

BASIC INVESTMENT RULES

Investments – What can I do?

The answer to this question is to find out what you cannot do. The next section covers what a superannuation fund cannot invest in due to the legislation. You must also ensure that your investments are allowed by your fund's trust deed and your fund's investment strategy. You **MUST** ensure that all investments of your SMSF are owned in the right name, which must be "name of Trustee" ATF "name of SMSF" for example, Marge and Homer Simpson ATF The Simpsons Super Fund.

Investments – What can't I do?

The Superannuation Industry Supervision (SIS) Act defines what an SMSF cannot do as follows:

- ✓ Trustees are prohibited from lending or giving financial assistance to members or their relatives of the fund
- ✓ SMSFs may only borrow money in certain limited circumstances.
- ✓ An SMSF must not acquire assets from a member or related party, except for listed securities at market value and business real property at market value

Investments by SMSFs must be made and maintained on a strict commercial basis. The purchase and sale price of assets and the income from assets held by the superannuation fund should always reflect a true market rate of return.

What is an Investment Strategy?

The trustees of every SMSF are required to prepare and implement an investment strategy for the superannuation fund. The strategy must consider:

- ✓ investing in such a way as to maximise member returns taking into account the risk associated in holding the investment;
- ✓ appropriate diversification and the benefits of investing across a number of asset classes (for example, shares, property, fixed deposit) in a long term investment strategy; and
- ✓ the ability of the superannuation fund to pay benefits as well as other costs of the superannuation fund as they become due and payable.

An appropriate investment strategy will set out the investment objectives of the superannuation fund and detail the investment methods the superannuation fund will adopt to achieve these objectives. Trustees must ensure that all investment decisions are made in accordance with the investment strategy and should seek investment advice or appoint an investment manager in writing if in any doubt.

The ATO's website provides further information on investment restrictions and investment strategies <http://www.ato.gov.au/superfunds/content.asp?doc=/content/00151101.htm>

Disclaimer

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