

Hands-off super solution

Small APRA fund cuts out hassles

**DIY
SUPER**

Monica Rule



When a self-managed superannuation fund member faces bankruptcy or suffers from dementia, they are no longer able to manage or remain in their SMSF.

As an SMSF specialist I often encounter situations where my clients need help understanding what to do when they can no longer manage their fund. Apart from rolling their superannuation savings to a retail superannuation fund and winding up their SMSF, there is also the option of converting their SMSF into a small APRA fund (SAF) regulated by the Australian Prudential Regulation Authority.

An SAF is very similar to an SMSF in that it can only have a maximum of four members. Unlike an SMSF, SAF members are not responsible for managing the superannuation fund.

An APRA licensed trustee is responsible for the day-to-day administration as well as the legal responsibilities. An SAF trustee must be licensed and authorised by APRA. You will of course need to pay for their services. The good thing about having a professional trustee is that, in the unlikely event an SAF contravenes the superannuation law, the members are not responsible as they are not involved in the decision making.

Converting an SMSF to an SAF has a number of advantages:

Complaints and compensation: An SAF member has access to



CONVERTING AN SMSF INTO AN SAF WILL NOT ATTRACT ANY CAPITAL GAINS TAX.

the Superannuation Complaints Tribunal and the Superannuation Compensation Scheme, which is handy if the member suffers losses from fraud or theft via investments entered into by the SAF. These measures are not available to SMSF members.

Disqualified person: A bankrupt member who is classed as a disqualified person can be a member of an SAF but not an SMSF.

Living offshore: SAFs can eas-

ily meet the Australian residency test as all trustees are companies incorporated in Australia. Whereas, if an SMSF member goes overseas for long periods of time or indefinitely, their SMSF may lose its residency status and the tax concession available to a complying superannuation fund.

No capital gains tax: As only the trustee changes, converting an SMSF into an SAF will not attract any capital gains tax. If an SMSF

member needs to sell assets to roll money into a retail superannuation fund, there may be capital gains tax payable on sale of assets.

Social security rules: When an SMSF member in receipt of an account-based pension moves to an SAF, they will not lose any grandfathered provisions under the old social security rules. Whereas if the member moves to another superannuation fund, the pension will be treated as a new pension and the grandfathering provisions will not apply. This means the pension will be assessed for the income test under the new deeming rules, which may result in the member receiving a lower social security entitlement as well as no longer being eligible for the Commonwealth Seniors Health Card.

Investments: Moving an SMSF to an SAF may also mean being able to maintain the same investments, such as private company shares, unlisted managed funds, direct property, collectables and borrowings. However, each SAF provider is different so you need to shop around. Some SAFs hold a restricted range of assets, as it might not be permitted to own shares in unlisted companies or trusts related to you or your relatives. Artwork and collectibles might also be off the list of approved investments. These restrictions often have nothing to do with the superannuation laws but more to do with the operational efficiency of the SAF trustee business.

Lower costs: SAFs may be a cheaper option compared to a retail or an industry superannuation fund.

Tax planning: The member is able to control the realisation of capital gains tax.

So if you would like to have your own personal superannuation fund without the hassle of managing it, an SAF may be the solution.

Monica Rule is an SMSF Specialist and author of *The Self-Managed Super Handbook – Superannuation Law for SMSFs in Plain English* monicarule.com.au

Strong Harvey Norman may prove to be a bargain buy

YIELDHUNTER

with Patrick Taylor



They say the house always wins, and in this particular situation we are expecting this to also apply to household goods retailer Harvey Norman Holdings Ltd.

With an excellent dividend on the table, robust performance and strong growth forecast to continue, we are ready to go on a shopping spree.

Headquartered in Sydney, the company opened its doors in 1982 and has grown into one of Australia's most successful retailers.

Their main focus is diversified household goods and they primarily deal in home/office equipment and services through an integrated franchising, retail and property enterprise.

With operations and franchises spread throughout Australia, New Zealand, Asia, Europe and Britain, Harvey Norman has business streams covering the retailing of electrical, computers, communica-

tions, small appliances, furniture, bedding, manchester, home improvements, lighting, carpet and flooring.

Even though they are running a business portfolio as wide as Gerry Harvey's smile, they are doing it well and winners deserve to be grinders.

The current dividend of 6.51 per cent gets us through the door and reaching for our wallets and fundamentally they look very good after a strong reporting season with full-year EBITDA growth coming in at just over 23 per cent.

This result carpeted expectations and prompted their surprised analysts to lift aggregate target pricing almost 12 per cent in the last month alone.

And while most investments carry the risk of potentially losing your shirt, their recent stake taken in Gazal Corp Ltd might just see HVN do the exact opposite as this high-end clothing retailer seems a tailor-made and perfect fit for their entrepreneurial expertise.

To meet our total return target we still require 2.19 per cent by way

of capital gain, and while they are currently trading at a 1.9 per cent premium to consensus price targets, those targets are chasing recent gains.

Current pricing may yet prove to be a bargain, with strong sales and profits forecast to continue into 2019, and at these levels HVN seems ready for more red carpet treatment.

Technically, the company looks very exciting, with short-term linear resistance breaking in July and a strong long-term structural barrier at \$5 being broken in August.

These moves were followed by a quick and successful retest in early September and we have been waiting for fresh positive signalling to come through in the short-term which we received just this week.

Historically, Harvey Norman is a cyclical stock and runs well when the track suits it. This seems to be the case right now and with positive signals coming through across the board we believe HVN to be a thoroughbred that looks ready to run ... go Harvey!

HARVEY NORMAN HOLDINGS (HVN)

Classification: Diversified retail
Current price: \$5.19

Market capitalisation: \$5.77 B

Forecast eps growth: 5.99%

Gross yield: 6.51%

Consensus price target: \$5.09

Covering analysts: 10

Premium at current price: 1.93%

Price target trend: Increasing

Signal time frame: Quarterly-

monthly-daily

Trend bias: Up flat long-short

INDICATORS:

Short-term: Positive

Medium-term: Neutral

Long-term: Positive

Recommendation: Buy

Investment focus: Dividend income & capital growth

SET UP NOTES:

■ HVN is retesting the breakout zone of \$5.00 at the moment with prices skating along support. We expect this to hold due to strong signalling in the longer-term timeframe.

■ Good fundamentals and rising price targets support the recent \$5.00 structure clearance and break of linear resistance in July 2016.

■ We expect further gains due to good long-term correlation and have significant structural and dynamic support layered down to \$5.00, \$4.80, \$4.60 and \$4.40.

