JWW Consulting

Media Release

End of financial year issues to confront SMSFs & planners will miss out on business growth opportunities

Monday February 6, 2017. Although still months away to the end of the financial year on June 30, financial planner and head of JWW Consulting John Wiseman predicts there will be a surge before this date of self-managed superannuation funds opting out of current arrangements in favour of retail, corporate or industry funds.

In addition, John Wiseman is concerned that many SMSF Trustees will make hurried impulsive decisions that will adversely impact their retirement aspirations.

"For financial planners, especially those with SMSF expertise, 2017 and beyond will be an opportunity filled environment and many are already being inundated by Trustees seeking professional advice on whether they should close their SMSFs and consider other options".

"Unfortunately, instead of structuring their practices in readiness for this inflow of new business enquiries and opportunities a great number of planners are quite literally sitting on their hands and will miss out".

There are however two further concerns –

1) The cost of providing advice is going to literally go through the roof and planners need to start charging a realistic fee for service that reflects the level of service and accountability for advice provided.

2) Of most alarm are those planners who are not providing clients a comprehensive alternate strategy to current arrangements.

Pointing to a lack of awareness and knowledge about Small APRA Funds (SAFs) John Wiseman identified this as the area that will result in many planners and dealer groups attracting the ire of ASIC and the ATO.

In some of the worst case SMSF advice scenarios, there are planners who don't even know about SAFs!

All dealer groups would be well advised to review their training in this area and address any deficiencies immediately.

"When providing financial advice, many planners often overlook SAFs as a superannuation solution as they regard SAFs as a more expensive (although this may well not be the case in the new environment) and less flexible alternative to an SMSF – even though they offer many benefits not found in SMSFs", said John Wiseman.

"For those considering getting out of their SMSF but who feel they can't because of taxation and other implications associated with moving of funds – an SAF may in fact be the ideal solution".

In addition, SAFs are most appropriate for –

- Trustees that may want to stay in a SMSF but not want the trustee responsibilities

- Trustees facing bankruptcy, non-residents and loss of capacity through dementia or other illness

- Blended families or parents with disabled children

- There are no legal issues with disqualified persons being members of a small APRA fund.

Although similar in structure to an SMSF, the crucial difference is that the trustee responsibilities are undertaken by an APRA-licensed trustee such as a professional trustee company rather than the members themselves.

The professional trustee service will be responsible for running and administration of the SAF including legislative requirements, risk management and other related activities.

Hence it is important for SMSF Trustees to always seek professional financial advice as SAFs may or may not be appropriate depending on individual circumstances.

John Wiseman concluded, "There is no doubt that the future for planners is positive but it will require adherence to the strictest and highest levels of process and compliance.

"If any client or prospective clients seeks to opt out of their SMSF or have any of the above issues I am sure they would want information regarding SAFs as an alternative strategy included in the SOA. I am sure the auditor would be interested if it is not".

ENDS

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