

Advisers urged to check SMSF use-by dates

By John Wilkinson

With falling share prices, advisers are being urged to check self-managed superannuation fund (SMSF) investment strategy documents to make sure they are still effective.



Brett Davies from Perth-based Brett Davies Lawyers said that if the adviser has created an investment strategy document with percentages allocated to various asset classes, they could be out of date following recent market volatility.

"If the investment document is out of date, it needs to be replaced before the fund is audited in the early part of the next financial year," he told *Money Management*.

"This is an opportunity to look at the ratios in the document and what is trying to be achieved."

Davies said in investment strategy documents offered by his practice, asset allocations are always from zero to 100 per cent.

"You can fabricate an investment strategy document that complies with what the ATO [Australian Taxation Office] wants," he said.

"The ATO is looking to tick the boxes on such items as having a strategy, how up-to-date it is and is it being followed."

Davies warns the ATO is training more auditors to look at SMSFs in the next financial year and it will be looking at areas such as documentation.

"It is a SIS [Superannuation Industry (Supervision) Regulations 1994] regulation that an investment strategy be committed in writing and followed," he said.

"The strategy should be clear enough to explain what the fund is doing and be prepared to change regularly to reflect the moves in assets."

Davies admits investment strategies for funds are a waste of time, but it is a requirement of SIS regulations and wanted by the ATO when it undertakes an audit on a fund.

"An investment strategy produces no value, but it has to be done and checked regularly," he said.

"The fact that an investment strategy is not mentioned in the fund's trust deed doesn't excuse not having one either."

Should a fund have an out of date strategy document or none at all, Davies doesn't think the ATO will make the fund non-complying.

"There is a list of small penalties for breaches such as this and they can be imposed on the fund's trustees," he said.

"In the past for serious breaches, the ATO has made the fund non-complying or done nothing in the way of penalties, just issued warnings."

Davies said investment strategy documents, like many areas of SMSF governance, is an ongoing requirement that needs to be looked at all year round.

"Investment is an ongoing activity and that means the documentation also needs to be changing to reflect what is happening in the fund," he said.

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