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About SMSFs

What's involved in running an SMSF and what you need to consider before you decide if an SMSF is right for you.

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What is an SMSF?

A self-managed super fund (SMSF) is a type of trust set up for the sole purpose of providing retirement benefits to its members.

When you set up an SMSF, you and the other trustees are in charge. You must make investment decisions that are in the best financial interests of all members.

You are also personally responsible for ensuring your SMSF complies with superannuation and tax laws. If it does not comply, there are a range of consequences that may apply, including disqualification, penalties and tax consequences. This is the case even if you rely on another trustee or a professional to help run the SMSF.

Be aware of illegal SMSF schemes

You might be approached by people promoting early release of super schemes. They might offer to help you withdraw your super before retirement to pay for personal expenses like paying off a debt or buying a house. These schemes are illegal.

If you or another member of the SMSF access super before you are legally entitled, significant penalties can apply. You will also need to pay income tax on super you access before you are entitled to it.

For more information on illegal early access of super, see illegal early access to super.

Is an SMSF right for you?

An SMSF can be an attractive option for people who want control over their
retirement investments. However, managing an SMSF is a major responsibility and getting it wrong can have financial impacts.

You must understand your obligations as an SMSF trustee and be certain you have the knowledge, time and skills to do it before you start. Your obligations include:

- keeping up to date with the rules and regulations of superannuation and income tax laws
- developing, implementing and regularly reviewing an investment strategy
- administration and record keeping, for example, meeting minutes noting trustee decisions
- completing financial statements and lodging tax returns or reports.

It also costs money to set up and run an SMSF. Every year that you have an SMSF, you'll need to pay for an independent audit and a supervisory levy.

You also need to consider costs for:

- tax agents to help prepare your SMSF annual return
- valuations of your SMSF's assets
- actuarial certificates, if required
- legal fees
- an SMSF administrator
- insurance
- financial advice.

You should:

- review our latest statistics on the health and performance of the SMSF sector
- compare SMSFs with other super funds
- consider seeking professional SMSF advice.

We recommend you seek financial advice from a licensed financial adviser. They can help review your existing investments and work out if an SMSF is suitable, given your circumstances.

The Australian Securities & Investments Commission provides information on how to choose a financial adviser. They also have general resources on investing.

Media: Why do I want an SMSF
https://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfi6zor (**Duration:** 2:18)

QC 103931

Your obligations as an SMSF trustee

Your obligations as a trustee or director of a corporate trustee of an SMSF and what happens when they are not met.

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Understand your obligations

All trustees of your SMSF are responsible for running the fund and making decisions that are in the best financial interests of all members.

This means you are responsible for decisions made by other trustees even if you're not involved in making the decision.

Trustees must meet specific obligations under the *Superannuation Industry (Supervision) Act 1993*:

- Exercise honesty, care, skill and diligence
- Meet the sole purpose test
- Accept contributions and rollovers
- Develop and review your SMSF investment strategy
- Comply with investment restrictions
- Pay benefits
- Value SMSF assets

- Prepare SMSF financial statements
- Arrange the yearly audit
- Lodge the SMSF annual return (SAR)
- Pay yearly fees
- Notify us of changes to your SMSF
- Keep accurate records
- Meet the residency rules

Media: SMSF - What's involved with an SMSF
https://tv.ato.gov.au/media/bd1bdiubfi93qe (**Duration:** 2:24)

Exercise honesty, care, skill and diligence

As a trustee, you must ensure your SMSF complies with:

- your trust deed
- the rules of the *Superannuation Industry (Supervision) Act 1993* (SISA).

The SISA states that as a trustee, you must:

- act honestly in all matters concerning your fund
- act in the best financial interest of all members
- not hinder any trustee from performing or exercising functions or powers
- not access or allow others to access benefits early
- retain control over your fund.

Meet the sole purpose test

The sole purpose of your SMSF is to provide retirement benefits to your members, or to pay death benefits if a member dies before retirement.

To be eligible for the tax concessions normally available to super funds, your SMSF must meet the sole purpose test.

