

# Deed need hinges on super shuffles

## DIY SUPER

Monica Rule



With the new superannuation laws taking effect from July 1, clients often ask me if their self-managed superannuation fund trust deed needs to be updated. My usual answer is "It depends".

I'm not qualified to interpret trust deeds so I generally tell my clients that they should speak to the firm where they got their trust deed from or speak to an SMSF lawyer.

What has annoyed me a little lately is that some firms that prepare trust deeds are informing their clients to update their deeds. Most SMSF trustees are not sure whether the recommendation is because their trust deed does need updating or if this is just a cynical way for firms to make more money.

What you need to be aware of is that you are not legally obliged to update your SMSF's trust deed just because the law has changed.

Unless any of the changes are relevant to the members of your SMSF your trust deed probably does not need updating. A well drafted trust deed will usually accommodate most of the superannuation changes.

It is the responsibility of the trustee to check their SMSF's trust deed before making any decisions or actions. While the Superannuation Law sets out the rules on how superannuation funds must operate, an SMSF's trust deed sets out how the fund will operate within the scope of the superannuation law.

Some of the changes to superannuation effective from 1 July are:

- The ability for an SMSF member to "roll back" money in their retirement pension account to their accumulation phase. This is where the member's pension account exceeds the \$1.6 million transfer balance cap.
- Trustees must not accept contributions in certain circumstances and refund contributions that should not have been accepted.
- Trustees will be required to pay

### ARE YOU IN HIS FIRING LINE?

#### YOU OR SPOUSE EARN BELOW \$40,000?

- Change to tax offset for spouse contributions
- New low income super tax offset

#### KICKING IN EXTRA?

- Personal contribution rules
- Contribution caps cut

#### APPROACHING RETIREMENT?

- \$1.6b balance transfer cap
- Tax on TTR fund earnings

#### RETIRED?

- \$1.6b pension account cap
- Removal of anti-detriment payment

Detailed information available at [bit.ly/atosuper](http://bit.ly/atosuper)

SOURCE: TAX OFFICE



Treasurer Scott Morrison

excess transfer balance tax where a member has more than \$1.6 million in their retirement pension account.

- Altering the terms and conditions of an income stream. This will allow reversionary beneficiary nominations or will allow changes to the nomination of a reversionary pensioner without stopping the pension.
- Automatic pension status changes from a transition-to-retirement income stream to a retirement pension when a condition of release is met.
- Dealing with segregated and unsegregated assets to provide for a CGT relief election.
- Determining whether to retain or cease transition-to-retirement income streams.
- Calculating member balances across various superannuation funds.
- The ability to create various death benefit instructions. This is so death

benefit recipients do not exceed their transfer balance cap when receiving a death benefit.

- The ability to rollover a death benefit without losing its death benefit status.

If none of these changes apply to any of the members of your SMSF, then there is no need to update your SMSF's trust deed.

However, updating the trust deed will give the trustee more flexibility in case any of the members want to implement investment and estate planning strategies to take advantage of the changes to the superannuation laws.

If you are not sure whether you should update your trust deed, it is always a good idea to talk to a trusted adviser to get their opinion.

Monica Rule is an SMSF Specialist and author of *The Self Managed Super Handbook* – [monicarule.com.au](http://monicarule.com.au)

## Capital gains decision time looming fast

Neale Prior

Holders of transition to retirement superannuation (TTR) accounts should check whether they need to make a crucial choice to minimise the potential impact ahead of a new tax being imposed from July 1.

Many people with self-managed super funds and wrap-style super accounts will have to decide whether it is worthwhile resetting the cost base for any future capital gains tax calculations.

The Federal Government is allowing a one-off reset because its super changes that take effect on July 1 include a 15 per cent tax on the earnings of super funds supporting TTR pensions.

Resetting the cost may also be available to people affected by the new \$1.6 million cap on retirement-phase super accounts.

People with more than the \$1.6 million balance transfer cap must either withdraw the money from super or transfer it to an accumulation-phase super account that is taxed at 15 per cent. CGT relief may be available for money transferred back to accumulation phase.

