of Education
Gross Annual Income	\$38,637.68
Estimated Annual Living Expenses	\$0.00
Intended Retirement Date	2nd February 2040
Desired Retirement Income (today's dollars)	\$0.00
Total Life Insurance Held	\$478,176.00
Total TPD Insurance Held	\$478,176.00
Salary Continuance Held	\$2,833.33 per month
Total Debt Owed	\$352,457.69
Dependants (Ages)	2 (8,12)
Will in place	Yes
Power of Attorney	General
Superannuation Assets	
QSuper	\$91,626.63
<b>Total Superannuation Balance</b>	<b>\$91,626.63</b>

## Current superannuation balances

Member	Total Balance	Taxable Component	Tax-Free Component
Mr Andrew Kerr	\$125,977.00	\$125,977.00	\$0.00
Mrs Stacey Kerr	\$91,626.63	\$91,626.63	\$0.00
<b>Total</b>	<b>\$217,603.63</b>	<b>\$217,603.63</b>	<b>\$0.00</b>

## Your Risk Profile

Investing involves risk. Risk is the chance that an investment will not give you the returns you have hoped for, or that you will lose money. Almost all investments have risk, but some have more than others.

Generally, higher risk investments are likely to produce higher returns over time, but over the short term can reduce in value. "Conservative" investments on the other hand, while not experiencing high levels of short term loss will usually not provide a high level of long-term return.

A person's tolerance for risk versus potential return is usually expressed as being one of five different types of "risk profile". From the information provided by you, our assessment of your risk profile would best be described as being:

**Mr Andrew Kerr: Growth**

**Mrs Stacey Kerr: Aggressive**

Details of different investor types, including that nominated above, can be found in the appendices to this document. Please read through this to confirm that you believe what we have assessed is suitable. If after doing so you believe a different type of risk profile is better suited to you, please contact us to let us know.

If there is any aspect of the analysis and recommendation that you do not feel meets your situation please let me know so that adjustments can be made where necessary.

## Section 2: My advice to you

This section tells you:

- What my advice is and why it is appropriate for you
- Any disadvantages of my advice;
- The areas my advice does not deal with.
- What other alternatives were considered;
- The consequences of replacing one financial product with another;

Please read this section carefully and ask me if you have any questions.

### What is my advice?

#### SMSF Establishment

Based on your desire to control your own superannuation investments and my assessment of your abilities to understand and take responsibility for the running of such a structure, I recommend that you commence the Kerr Superannuation Fund with the following members:

Member	Balance
Mr Andrew Kerr	\$125,977.00
Mrs Stacey Kerr	\$91,626.63
<b>Total Fund Balance</b>	<b>\$217,603.63</b>

The trustee structure for this fund should be a corporate trustee.

Andrew, during our phone conversations last week we discussed your financial situation, in particular, you wanted to discuss buying a property through super for your retirement.

You own and operate a very successful business, Blackhaus Construction. The business structure is a proprietary limited company.

You do not have a definite date for retirement. The tentative date is when you reach age 65.

Although the SMSF is a more complex structure and requires more involvement from you both as directors of the corporate trustee, you have run your own business for a number of years. This previous experience will be invaluable to the running of the recommended structure.

I recommend that you establish a Self-Managed Superannuation Fund (SMSF) for the following reasons:

- To meet your goal of investing in direct property as your existing superannuation fund does not allow this.
- To take control over all the investment decisions.
- To be able to take greater control over the timing of contributions, allocating earnings to particular members and implementing 'reserves'.

- To utilise the Limited Recourse Borrowing Arrangement (LRBA) to purchase a property.

I recommend you combine your superannuation assets, this will enable you to build a larger and more diversified investment portfolio and buy assets of greater value, such as property.

I recommend you direct your employer Contributions (SG) and/or salary sacrifice contributions to your SMSF.

You are able to leverage your superannuation assets by utilising the Limited Recourse Borrowing Arrangement (LRBA). By leveraging your super it multiplies the power of every dollar you put to work. If used successfully, leveraged strategies can accomplish much more than you could possibly achieve without the borrowed money.

You will have more control over the selection and management of your investments, including the purchase of the property.

A higher level of control and flexibility in relation to the generational transfer of your super-wealth.

Based on your growing level of super investments, there is potential for lower fees in the long term.

Flexible income stream planning while transitioning to retirement and during the retirement years.

After the SMSF is incorporated, the trustee is to apply for an Australian Business Number and Tax File Number. Upon receiving the TFN and ABN from ATO, you may request your current super fund providers to roll-over all or part of your existing superannuation fund benefits to your SMSF bank account.

I recommend utilising a corporate trustee for the following reasons:

- Estate planning benefits to do with the death of members and the tax treatment within the fund
- Reduced cost and ease of changing trustees/directors
- Simpler and clearer segregation of SMSF assets now and during estate planning / management
- Continuity of asset/title ownership regardless of trustee appointment
- Asset protection: limiting liability to the assets of the company not those of the individual trustees.
- A Corporate Trustee provides both a layer of protection for investments, as well as a better ability to isolate the fund investments from those in your personal name.
- Access to limited recourse borrowing arrangements because lenders often insist an SMSF has a corporate trustee prior to providing finance

I am not authorised to provide advice on insurance. You must contact a financial planner or an insurance specialist to give you personal advice to form your insurance strategy.