Generally, it is illegal for anyone to benefit from the SMSF outside of this sole purpose. It can be illegal to:

- access funds early
- invest in a related business
- be paid for your duties or services as a trustee
- use the SMSF's assets for personal use.

An example of breaching (or contravening) the sole purpose test is where your SMSF invests in a rental property specifically to allow a related party to live in that property.

For more information on the sole purpose test, see Self-managed superannuation funds ruling SMSFR 2008/2 *The application of the sole purpose test in section 62 of the Superannuation Industry (Supervision) Act 1993 to the provision of benefits other than retirement, employment termination or death benefits*.

Accept contributions and rollovers

In accordance with the trust deed and superannuation laws, you need to follow specific rules for accepting contributions and rollovers.

You also need to make sure any contributions and rollovers are:

- properly documented
- allocated to the correct member's account.

Develop and review your SMSF investment strategy

Your SMSF's investment strategy must:

- consider all members' personal circumstances
- include investment objectives and types of investments allowed
- consider liquidity and diversification of assets and whether to hold insurance
- be regularly reviewed and updated when needed.

When making investments, you must demonstrate with records how your decisions comply with your SMSF investment strategy.

Comply with investment restrictions

There are restrictions on SMSF investments. Any investment your fund makes cannot provide a present-day benefit for the members or related parties. Other than very limited circumstances, generally:

- you can't acquire assets from, or lend money to, fund members or other related parties
- your SMSF can't borrow money.

Pay benefits

Trustees are responsible for ensuring a member is legally entitled to access their super benefit before releasing any retirement benefits. Generally, members can only access benefits once they meet a condition of release.

You must pay benefits to members according to the trust deed and super laws.

Value SMSF assets

Each year you must value your SMSF's assets at market value so you can prepare the fund's accounts, statements and the SMSF annual return (SAR). Some assets must be valued and reported in a specific way. You must also keep evidence of your valuations to provide to your SMSF auditor.

Prepare SMSF financial statements

Each year you need to prepare:

- a statement of financial position
- an operating statement for your SMSF.

You must then provide this to your SMSF auditor.

Arrange the yearly audit

Your SMSF must be audited each year by an independent SMSF auditor who is registered with the Australian Securities & Investments Commission (ASIC). The auditor will assess your fund's compliance with super laws and report any contraventions to us.

Lodge the SMSF annual return (SAR)

Each year you must lodge the SAR by its due date and pay any tax liability. If the SAR is more than 2 weeks overdue, you may not be able to receive contributions or rollovers until you lodge your return.

You may also be required to lodge:

- transfer balance account reports once your SMSF begins paying a pension
- activity statements.

Pay yearly fees

Your SMSF is required to pay the supervisory levy when you lodge your SAR. The amount will depend on whether your fund is new, existing, or winding up.

If your SMSF is set up with a corporate trustee, you will also have to pay ASIC fees.

Notify us of changes to your SMSF

You must tell us about certain changes to your SMSF within 28 days.

If your SMSF is set up with a corporate trustee, you're also required to inform ASIC.

Keep accurate records

You must keep records of all decisions and actions your SMSF takes. This will provide you with supporting evidence on the decisions you and the other trustees make.

Meet the residency rules

Your SMSF must be an Australian super fund at all times during the financial year. If it isn't, the assets and income of the fund will be taxed at the highest marginal rate.

Your fund is an Australian super fund if it meets all 3 of these residency conditions at all times during the financial year:

- establishment or at least one asset held in Australia
- central management and control ordinarily in Australia
- active members.

If a member moves or travels overseas for an extended period, this may affect the residency status of the fund.

Consequences of not meeting your obligations

The ATO is a key regulator for SMSFs. This means we're responsible for:

- administering super and tax laws
- ensuring trustee compliance.

Our main focus is to assist trustees to understand their obligations and comply with the law.

When an obligation is not met and results in a contravention, we may need to take compliance action. The action we take will depend on the:

- type of breach, or contravention
- trustee's attitude to their obligations
- seriousness of the contravention.

For more information on consequences of not meeting obligations, see how we deal with non-compliance.

