

# JWW Consulting

## Media Release

### Past SMSF advice & practices by accountants will be a PI & legal dilemma post July 1 says Wiseman

**Monday July 11, 2016.** Industry consultant John Wiseman predicts that the '*head in the sand*' approach many accountants and SMSF trustee/members chose to adopt leading up to the expiration of the July 2016 exemption is about to come back and bite a number of them very savagely.

For months as the July deadline approached, John Wiseman has been very vocal in his warnings to accountants and trustees that the era of low cost, DIY SMSFs will be unsustainable in the new compliant environment that will demand professionally administered and audited SMSFs.

As a result very much higher fees and charges are going to be inevitable.

The vast majority of accountants will conduct themselves appropriately and professionally in the new advice structure having either obtained an AFSL facility, entered into a partnership/alliance with a financial planner or elected to no longer provide this service and facility for clients.

Regrettably, there are going to be a number of accountants that will fail to heed ASIC's stern warnings and cautions and intend to continue providing non-compliant advice under the new regime.

Commenting further John Wiseman said, "It has become very obvious that communication by some accountants to trustees/members of SMSFs that they assisted in establishing and running has appallingly been NON EXISTENT for some time and they (clients) don't know how their SMSFs will be impacted from July 1st".

Putting the recalcitrant behaviour to one side, John Wiseman strongly urges all accountants that have provided SMSF advice in the past to make contact with their Professional Indemnity insurers to ascertain how they are covered for the provision of pre July 1 advice. Irrespective of ASIC's recent alert of advice outside an AFSL framework over the last three years – lawyers and PI providers won't be as lenient if clients suffer considerable financial loss.

"Many accountant clients that undertook SMSFs in the past as low cost savings, investment and retirement vehicles will find themselves with no option but to restructure their SMSF or revert to an industry, retail or corporate fund – at potentially significant cost", continued John Wiseman.

"If the costs and impact associated are substantial – many clients will question the previous advice or lack of communication and poor pre July 1 service and seek redress through legal action, hence the need to contact PI providers sooner than later."

**Continues...**

One example of a situation that could motivate a client to seek compensation could be the need to move from an **Individual Trustee** to a **Corporate Trustee**.

Some assets within the fund may have stamp duty obligations – and in the case of property assets the stamp duty can be significant.

Not to mention possible capital gains tax and personal taxation issues in more complex restructures.

Another example could be **Small APRA Funds** (SAFs) that have not been well understood in the past and not provided as a consideration in the belief that they were more expensive and less flexible alternatives.

A SAF could well prove to be the ideal solution for those considering getting out of their SMSF but who feel they can't because of tax implications of moving funds and investments.

Furthermore, SAFs would have been the better option for those with blended families; families caring for a relative with an intellectual disability; living overseas/non-residents; and disqualified persons (e.g. bankrupts).

John Wiseman concluded, "Accountants can expect to receive many a request from irate clients about the new increased costs to administer their SMSF or why a corporate trust deed wasn't recommended in the first instance".

"Because it was 'cheaper' at the time will struggle to stand up to scrutiny today".

**ENDS**



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