Lack of insurance coverage may have significant consequences. Please refer to the risk disclosure section of this document.

You should seek advice from an insurance specialist to ensure your insurance needs are taken care of. Andrew you don't have any insurance cover inside your SunSuper account. Stacey I strongly recommend that you receive insurance advice prior to rolling over your full QSuper balance.

When a Self-Managed Super Fund (SMSF) member dies, the SMSF pays a death benefit to a dependant or other beneficiary of the deceased. This should be done as soon as possible after the member's death.

As the SMSF is controlled by the trustee, you will need to complete a Binding Death Benefit Nomination (BDBN) when establishing the fund. You can select either a Binding, Non-Binding or Non-Lapsing death benefit. If you did not make a nomination or it is a non-binding nomination, the trustee of the fund may:

- use their discretion to decide which dependant(s) the death benefit is paid to.

- make a payment to the deceased's estate for distribution according to the instructions in the deceased's will.

If the recipient is a dependant of the deceased, the death benefit can be paid as a lump sum or income stream. The income stream can be new or a continuation of an existing income stream. If the recipient is not a dependant of the deceased, the death benefit must be paid as a lump sum. Children over the age of 25 (other than those with a permanent disability) cannot receive super death benefits as an income stream. And, if they do receive a death benefit pension from an earlier age, they'll typically need to cash it as a lump sum by the time they turn 25.

The definition of a dependant is slightly different for:

- who you can pay a death benefit to (superannuation law)
- how the death benefit will be taxed (taxation law). Under superannuation law, a death benefits dependant includes:
  - the deceased's spouse
  - a child of the deceased
  - in an interdependency relationship with the deceased – this is a close personal relationship between two people who live together, where one or both provides for the financial, domestic and personal support of the other. Under taxation law, a death benefits dependant includes:
    - the deceased's spouse or de facto spouse
    - the deceased's former spouse or de facto spouse
    - a child of the deceased under 18 years old
    - a person financially dependent on the deceased
    - a person in an interdependency relationship with the deceased

### **What is a Self Managed Superannuation Fund?**

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A Self Managed Superannuation Fund (SMSF) is a superannuation trust structure, established for the purpose of providing retirement benefits to its members.

This type of superannuation fund can only have up to four members, each of which must be a trustee of the fund, or if using a Corporate Trustee, must be directors of that company.

The benefits of an SMSF are that it provides a high degree of flexibility in the way that it is run, subject to rules that govern this structure.

It should be noted that an SMSF should not simply be considered as another source of fund for investment. The "Sole Purpose Test" that override all SMSFs is there to ensure that the fund is maintained for the purpose of providing benefits to members at retirement – that it is not there to provide benefits or advantages before then.

To support the Sole Purpose Test, other regulations govern what can or can't be done with the SMSF, including:

- Restrictions on "related party transactions", where only certain assets can be purchased from a "related party"
- Dealing at "arms length", to make sure that assets are dealt with at market rates, rather than providing an advantage to members before retirement; and
- Purchasing "collectibles" in the SMSF, where those who wish to purchase certain "collectible" assets must meet certain requirements for display, storage and insurance

### **Disclosure of risks: Moving to an SMSF**

Prior to making the decision to move from a retail or industry superannuation fund to a Self-Managed Superannuation Fund (SMSF), it is important to be fully aware of your responsibilities as a trustee. While not a comprehensive list, please take some time to consider the following before proceeding with your SMSF:

- Lack of statutory compensation – your SMSF will be administered and regulated by the ATO. This means that your superannuation arrangements will no longer be regulated by the Australian Prudential Regulation Authority (APRA). By removing yourself from the APRA framework, you will no longer have access to their compensation benefits for any theft or fraud on the fund. In addition, there will not be any compensation if the SMSF suffers any loss due to theft or fraud in any of the fund's underlying assets.
- Lack of access to complaints mechanisms – members of public offer superannuation funds has access to complaints mechanisms, such as the Superannuation Complaints Tribunal. Members of an SMSF do not have access to such schemes. Should you wish to make a complaint about the advice provided, you can contact the licensee (SMSF Advisers Network), and if necessary the Australian Financial Complaints Authority (AFCA), formally (Financial Ombudsman Service). Please refer to your Financial Services Guide for more information.
- Cost-effectiveness - As a rule of thumb, ASIC suggests a minimum viable balance of approx. \$200,000 in Superannuation benefits prior to commencing an SMSF. This is largely due to the fixed auditing and accounting fees associated with managing a complying SMSF.
- Insurance - unless the SMSF trustee specifically takes out insurance for fund members, there may be no cover. Life and TPD insurance is generally more expensive for SMSFs than for larger APRA regulated superannuation funds. Most retail funds offer default cover at group rates and do not require underwriting (however a medical assessment may be required at claim).

Lack of insurance coverage may have significant consequences. Please carefully consider your insurance needs prior to rolling over your super funds and seek insurance advice where appropriate.

PLEASE NOTE: I am not authorised to provide advice in relation to your insurance needs. Please let me know if you would like a referral to an insurance adviser who can conduct a full review of your risk insurance needs.

