

# Super collectable change

DIY  
SUPER

Monica Rule



No matter what other nasties Scott Morrison comes up with in the Federal Budget tomorrow night, self-managed superannuation fund members can be certain of changes to the treatment of collectable items.

New rules will take full effect on July 1 restricting the personal use of collectable items and personal assets that are held in DIY super vehicles, whose sole purpose should be providing retirement savings to members or to their descendants if they die early.

Collectables and personal use assets are items such as artwork, jewellery, antiques, artefacts, coins or medallions, postage stamps and first day covers.

They also include items such as wine, cars, recreational boats, memberships of sporting or social clubs and assets that are ordinarily used or kept mainly for personal use or enjoyment. A notable exclusion to the definition is land.

The “new” law did in fact become effective from July 1, 2010. However, the law allowed SMSFs that already acquired collectables and personal use assets before then to continue with their existing arrangements. They do not have to comply with the requirements of the law until July 1 this year.

From July 1, SMSFs that have acquired these types of assets and benefited from the grandfathering provisions will need to put plans in place to comply with the law.

The law requires that the asset must not be used by or leased to a related party. For example, if before July 2010 an SMSF was leasing an artwork to an SMSF member for display at the member’s home or their business, the lease needs to end by June 30.

The law also stipulates that the asset must not be stored in a private residence of a related party.



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This means an artwork purchased by an SMSF can’t be stored at the member’s home. The artwork can be kept in suitable storage at the member’s place of business or anywhere else, provided the member can justify to the Australian Taxation Office that it is the best place to store the artwork due to temperature and condition of the room and the storage container. It can’t be left hanging on the walls of the member’s business for the personal enjoyment of the members or others.

The decision to store the asset somewhere must be documented

and kept for at least 10 years.

This can be done in a trustee minute detailing where the asset is stored and the reason behind the storage.

The asset must be insured in the SMSF’s name within seven days of its purchase. If an asset is not currently insured, the SMSF trustee will need to have insurance in place for the asset by July 1.

Finally, if keeping the asset in the SMSF will result in non-compliance with the law, and the SMSF members want to sell the asset to themselves or to a related party, the members will

need to obtain an independent valuation of the asset so that evidence can be provided that the asset was sold at market value.

With just two months left in the grandfathering period, there isn’t much time left to comply with the new law.

If SMSF trustees want to avoid paying the potential \$1800 penalty for non-compliance they need to act now.

*Monica Rule is the author of The Self Managed Super Handbook – Superannuation Law for Self Managed Superannuation Funds in Plain English. [www.monicarule.com.au](http://www.monicarule.com.au)*

## Bridge education divide to reach retirement targets

Helen Shield

Australia’s 4.7 million pre-retirees do not believe they will have anywhere near enough savings to completely stop work when they retire.

And even fewer know how they will plug the gap.

CoreData’s 2016 Post Retirement Report on attitudes and intentions of Australians aged 45 and older found people in this group anticipated they would need \$1224 a week and a superannuation balance of \$804,559 to fund their desired retirement lifestyle.

But more than half of the 876 people surveyed (53 per cent) thought it was unlikely they could achieve that goal.

CoreData’s WA head Kristen Turnbull said low average super balances at retirement (\$292,500 for men and \$138,150 for women) fell well short of the \$800,000 aspirational retirement kitty and — aside



**RETIREEES ARE EITHER GOING TO DRASTICALLY ALTER THEIR EXPECTATIONS FOR RETIREMENT OR START MAKING SOME SERIOUS FINANCIAL AND LIFESTYLE SACRIFICES.**

from continuing to work — few of those surveyed had any idea of how to bridge the gap.

Ms Turnbull said the goal of most pre-retirees was to have a guaranteed income to fund a “desired lifestyle”. But few of those surveyed



**More informed:**  
Kristen Turnbull

understood annuities (a guaranteed income over a set period, bought from a super fund or a life insurer using super or other savings) and most (81 per cent) planned to simply keep on working after they stopped full-time employment.

“The reality is that retirees are either going to drastically alter their expectations for retirement or start making some serious financial and lifestyle sacrifices now if they have any hope of reaching their retirement goals,” she said.

Ms Turnbull said some super funds were squandering an opportunity to educate over-45s about their options, particularly using cost-effective digital channels.

“Annuities aren’t well understood but there’s demand for the features annuities offer,” she said.

“We also found over-45s, or silver surfers, are using digital channels more and more to engage with

super providers. So funds that think digital engagement is only for the younger generations need to broaden their mindset.”

More than half (55 per cent) of the pre and post-retirees CoreData surveyed wanted super funds to make information available on their website and half (50 per cent) wanted their fund to offer interactive online tools.

Ms Turnbull said the annuity education gap and the needs of pre-retirees suggested a concerted effort by funds to educate their members could improve annuity take-up rates.

“Poor levels of understanding are commonly cited as barriers to people buying annuities,” she said.

“But pre-retirees working out ways to manage in retirement want a guaranteed income, so it makes sense for those providing annuities to find a way to talk to the people who want annuity-type income in language they can understand.”