QC 23323

Compare SMSFs with other super funds

Compare key differences of SMSFs with other super funds to see if an SMSF is right for you.

Last updated 2 April 2025

Responsibility for the super fund

A self-managed superannuation fund (SMSF) can have a maximum of 6 members. All members of an SMSF are either individual trustees or

directors of a corporate trustee of the fund.

Trustees of an SMSF:

- are equally responsible for all aspects of running the fund and meeting its tax and super obligations
- must have the knowledge, time and skills to run and manage their fund.

Compliance action can be taken against your SMSF and you personally if your SMSF breaches superannuation laws. This differs from other super funds, where all of this responsibility sits with a professional licensed trustee.

Investment decisions

You and the other trustees need to develop and apply your SMSF's investment strategy and make all investment decisions. You also need to make sure your investments comply with super laws.

Most other super funds will only allow you to control the risk level of your investments, but you generally can't choose what assets your super will be invested in.

Insurance

Trustees must consider whether to purchase insurance for your members as part of your investment strategy. Premiums may be higher than in other super funds.

Most other super funds offer insurance cover to members. This usually costs less as large funds can get discounted premiums.

Regulation

We regulate SMSFs and require trustees to engage with us to manage their fund.

The Australian Prudential Regulation Authority (APRA) regulates other super funds. Generally, members of other super funds don't have to engage with APRA as they are not responsible for managing the fund.

Complaints and disputes

We do not get involved in resolving disputes among SMSF members. Disagreements can be resolved through alternative dispute resolution techniques or in court, at the members' own expense. There is no government compensation scheme.

Members of other super funds have access to the Australian Financial Complaints Authority and may be eligible for statutory compensation.

Fraudulent conduct or theft

No government financial assistance is available to SMSFs.

Members may have legal options under Corporations Law if there has been a loss due to misconduct or inappropriate advice. However, there is no guarantee that compensation will be awarded.

Be aware of who you provide your personal information to. If you are approached by a financial adviser, make sure they are registered with ASIC.

Members of other super funds may be eligible for government financial assistance in the event of fraud or theft.

QC 47220

Seek professional SMSF advice

Professionals can help you decide whether to start an SMSF, and how to set up and run your SMSF.

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Media: vSMSF - You can't do it all yourself https://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfi6zod (**Duration:** 3:05)

Why you should consider a professional

Running a self-managed super fund (SMSF) is a major responsibility. Consider using a professional to help you with various aspects of your fund.

When choosing a professional, make sure they are:

- qualified
- registered
- licensed
- right for your circumstances.

If you use a professional, you and the other trustees are still responsible for the SMSF.

SMSF auditors

Each year you must appoint an SMSF auditor. They will examine your SMSF's financial statements and make sure it has been complying with super laws.

Your auditor will then advise you and report to us if you have breached, or contravened, certain super laws.

Financial advisers

Financial advisers can:

- review your financial situation and personal circumstances to help you decide if an SMSF is right for you
- help you prepare, review and update your fund's investment strategy
- advise on the types of investments you can make and what is allowed under the law.

Licensed financial advisers are registered with the Australian Securities & Investment Commission (ASIC). ASIC provides information about choosing a financial adviser.

Appointing a licensed financial adviser offers extra protection because you can lodge a complaint if anything goes wrong.

Tax agents

Tax agent services can include:

- completing and lodging your SMSF annual return

- providing tax advice
- representing you in your dealings with us.

Check if your tax agent is registered at the Tax Practitioners Board.

Accountants

An accountant can help:

- set up SMSF financial systems
- prepare your fund's accounts and operating statements once your SMSF has been set up.

Fund administrators

A fund administrator can help:

- set up the SMSF
- manage the day-to-day running of your fund
- meet fund reporting and administrative obligations.

Legal practitioners

A legal practitioner can:

- help prepare, review and update your SMSF's trust deed
- provide advice on whether certain actions are allowed under the law
- represent you in legal proceedings
- provide advice on the legal implications of personal situations such as divorce and trustee disputes.

QC 23309

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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