- Exit strategy - having an exit strategy may reduce the impact of 'unexpected' events. As part of your exit strategy, some of the things you should consider are:
  - ensure all trustees can access the SMSF's records and electronic transaction accounts
  - include specific rules in your fund's trust deed that are triggered by events that could otherwise lead to the fund becoming unmanageable
  - members to make binding death benefit nominations (and renew them every three years)
  - encourage members to appoint an enduring power of attorney
  - the likely costs involved in winding up an SMSF.
- Trust structures - You can choose one of the following structures for your fund:
  - up to four individual trustees
  - a corporate trustee (essentially, a company acting as trustee for the fund).

The two structures differ in terms of:

- Member and trustee requirements – corporate trustees, can have single member funds. Individual trustees require a minimum of two trustees.
- Cost – ASIC charges a fee to register a corporate trustee for the first time. They also charge an annual review fee. There are no ASIC fees for individual trustees.
- Ownership of fund assets – for a corporate trustee, the recording and registering of assets can be simpler, particularly for changes in membership. If an individual trustee is added or removed, you

must change the titles of the SMSF's assets.

- Separation of assets - companies have limited liability. A corporate trustee offers greater protection if the trustee is sued for damages. Individual trustees are not offered the same level of protection.
- Penalties – if super laws are breached, administrative penalties are levied on each individual trustee vs. just once against the corporate trustee.
- Succession - In the event of the death or incapacity of a member, control of an SMSF and its assets held by a corporate trustee is more certain. For individual trustees, the fund is not likely to continue to operate as usual unless a succession plan is in place.
- Development of an investment strategy – superannuation law requires trustees to develop an investment strategy to meet the SMSF members retirement needs. This should be updated on a regular basis and must reflect the investments held by the SMSF. This document should also record consideration for the following:
  - Changes to the member's goals, needs and circumstances
  - Diversification and investing in a number of asset classes
  - Liquidity of the fund's assets
  - Ability to meet fund expenses
  - Restrictions of the fund
  - Prohibition of certain transactions, such as lending money or providing financial assistance, to a member of the fund or their relatives
- Trustee requirements – an SMSF is not a “set and forget” strategy. Becoming a trustee of an SMSF requires time, attention and ongoing management to ensure that the fund continues to comply with superannuation regulations. Trustees need to ensure they have the time and skills required to meet these obligations. To comply, all SMSFs must meet specific requirements. We have summarised them for you below:
  - the fund must be maintained for the sole purpose of providing retirement benefits to SMSF members or their dependents if a member dies before retirement
  - accepting contributions and paying benefits (pension or lump sums) to members and their beneficiaries in accordance with superannuation and taxation laws and the SMSF trust deed
  - valuing the SMSF's assets at market value for the preparation of financial accounts and statements
  - having the financial accounts and statements for the SMSF audited each year by an approved SMSF auditor, and
  - meeting the reporting and administrative obligations imposed by the Australian Taxation Office.

An SMSF is only appropriate for people who have the time and relevant expertise to manage their own retirement needs. Before starting an SMSF, you should consider whether both the advantages and disadvantages, your ability to meet the obligations above and the costs associated with managing your fund.

## LRBA

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Implement a limited recourse borrowing arrangement to allow the fund to borrow for investment purposes. Based on the situation of your super fund I recommend the following situation:

<b>Name of Bare Trust</b>	Turtle Super Trust
<b>Purchase Price</b>	\$414,700.00

<b>Total deposit from superannuation fund</b>	\$137,160.00
<b>Expected setup costs to be paid from superannuation fund</b>	\$7,640.00
<b>Loan required</b>	\$290,290.00
<b>Loan to Value Ratio (LVR)</b>	70
<b>Interest only loan term - years</b>	0
<b>Principal and interest (P&amp;I) loan term - years</b>	30
<b>Loan term - years</b>	30
<b>Expected interest only loan repayment p.a.</b>	N/A
<b>Expected P&amp;I loan repayments p.a.</b>	\$22,017.96
<b>Expected net LRBA income</b>	\$23,400.00
<b>Expected total net contributions to fund interest only period p.a.</b>	\$0.00
<b>Expected total net contributions to fund P&amp;I period p.a.</b>	\$0.00

These figures are based on what I believe to be the optimum situation for your superannuation fund.

You have advised that your objective is to purchase a Commercial Investment Property in your SMSF with the use of a Limited Recourse Borrowing Arrangement as a means to accelerate the growth of your retirement benefits. You have advised that you are looking to purchase the property in the Sunshine Coast area at a purchase price of no more than \$377,000 + GST and a Gross Rental Yield of around \$23,400 per annum. You have requested us to advise you on our recommendations in using a Limited Recourse Borrowing Arrangement (LRBA) in your SMSF to acquire such a property.

It is my advice, based on the information you have provided and your risk profiles of (Growth and aggressive), that you can use an LRBA strategy as a way to try to maximise your retirement benefits. I have detailed in my advice below the various risks associated with undertaking this strategy, if you are not comfortable with accepting those risks, then the strategy should not be undertaken.

By holding the investment in the Superannuation environment the net income from the investment (once positively geared) and future taxable capital gains will be concessionally taxed at 15% as against your marginal tax rates which are currently more than 32.5%.

