The Lifecycle of a Self-Managed Superannuation Fund

A Self-Managed Super Fund (SMSF) can offer flexibility, control, and strategic benefits for business owners, but with those advantages come responsibilities.

Whether you're considering your first conversation or already managing your fund, understanding each stage helps ensure you're making informed, compliant, and future-focused decisions.

This guide will walk you through the complete lifecycle of an SMSF, from the initial conversation through to eventual closure.

Use this resource to clarify your next steps and work in partnership with your trusted advisers.

dfk benjamin king money
CHARTERED ACCOUNTANTS AND BUSINESS ADVISERS

dfkbkm.com.au
Level 5, 47 Blazey Street, Richmond VIC 3121

LIFECYCLE STAGE 1: INITIAL CONVERSATION

Based on your discussions with friends and colleagues, you book a meeting with your adviser. In this meeting, you discuss the pros and cons of having your own SMSF – this conversation needs to include a licensed financial adviser.

These discussions include considerations of:

- Requirements of trustees of SMSFs from an administration perspective
- Types of investments available
- Tax benefits for when you enter the retirement phase
- Estate planning
- Type of insurance available
- Types of SMSF trustee: individual vs corporate trustee

If you choose to proceed, the financial adviser will provide a statement of advice that will allow the accountant to commence the establishment of the SMSF.

LIFECYCLE STAGE 2: ESTABLISHMENT

- The accountant and financial adviser will establish the SMSF along with the corporate trustee if applicable.
- The financial adviser will help the client prepare their 'investment strategy' – a legal document all super funds are required to have.
- The accountant will apply for the TFN and ABN of the SMSF.
- The financial adviser or client will open an SMSF bank account.
- The accountant and financial adviser will organise the rollover of monies from other super funds into the SMSF.
- You will be referred to a lawyer to discuss and draft any relevant SMSF estate planning documents.

LIFECYCLE STAGE 3: SMSF INVESTMENTS

Based on discussions with the financial adviser or on their own authority, you have the ability to invest in the following asset classes:

- Cash
- Fixed Interest
- Bonds
- Listed shares (Australian and foreign)
- Listed units (Australian and foreign)
- Managed funds (Australian and foreign)
- Unlisted unit trusts (Australian and foreign)
- Residential property – this cannot be used by a related party of the client
- Commercial property – this can be used by a related party, e.g. your business
- Mortgage lending to unrelated parties
- Ungeared unit trust with a related party
- Cryptocurrency
- Precious metals
- Collectables such as rare coins and artwork

The above is not meant to be an exhaustive list of every asset option, but instead provides a snapshot of those available to an SMSF. It should be noted that in certain circumstances, an SMSF can borrow to acquire assets.

LIFECYCLE STAGE 4: ACCUMULATION

In this phase, you are under retirement age and are receiving superannuation guarantee contributions from your employer, or make personal contributions which are claimed as a tax deduction in your personal return – these are known as concessional contributions.

- Your concessional contributions are taxed at 15%.
- The investment income is taxed at 15%.
- An SMSF is entitled to a Capital Gains Tax (CGT) discount of 33% for assets held longer than 12 months.

LIFECYCLE STAGE 5: PENSION

As you near age 65, or retirement, you will be able to access your benefits in the form of an income stream, a lump sum or a combination of both.

An income stream will have a minimum annual drawdown required to be taken each financial year, which is based on your balance at the start of the financial year, applied against a minimum % determined by your age.

If you have a mixture of accumulation and pension balances, an actuary certificate will determine how much of the income is taxable and how much is tax-free.

If the whole SMSF is in pension phase and supporting income streams, the tax rate is 0%.

The 0% tax rate for SMSFs wholly in pension phase includes CGT.

LIFECYCLE STAGE 6: CLOSURE

Later in your life an SMSF may not be appropriate as either their balance has diminished, or the administration has become a burden, or you have passed and your balance is to be paid to an eligible beneficiary or their Estate.

A deceased person's benefits may be paid as a lump sum or pension to eligible beneficiaries and remain in the SMSF or another super fund.

It's important for your eligible beneficiaries to liaise with a specialist lawyer to ensure they're dealt with as required by their SMSF estate documents noted in Lifecycle Stage 2.

Where the SMSF is to be closed by way of your passing, your benefits will need to be paid out, the final tax return lodged and tax received or paid, then the bank account can be closed. Then the SMSF and corporate trustee if applicable can be deregistered.

READY TO TAKE THE NEXT STEP?

Setting up and managing an SMSF isn't a one-size-fits-all solution.
It's about understanding what's right for you, your business, and your future. Use this lifecycle overview as a starting point for meaningful conversations with your accountant, licensed financial adviser, and legal team. When done well, an SMSF can support not just your retirement goals, but also offer smart opportunities for business growth, investment flexibility, and long-term wealth planning.

FOR FURTHER ASSISTANCE, CONTACT DANIEL SHAW OF THIS OFFICE, WHO CAN ASSIST WITH ANY STAGE OF YOUR SMSF.

DANIEL SHAW

Director & SMSF Specialist Adviser

B.Com (Accounting), CA, SMSF Specialist Adviser®

daniels@dfkbkm.com.au
(03) 9098 4229

Daniel was promoted to director in July 2021, however has been with the firm since 2012. He started with the firm as a graduate superannuation accountant which has now become his specialist area. Daniel prides himself on assisting clients with their annual compliance requirements.