



ASK THE EXPERT

Finance

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Q What is the difference between an industry super and a self-managed super fund?

A Superannuation is superannuation, and the legislation, rules and regulations around it are the same regardless of if you are an industry fund, retail fund or Self-Managed Superannuation Fund (SMSF).

The tax deductions available and rules about whether you can take money out of superannuation are the same across all these superannuation styles.

The key differences between the superannuation products available, how they are run and who runs them are set out in the table below.

	Industry Fund	Retail Fund	SMSF
Who are the trustees / controllers?	Board of Directors of the Trustee Company.		You (every member must be a trustee).
How many members?	Varies between funds – but there are often thousands of members.		Can have between 1–4 members (legislation to increase this to 6 members is pending).
How are fees calculated?	Often there is a minimal member fee and then a fee calculated based on the amount of your balance (often around 0.7% - 1.2%).		Most often there is a fixed fee for the accounting, tax and audit functions – beyond that it depends on what you are investing in.

	Industry Fund	Retail Fund	SMSF
Can I direct where my money is invested?	Yes – but to a limited extent. Usually there may be 4 - 10 options of “pre-mixed” investment alternatives for you to choose from.	Yes – and the nature of retail funds is that they have far more options available for investments. You could go as far as to select specific fund managers or even a direct share portfolio if you wish.	Yes – this is the ultimate in investment choice. You can invest in managed funds, direct shares, property, or other investment types. If you go beyond ‘traditional’ investments then you need to check with your advisor if this is allowed as there are strict rules that must be followed.
Can I borrow to buy a property in a Superannuation Fund?	Technically yes – but there are no Industry or Retail funds that will allow you to do this.		Yes – There is a lot involved to do this, but there are also some great benefits as well. You need to be clear about what you want, how much you can borrow, understand the process and have a specialist advisor helping you. You cannot rent a residential property to family members if owned in a SMSF.
Will my employer pay into this fund?	Yes – this is often the “default” option by many employers, and the fund can provide you with the information that your employer will need.	Yes – the super fund will have the notification forms for you to be able to provide to your employer.	Yes – generally an employer will be fine to do this (and in fact must do this under the new superannuation choice rules). However, you need to have the fund set up correctly and provide the employer with the information they need so they can report this as part of their payroll.
Can I have a financial advisor assist me with investment decisions?	Yes – however, Industry funds will generally not pay for external advisors. They may have some limited advice available through the Fund - but this is generally not comprehensive advice.	Yes – and your advisor may also be paid from your superannuation monies (within some limits). This is often a good way of getting advice which is more holistic.	

Q What is the best superannuation for someone who is self-employed?

A There is no easy answer, as it is a very personal decision.

When considering this, some of the important factors include:

- Your superannuation balance
- Your age
- Your plans, including superannuation contributions, retirement/pension expectations
- The level of investment choices that you would like to have, and if you plan to make these investment decisions yourself or have a financial advisor assist you
- Your ability to manage the administrative functions of a SMSF (which does take a bit of work – but certainly does not have to be overly onerous if set up properly).

Talking with a financial advisor can help with narrowing down your options and understanding the respective costs of the alternatives. A good rule of thumb is that a SMSF is not usually economically viable if you have less than \$500,000, unless

you have a particular strategy that you want to adopt that you can only do in a SMSF. Whilst this guideline is useful, it is not a one-size-fits-all solution and it is best to talk to an expert to discuss your plans and objectives.

Resources that might be helpful

Download our Simple Guide to Self-Managed Super Funds <https://mailchimp/tagfinancial.com.au/tag-smsf-guide>

Want to learn about what is involved in running a Self-Managed Super Fund? Watch our 40 minute Trustee Training Webinar!

<https://tagfinancial.webinarninja.com/live-webinars/675889/register?intok=690dcea4-5f07-4ed1-8587-26436c97ee78>

Some easy reading blogs

Buying a property in Super

<https://www.tagfinancial.com.au/blog/buying-property-in-super/>

Industry Funds – how do they compare? [https://](https://www.tagfinancial.com.au/blog/fee-increase-for-industry-funds/)

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