Also by structuring the investments in your SMSF, they will be held in a tax effective environment that can provide you with a tax-free income stream in retirement.

It is important to note that by undertaking a negative gearing strategy such as the one being contemplated that this can magnify not only gains but also losses where sufficient capital growth is not achieved.

There are however some specific risks and considerations in relation to this strategy that you need to be aware of:

You need to ensure that the price being paid for the property is fair value in the current market and you should undertake your due diligence to satisfy yourself of this.

If you are no longer able to make the same level of concessional contributions in the future, for example, because of loss or change of job, then there is a risk that the property may need to be sold, as the fund may no longer be able to meet its loan obligations once cash reserves are extinguished, unless alternative funding for repayments can be sourced.

If there is a loss of tenant on the property in the future and the property is vacant for a period, then the loan repayments will need to be met with a combination of income from the funds existing investments and use of the fund's cash reserves. If these are not sufficient, you may need to consider increasing current levels of concessional contributions (current cap \$27,500 per annum) to the fund to cover the loan repayments and the holding costs of the property. Potentially also additional non-concessional contributions (current cap \$110,000 per annum) may be required. If these or other sources of funds are not sufficient or available, it may require the sale of the property to retire the debt.

You also need to consider the risks associated with potential future increases in interest rates, as any increase will result in a larger shortfall between the rent and the loan repayments that will require funding.

Due to a lack of diversification in the fund, this may present a liquidity problem in retirement if rental returns are not sufficient to meet retirement income requirements or minimum pension drawdowns. If that is the case, it may require the sale of the property to create the liquidity required to meet your retirement needs.

To fund the deposit and associated costs in relation to the purchase the property, the fund will require estimated available cash of \$140,000. You have advised that you will have current cash reserves of \$216,000 which will be sufficient to meet what is required and leave a cash buffer of around \$76,000. I recommend that you look to maintain a cash buffer of at least \$25,000 as it covers 12 months of loan repayments and holding costs.

If you wish to proceed with the strategy, then the following broad steps will be required to implement it:

- The Bare Trust will need to be established, and a new company will need to be incorporated to act as trustee.
- The investment strategy will need to be reviewed to ensure that the additional risk that will be taken on if an LRBA strategy is implemented fits with the current strategy.
- Make the offer on the property
- Obtain Finance
- Settlement

Please be aware that in seeking finance for this structure, lenders will have their own requirements in relation to loan-to-value ratios, minimum loan amounts, etc.

Should your preferred lender recommend a significant change to the areas in the table below (i.e., an increase of greater than 5%) you should contact me immediately so we can review the revised figures before you proceed with seeking finance.

### **What is a Limited Recourse Borrowing Arrangement?**

The use of a Limited Recourse Borrowing Arrangement (LRBA) by an SMSF is a popular method of funding the purchase of a range of assets including property and bundles of identical shares.

Under such an arrangement, SMSF trustees are allowed to purchase a "single acquirable asset" with a loan that does not have any recourse to the assets of the SMSF. To be able to meet this requirement (limited recourse), the asset must be held in a trust linked to but separate from the SMSF.

## **IMPORTANT RISK CONSIDERATION**

You should note that entering into a gearing strategy (i.e. borrowing money to invest) is regarded as a high-risk strategy. This is because while the investment may grow, it may also lose value depending upon the particular market the investment is in.

While the investment may vary in value, a loan will remain constant, reduced only by repayments. Because of this, the risk involved with a gearing strategy is that it is possible at some stage that the value of the investment may be less than the outstanding loan.

This risk should be considered before entering into any gearing strategy. With a Limited Recourse Borrowing Arrangement, while the assets of the SMSF are protected against any claim to repay a loan, to make a loss of the investment would also see the loss of any loan repayments that have been made over time.

The advantages and risks specific to your particular situation are outlined in the next sections.

## Why is my advice appropriate for you?

Advice Area	Explanatory Information
To Commence a Self managed Super Fund (SMSF)	This will allow you to be 'hands on' with your investments, to make the most of your retirement savings for the future. The structure will also allow you to consider your superannuation benefits as a whole. It also provides a way of controlling the costs of your superannuation savings.
Establish a Corporate Trustee	A Corporate Trustee provides both a layer of protection for investments, as well as a better ability to isolate the fund investments from those in your personal name.
Establish an investment strategy and invest balances accordingly	The establishment of an investment strategy is a requirement for an SMSF. You need to formulate this and document the strategy to be reviewed on a regular basis to ensure it meets your retirement needs
Appoint VIRTU SUPER CONSULTING PTY LTD to provide administration and accountancy services	To ensure the operation of your fund is performed in line with the requirements of legislation we recommend you outsource the administration, taxation and audit of your fund to an accountancy practice that has experience in providing this level of support. They will provide a service to establish the fund and then take care of the operational issues on a regular basis to ensure your compliance with the legislation that governs this area.
Implement a Limited Recourse Borrowing Arrangement	This type of arrangement allows you to accelerate your investment strategy with the use of borrowed funds to purchase an investment larger than the balance of the fund would allow. The fund should also benefit from the deductibility of interest payable for the loan entered into.

