Mind those selfie urgings

DIY SUPER

Monica Rule

While self-managed superannuation funds are a very good idea for many people, you need to ask yourself whether becoming a DIY super operator is for your good or the good of your accountant, who stands to receive ongoing fees for doing your SMSF financial statements and tax returns.

One of my clients was told by her accountant that an SMSF can offer more than her current retail superannuation fund. He even told her that money in her retail fund would diminish once she started accessing her pension, whereas money in her SMSF would last until her death!

I wish I had this accountant's crystal ball!

The advice my client received was incorrect. In fact, the accountant did not even look into my client's retail super fund to see what it offered.

Nowadays, most retail funds and public sector super funds will allow you to maintain an accumulation account with them once you retire from your employment and start accessing a super pension from them. They will even allow you to keep your super savings with them until your death.

The superannuation law applies to most superannuation funds — with the exception of some public sector schemes which were set up under an Act of Parliament. Therefore, what you can do in an SMSF you can also do in a lot of these funds.

For example, you can leave your money in these funds until your death. You can place more money in these funds once you retire as long as you maintain an accumulation account with them.

Most people like to travel more once they have retired. One of the drawbacks of an SMSF is that you will need to make sure the fund meets the Australian residency test in order to maintain its complying status. Whereas, in a retail or industry super fund, it does not matter where you are residing.

The main difference between an SMSF and other types of superannuation funds is the flexibility to invest in whatever you desire and the ability to control the SMSF's bank account. But do you really want to have to spend all your free time thinking of what to invest in? Are you comfortable in making investment decisions?

Most retail super funds have various professionals behind the scenes that make all the decisions for you. Not only that, they do all the administration. Do you really want to be doing all this when you are 70 or older?

Retail super funds can also offer great insurance for death and disability situations. The same level of insurance could cost you a lot more to provide in your SMSF.

Having control of your SMSF's bank account may not be a good idea if you are one of those people who can be tempted to use money in your SMSF during financial difficulties. SMSFs are great for people who take an interest in their obligations and have the discipline to invest wisely and let their savings grow. But they are not for everyone.

So the next time someone tells you to set up an SMSF, ask them how much they know about your retail super fund. If they don't know much at all, you need to consider that there might be more benefit for them in you setting up an SMSF than for yourself.

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Think twice: Self-managed funds have some great benefits for retirees, but they may be even better for your accountant. Picture: Getty

Tick for green super

Going green with your superannuation might not only be good for your conscience but also good for your retirement prospects.

A survey by research group SuperRatings shows that funds with sustainable investment focuses had outperformed equivalent mainstream funds over the past one and three years, and were marginally behind looking at their five-year performance.

The study also found the average fee for sustainable funds was lower overall that mainstream funds.

Ordinary balanced funds in the study have achieved 11.9 per cent growth over the past year, while funds in its SR50 Balanced Index of sustainable funds rose 12 per cent.

Sustainable funds investing in Australian shares rose 10.5 per cent over the year, compared with 9.5 per cent for the mainstream.

Over five years, the mainstream grew an average 8.1 per cent annually while sustainable funds grew 7.8 per cent.

SuperRatings chief Adam Gee said the data showed that responsible investments were competitive with mainstream super.