The 15 per cent super earnings tax covers not only dividend and other income received by the fund but also includes the value of realised capital gains.

Therefore resetting the cost base of assets to the prices prevailing this month could be very useful if an asset is worth more now than when it was bought.

The trustees of big retail and industry funds that pool investor assets are generally responsible for applying for any CGT relief available to the fund's assets.

The Australian Taxation office says a super fund trustee who decides to take CGT relief must tell the revenue collection agency on an approved form by the due date for their fund's 2016-17 annual return.

Forty Seven financial planner Vince Holland said it was worthwhile for people to check with their adviser whether they should consider resetting the cost base.

Mr Holland said this particularly applied to SMSFs and to wrap-style superannuation funds where investors could choose the underlying funds into which their money was invested.

Mr Holland said that people with wrap accounts should make inquiries with their fund to check whether their fund needed to be notified of any decision by June 30 or earlier.

Investors had to be aware that if they elected to reset the capital base, their super fund would not qualify for a super fund's usual one-third capital gains discount if the asset was sold within 12 months of June 30.

The CGT relief only applied to assets acquired by funds on or before November 9, 2016.

# BT bounces back from historic lows for an encore

## YIELDHUNTER

with Patrick Taylor



Following a sound investment strategy can sometimes feel like you are stuck listening to a broken record.

It goes something like this: "Find a good company recovering from a pullback, ascertain fundamental strength, evaluate technical potential and wait for price confirmation."

One such company hitting all the right notes is BT Investment Management, which is currently pulling back after testing all-time highs last month. We're now ready for an encore performance.

BT manages retail, institutional and wholesale funds across varied investments including stocks, fixed

income, cash and macro funds.

BT's Australian home market accounts for a one-third of earnings. Around two thirds comes from the UK, US and other international markets — where they retain key growth potential opportunities.

BT pays a strong dividend at 3.97 per cent leaving us 4.73 per cent to secure through capital gain. Their consensus target shows a current discount of 5.3 per cent and has risen over 10 per cent in the last three months.

This combines well with their strong and steady historical performance and forward forecasts showing increasing sales, profits, margins, earnings and dividend growth through to 2018.

BT was originally spun out of Westpac, which just last month reduced its holding from 29 per

cent to 10 per cent via a discounted issuance. This spurred recent price falls, giving the opportunity now before us.

After listing in 2007, BT shares dropped 80 per cent to March 2009 lows. The next three years were spent building a recovery base before breaking out into uptrend by October 2012. By December 2015, it gained had 1260 per cent from its GFC lows.

We now have a short-term pullback from the resistance ceiling at \$13. If everything plays out in-line with fresh positive signalling, this should be a good entry for what we hope is a full-throated recovery.

It can be hard buying a stock when it is climbing but with BT we believe they hold the right keys for a bright future.

Patrick Taylor heads Taylor Securities

## BT INVESTMENT MANAGEMENT

**Current Price:** \$11.50  
**Market Capitalisation:** \$3.62b  
**Forecast EBITDA Growth:** 16.67%  
**Estimated Gross Yield:** 3.97%  
**Consensus Price Target:** \$12.11  
**Covering Analysts:** 12  
**Discount at Current Price:** 5.3%  
**Price Target Trend:** Increasing  
**Signal Time frame:** Quarterly-Monthly-Daily  
**Trend Bias:** Up Flat; Long-Short

### INDICATORS

**Short-term:** Positive Neutral  
**Medium-term:** Neutral Negative  
**Long-term:** Positive  
**Recommendation:** Buy  
**Focus:** Dividend Income & Capital Growth

### THE LOWDOWN

- BT is trying to break out of a 2-year price consolidation after reaching a peak of \$13 back in late-2015, following a 600 per cent+ rally that began in 2012.
- Fundamentally strong with a history of steady growth in unsteady times, BT also has excellent forward forecasting and a strong yield profile.
- Technicals look good here with resistance structure around \$11 breaking before prices tested old highs at \$13 just last month.
- We were waiting for this pullback and signalling for an entry and this now looks good with momentum and support layered down to \$11 and \$10.