## Does my advice have any disadvantages?

Advice Area	Explanatory Information
To commence a Self Managed Super Fund (SMSF)	As trustees of an SMSF you now take responsibility for ensuring the fund is run according to the requirements of the legislation governing superannuation funds.
Establish a Corporate Trustee	A Corporate Trustee can bring an extra layer of complexity to the management of the superannuation fund as it is another entity that has to be dealt with in the terms of the constitution governing the entity, as well as additional reporting and taxation requirements to the SMSF.
Establish an investment strategy and invest balances accordingly	This document is a legal requirement and must be updated regularly to ensure that any investment of the fund is covered by the investment strategy. If investments are held that are not covered by this strategy the SMSF could be deemed to be non-compliant and incur penalties.
Establish binding death benefit nominations	These must be reviewed on a regular basis to ensure that they reflect the wishes of the member as to who they want to receive payment of any death benefit. Nominations should also be confined to dependants as defined by the Australian Taxation Office (ATO) or benefits may be taxed upon passing to a non-dependant beneficiary.
Appoint VIRTU SUPER CONSULTING PTY LTD to provide administration and accountancy services	Although trustees may outsource elements of the running operation of the SMSF they still remain responsible for the performance of those duties by the service provider. Trustees will be asked to sign off on minutes of meetings and other documents so you should always be sure to read through any documentation provided to you and ask questions should you be concerned about any element presented or provided by them.

## Implement a Limited Recourse Borrowing Arrangement

Using this strategy provides a higher level of risk (potential loss) and while there is limited recourse, any payments made on the loan will be forfeited where they could have been retained in the SMSF account balances. This strategy also provides another layer of complexity for the administration and operation of the fund, and must be carefully considered to ensure the fund does not breach compliance and incur taxation penalties.

## What other alternatives were considered?

### SMSF Establishment

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I have also considered owning the property in your own or the business name. This was discounted as the SMSF will offer you asset protection from creditors and it will also be an effective way to reduce your tax while boosting your retirement income.

While there are many fund options available in the marketplace that provide flexibility with investment choice, these can be high in fees for greater superannuation balances. By having your own SMSF you can access investments directly without management fees being charged. The administration costs of an SMSF is flat fee rather than a percentage based fee.

Your current superannuation plans don't allow you the flexibility you have stated that you want from your superannuation fund. It also allows little control over the fees and charges that are levied.

Do nothing: Stay in the current super fund and access the same features. The option of investing in direct property under super environment will not be available.

Personal ownership of assets: I considered owning assets in your personal name but the tax will be charged at your marginal tax rates. On the other hand, owning assets through SMSF will provide other benefits like acquiring business real property from related parties, CGT at 10% while in accumulation phase (provided property is held for more than 12 months) and 0% in pension phase (direct property).

I have discounted the alternative strategies because your main goal is to acquire direct real property within your super environment and setting-up an SMSF would help achieve this goal. Asset protection, deductions for contributions, low tax rates and CGT events are the main considerations in the chosen strategy.

I have discounted the alternative strategies because your main goal is to transfer your existing property inside super environment and setting-up an SMSF would help achieve this goal. Asset protection, deductions for contributions, low tax rates and CGT events are the main considerations in the chosen strategy.

### Limited Recourse Borrowing Arrangement

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Accumulating enough funds to buy the property outright: I considered waiting until you have sufficient funds to purchase the property outright using the funds available in SMSF but this would affect the liquidity and fund value of the SMSF. Another important consideration is the time factor.

Borrowing outside super environment: Borrowing outside of super can be beneficial but property investor potentially faces higher capital gains tax when the asset is sold and other benefits like asset protection from creditors and low CGT rate would not be available on borrowing outside super.

I considered the alternative strategies but discounting these at this stage because of the availability of incentives like asset protection and low capital gains tax. CGT is 10% in accumulation phase (provided property is held for more than 12 months) and 0% in pension phase.

## The consequences of replacing one financial product with another

A full analysis of the comparison of costs of current superannuation plans compared to the costs associated with the recommended SMSF is provided in the appendices to this SOA. However, the main points for consideration

of this aspect are:

Member	Lost Benefit
Mr Andrew Kerr	<p>Access to compensation arrangements in the case of fraud or theft.</p> <p>Access to a complaints mechanism such as the superannuation complaints tribunal.</p> <p>Lack of dedicated fund managers looking after the fund.</p> <p>No access to group insurance.</p> <p>Existing fund is less complex and it provides low-cost insurance.</p>
Mrs Stacey Kerr	<p>Access to compensation arrangements in the case of fraud or theft.</p> <p>Access to a complaints mechanism such as the superannuation complaints tribunal.</p> <p>Lack of dedicated fund managers looking after the fund.</p> <p>No access to group insurance.</p> <p>Existing fund is less complex and it provides low-cost insurance.</p> <p>Loss of insurance cover - Death cover of \$478,176, TPD cover of \$478,176 and Income Protection cover of 87.75% of your insured salary.</p>

### What my advice doesn't deal with

<ul style="list-style-type: none"><li>• Your personal non-superannuation financial needs</li><li>• Specific investments for your superannuation or SMSF</li><li>• Specific insurance products</li></ul>	<p>As an Authorised Representative of SMSF Advisers Network Pty Ltd, AFSL No. 430062 I am not authorised to discuss with you or make recommendations on specific financial products for use in the SMSF, nor am I authorised to discuss or make recommendations regarding elements of your personal financial situation outside the structure of your SMSF.</p>
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Please note:

As trustee(s) of the Kerr Superannuation Fund you can implement your own investment strategy including the placement of risk insurance. Should you require assistance in this area we will be happy to provide a referral to a financial services professional we believe will accommodate your needs and provide excellent service.

By providing such a referral it should not be taken as a recommendation made by this practice of any financial product that they should recommend. Any recommendation made by such a group is solely the recommendation of that party and is independent

## Section 3: What else you need to know

### This section

- Tells you about any fees that I will receive;
- Explains what product fees you will pay; and
- Answers other questions you might have about my advice.

Please also make sure you have read the Financial Services Guide (FSG) I have provided and be sure to ask me any questions you might have in relation to any of this.

### What are my fees?

My fee for the preparation of this advice is \$1,650.00 inc GST.

Please note that as I am not authorised by my licensee (SMSF Advisers Network Pty Ltd) to recommend specific financial products to you I cannot receive commissions or other forms of payment or soft dollar benefits from product providers.

Please also be aware that my licence fee for SMSF Advisers Network Pty Ltd is paid on a fixed fee basis – there is not a set amount of any income received from fees received that they retain.

### What other fees will I pay?

The implementation cost of these arrangements will be charged by VIRTU SUPER CONSULTING PTY LTD. This cost will be \$5,080.00 (inc GST). Please be aware that this practice is a business that is associated with the provision of this advice. As a result I will benefit from the payment of fees to that business in addition to the fees charged for this advice.

Should you receive recommendations from another financial services professional for what they deem to be suitable products for your needs, any costs for those products should be disclosed by that professional. Such costs are not part of the advice given in this recommendation and we hold no responsibility for those costs should you choose to implement the advice given by a separate party.

### What steps do I take next?

If you want to proceed with implementing this advice and you want to engage VIRTU SUPER CONSULTING PTY LTD to undertake the implementation, then you should:

- Sign the Authority to Proceed
- Engage VIRTU SUPER CONSULTING PTY LTD to implement the recommended structures
- Implement the LRBA documentation

### Other questions you might have

**Q.** Am I restricted to an approved product list?

**A.** As noted previously in this section, I am not authorised by SMSF Advisers Network to recommend any specific financial product other than a Self Managed Superannuation Fund structure.

**Q.** Is SMSF Advisers Network Pty Ltd associated with any recommended products?

**A.** The SMSF Advisers Network Pty Ltd is an entity owned by the National Tax & Accountants' Association Ltd (NTAA). The NTAA does not provide financial products.

**Q.** Does my advice have a time limit?

**A.** Yes, my advice should be revisited if it is not implemented within 90 days of the date on the cover of this SOA.

**Q.** Is your information protected?

**A.** Yes. Your information is stored and not given to any party outside the SMSF Advisers Network unless the law says that we must.

## **Disclaimer**

The Corporations Act 2001 (Cth) (Corporations Act) requires that recommendations made to clients are consistent with their financial needs and objectives.

This Statement of Advice (SOA) has been prepared based on the information which you have provided to us. Whilst we have made reasonable efforts to authenticate your personal and financial information, no responsibility can be accepted if the information you have provided to us is incomplete or inaccurate.

If the information you have provided to us and on which we base our recommendations is incomplete or inaccurate, you should notify us and reconsider whether this SOA is appropriate for your personal objectives, financial situation and needs before acting on the SOA.

If you believe we have misconstrued or overlooked any relevant information, it is your responsibility to bring this to our attention before relying on this advice.

The recommendations in this SOA are based on current legislative, financial and economic information and conditions and should only be considered to be current for 90 days from the date on this SOA. After that time, you must not rely on this SOA nor act on any of the recommendations. You should contact us to ensure suitability of said recommendations in the event you are looking to proceed after the 90-day period has expired. We take no responsibility if the recommendations in this SOA are implemented after this period without our confirmation that the advice remains current.

Whilst every effort has been made to include relevant tax considerations when preparing this SOA, the calculations and estimates contained are intended as a guide only. You should discuss the tax implications of this SOA with your tax adviser.

To the maximum extent permitted by law, you accept that our liability to you is limited to direct loss arising from your use of or reliance on this SOA. Each paragraph of this disclaimer shall be deemed to be separate and severable from each other.

If any paragraph is found to be illegal, prohibited or unenforceable, then this shall not invalidate any other paragraphs.

## Authority to proceed

I/We, Mr Andrew Kerr, Mrs Stacey Kerr as trustee(s) for Kerr Superannuation Fund, having read the Statement of Advice (SOA) dated 17-Oct-2021 and prepared by Elizabeth Meiklejohn acknowledge:

- The information provided in this document is accurate and reflects my/our current circumstances;
- That the recommendations given in this Statement of Advice meet our needs and objectives as stated in this document;
- That the recommendations given are based on legislation current at the time of making these recommendations;
- That because legislation is subject to change, these recommendations should be reviewed if not implemented within 90 days from the date on the cover of this SOA;
- I/We understand that the recommendations made in this Statement of Advice are for our use only and should not be passed on as recommendations suitable to other parties;
- That the recommendations made in this Statement of Advice, unless implemented in full as described, may not meet the desired outcomes stated as the goals and objectives described; and
- That where a referral has been given to another party to seek recommendation for investment and personal insurances, any recommendation made by that party is not the recommendation of Elizabeth Meiklejohn.

I/We have sought advice, organised insurance and wish to proceed.

I/We have sought insurance advice, declined it and wish to proceed.

I/We are declining to seek personal insurance advice and wish to proceed.

I/We want to proceed with partial rollover and will seek insurance advice.

I/We have received insurance advice and do not wish to proceed until the insurance advice is implemented.

## The recommendation in this SOA is to:

### SMSF Establishment

- Establishment of a Self Managed Superannuation Fund
- The trustee is to be a CORPORATE TRUSTEE

Member	Total Balance	Taxable Component	Tax-Free Component
Mr Andrew Kerr	\$125,977.00	\$125,977.00	\$0.00

Mrs Stacey Kerr	\$91,626.63	\$91,626.63	\$0.00
<b>Total</b>	<b>\$217,603.63</b>	<b>\$217,603.63</b>	<b>\$0.00</b>

**LRBA**

- Establish a Limited Recourse Borrowing Arrangement as part of your SMSF structure

I/We agree with the recommendation and give authority to proceed with implementation.

I/We do not agree with the recommendation and do not wish to proceed with implementation.

I/We want to proceed as above but with the following variation/s.

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I/We have received and read the Financial Services Guide version 4.2 / v.PAR892 - 2.1 provided to me/us on 11-Oct-2021

..... Date  
Mr Andrew Kerr

..... Date  
Mrs Stacey Kerr

..... Date  
Elizabeth Meiklejohn

## Investor Profile Descriptions

### **Conservative Investor profile: overview**

This is an income portfolio that has a small exposure to capital growth assets. The main emphasis is on generating income, with some capital risk in order to achieve overall portfolio growth.

It will have a low fluctuation in short term value, with some small short term capital risk. The income generated by the fund will have a small tax benefit from some share dividend franking credits. It is suited to an investor who either seeks a high level of income or has a short investment time frame.

An investment time frame of 2-4 years is recommended. The target return is 1.25% above the cash rate and historically this type of portfolio has resulted in a best return in any 12 month period of 14.3% and a worst of 3.2%.

It is most unlikely that there will be a negative return in any 12 month period but there may be short term negative returns within that period.

### **Moderately Conservative Investor profile: overview**

For investors who are seeking investment returns comprising income with some capital growth attached. It has a high exposure to fixed interest, but also include exposure to share and property markets.

It is suited to a medium-term investor who is seeking capital stability, but who also wants to protect their assets from inflation. Some tax relief on income is available from franking credits. The fluctuation of price is moderate to low over the short to medium-term.

An investment time frame of 3-5 years is recommended. The target return is 2.0% above the cash rate and historically this type of portfolio has resulted in a best return in any 12 month period of 18.1% and a worst of -1.7%.

The likely frequency of a negative return in any 12 month period is once every 40 years but there may be short term negative returns within some years.

### **Balanced Investor profile: overview**

Using a slightly higher exposure to growth assets than income assets, this portfolio will have lower short-term fluctuations in value than the other growth based investment portfolios. Its aim is to produce capital growth in a medium to long-term time frame.

It has a “balanced” exposure to shares: property and fixed interest assets, while the income generated by the portfolio will be partially tax effective.

An investment time frame of 5-7 years is recommended. The target return is 2.75% above the cash rate and historically this type of portfolio has resulted in a best return in any 12 month period of 23.2% and a worst of -8.2%.

The likely frequency of a negative return in any 12 month period is once every 8 years but there may be short

term negative returns within some months.

### **Growth Investor profile: overview**

A small income exposure slightly reduces the short-term fluctuations of the Growth portfolio. It is best suited to a long-term investor who can accept some investment risk over the long term. The income stream will be tax effective and it will have a high exposure to share and property to provide long-term investment growth.

An investment time frame of 6-7 years is recommended. The target return is 3.5% above the cash rate and historically this type of portfolio has resulted in a best return in any 12 month period of 28.9% and a worst of -14.6%.

The likely frequency of a negative return in any 12 month period is once every 6 years but there may be short term negative returns within some years.

### **Aggressive Investor profile: overview**

A totally share and property based portfolio with no fixed interest exposure. It has a strong emphasis on maximising capital growth over the long term. The aim is to produce a minimal, tax effective income.

Investors can expect high short-term fluctuations in values and higher chance of capital loss. However, they are prepared to accept this as a trade off in achieving their long-term investment objective. An investment time frame of more than 7 years is recommended.

The target return is 4.0% above the cash rate and historically this type of portfolio has resulted in a best return in any 12 month period of 35.3% and a worst of -21.2%.

The likely frequency of a negative return in any 12 month period is once every 6 years but there may be short term negative returns within some years.

## Comparison of your current plan and proposed SMSF

Mr Andrew Kerr

	Current Superannuation Plan/s	SMSF Fees and Charges
Exit/Withdrawal Fee	\$0.00	N/A
Establishment Costs	N/A	\$2,476.91
Contribution Fee	\$0.00	\$0.00
Administration Fee/MER	\$189.93	\$0.00
Transaction/Indirect Costs	\$816.76	\$0.00
Member Fee	\$0.00	\$0.00
Ongoing Advice Service Fee	\$369.12	\$0.00
Compliance Costs	\$0.00	\$1,766.17
<b>Total Fees</b>	<b>\$1,375.81</b>	<b>\$4,243.08</b>
Insurance Cover		
Life Benefit Amount	\$0.00	
TPD Benefit Amount	\$0.00	
Income Protection Benefit Amount	\$0.00	
Annual Premium	\$0.00	

### Other Benefits - Current Superannuation Plan

Investments managed by professionals.

Low administrative costs.

Simple to manage.

No upfront establishment fees.

Members have no trustee responsibilities

No annual ongoing costs such as the ATO supervisory levy, accountancy fees, audit fees, preparation and lodgement of annual tax returns, tax advice and transaction costs on brokerage.

## Other Benefits - SMSF Fees and Charges

Greater control with a wide selection of investments, such as commercial property.

Fixed administration fee approach instead of percentage % of assets invested.

Ability to purchase business premise and lease back to the business

Greater estate planning control.

Asset protection with a corporate trustee.

Further investment performance and tax treatment transparency

Greater flexibility on the timing of contributions, allocating earnings to particular members and implementing 'reserves'.

Ability to borrow money via a Limited Recourse Borrowing Arrangement

Seamless transition from the accumulation phase to the pension phase without having to sell down assets

Capital gains tax relief opportunities

## Conclusion - Why is the establishment of an SMSF in your best interest?

Andrew, by establishing an SMSF structure you will have the ability to meet your goal of purchasing a commercial property for your retirement.

This SMSF will allow you to purchase the investment property and allow you to reduce tax while increasing your retirement income.

There is huge potential for significant benefits derived from being able to invest in real property using LRBA to leverage against current superannuation balances.

Your goal is to acquire more properties inside super and only an SMSF allows that.

The SMSF will allow you to purchase the business premises and allow you to reduce tax while increasing your retirement income.

SMSF will be bit expensive than your current super fund but the ability to purchase the business premises through LRBA outweighs the cost factor.

Estate planning options available to you including Binding Death Benefit Nominations if deemed required as part of an overall estate plan and the ability to control the payout of your fund on your passing away or incapacitated.

Mrs Stacey Kerr

**Current Superannuation  
Plan/s**

**SMSF Fees and Charges**

Exit/Withdrawal Fee	\$0.00	N/A
Establishment Costs	N/A	\$1,766.17
Contribution Fee	\$0.00	\$0.00
Administration Fee/MER	\$130.76	\$0.00
Transaction/Indirect Costs	\$73.22	\$0.00
Member Fee	\$0.00	\$0.00
Ongoing Advice Service Fee	\$369.09	\$0.00
Compliance Costs	\$0.00	\$1,292.83
<b>Total Fees</b>	<b>\$573.07</b>	<b>\$3,059.00</b>
<b>Insurance Cover</b>		
Life Benefit Amount	\$478,176.00	
TPD Benefit Amount	\$478,176.00	
Income Protection Benefit Amount	\$34,000.00	
Annual Premium	\$1,411.53	

### Other Benefits - Current Superannuation Plan

Investments managed by professionals.

Low administrative costs.

Simple to manage.

No upfront establishment fees.

Members have no trustee responsibilities

No annual ongoing costs such as the ATO supervisory levy, accountancy fees, audit fees, preparation and lodgement of annual tax returns, tax advice and transaction costs on brokerage.

Death cover of 478,176, TPD cover of 478,176 and Income Protection cover of 87.75% of your insured salary.

### Other Benefits - SMSF Fees and Charges

Greater control with a wide selection of investments, such as commercial property.

Fixed administration fee approach instead of percentage % of assets invested.

Ability to purchase business premise and lease back to the business

Greater estate planning control.

Asset protection with a corporate trustee.

Further investment performance and tax treatment transparency

Greater flexibility on the timing of contributions, allocating earnings to particular members and implementing 'reserves'.

Ability to borrow money via a Limited Recourse Borrowing Arrangement

Seamless transition from the accumulation phase to the pension phase without having to sell down assets

Capital gains tax relief opportunities

### **Conclusion - Why is the establishment of an SMSF in your best interest?**

Stacey, by establishing an SMSF structure you will have the ability to meet your goal of purchasing a commercial property for your retirement.

This SMSF will allow you to purchase the investment property and allow you to reduce tax while increasing your retirement income.

There is huge potential for significant benefits derived from being able to invest in real property using LRBA to leverage against current superannuation balances.

Your goal is to acquire more properties inside super and only an SMSF allows that.

The SMSF will allow you to purchase the business premises and allow you to reduce tax while increasing your retirement income.

SMSF will be bit expensive than your current super fund but the ability to purchase the business premises through LRBA outweighs the cost factor.

Estate planning options available to you including Binding Death Benefit Nominations if deemed required as part of an overall estate plan and the ability to control the payout of your fund on your passing away or incapacitated.