

# Investment Strategy

## DOCUMENTATION



## SMSF Business Plan

An investment strategy document is the “business plan” for your SMSF. It is a continual requirement for an SMSF to provide an updated investment strategy that is in line with the actual investment and the decisions that Trustees make. It will be inspected every time your SMSF undergoes its annual audit. If your investment strategy does not match or adequately explain your current investments, then your SMSF may be in contravention of Super laws.

## What does it need to cover

In particular, under the super laws your strategy must consider the following specific factors:

- risks involved in making, holding and realising, and the likely return from your fund’s investments regarding its objectives and cash flow requirements
- composition of your fund’s investments including the extent to which they are diverse (such as investing in a range of assets and asset classes) and the risks of inadequate diversification
- liquidity of the fund’s assets (how easily they can be converted to cash to meet fund expenses such as the cost of managing the fund and income tax expenses) fund’s ability to pay benefits (such as when members retire and require a lump sum payment or regular pension payments) and other costs it incurs
- whether to hold insurance cover (such as life, permanent or temporary incapacity insurance) for each member of your SMSF.

## Format?

Superannuation law does not stipulate any specific format provided that the strategy addresses the above 5 issues, and the strategy is written down on paper.



The right way to formulate your investment strategy is to create it before you invest, not write it to match what you have already invested into. For many SMSF Trustees however they have already created a strategy in their minds which is implemented before they complete a written plan. Whilst not ideal, this is not fatal if an aligned written plan is submitted to the auditor before the audit process begins.

The Trustees are responsible for creating an investment strategy, but you may be wondering how you can do this practically, when you have never created an investment strategy before. You may also be worried that what you produce does not meet the requirements.

## In order to help you through this process, you have two options:

**1.** Ask your Financial Adviser to help you complete your SMSF Investment strategy document.

A. May or may not be included in your advisers annual or ongoing fees



**2.** Go to Supervision's website and create your own using a form that we have created:

A. <https://supervision.com.au/investment-strategy-builder/>

B. Cost is \$110/investment strategy that you create online

C. If you need direct support (phone call or face to face meeting) the cost is \$195/ Investment Strategy

## Key Concept- One Person, Two Roles

When you are completing your investment strategy, you will notice that we talk about members and trustees/directors of corporate trustees. Even though you are only one person, differentiating the two roles is fundamental to understanding how an SMSF should function practically.

**Trustees/Directors of Corporate Trustees** are the decision makers of the SMSF. It is their responsibility to invest the members money, (in line with the members risk profiles) and then meet the members requirements in retirement.

**Members** are required to provide information to the Trustee about their retirement requirements and contribute money to the SMSF to reach their goals.

When formulating any plan (investment related) you need to consider the individual members requirements and then make decisions to achieve that result. There is never any guarantee that a plan will work or the result will be exactly how it was intended- that is Ok, you are never going to be judged on the result, but on how you formulated and executed your plan.

## How often do I need to create an Investment Strategy?

The only requirement is for your SMSF to have an investment strategy that is always aligned with your current investments. There is no legislative timeframe (no time given in law); however, it is best practice to review your investment strategy at least once a year.

## Other Requirements

Your investment strategy is not an investment strategy until it is dated and signed by all Trustees/Directors of a Corporate Trustee.

## Why did Supervision create an Investment Strategy builder as an online form?

Generally, most people are excellent at making plans and investing, but not always confident writing them out on paper, especially if they know it will be scrutinised by an Auditor.

The investment strategy builder on our website was created to enable you to build your own investment strategy within the guidelines without the hassle of putting it all together in a word document. An online form is a highly effective way to give you maximum flexibility to complete.

The builder provides a series of questions with answers to choose from. You can choose the answer that is most relevant to your desired scenario OR you can type out an answer that suits your situation better in response to the question. Its like a quiz, but there is never a wrong answer.

Once you have finished the form, you will be emailed a copy of your investment strategy to sign and send back. It is formatted and easy to read and follow.

## What Supervision doesn't Guarantee

Supervision does not guarantee that the investment strategy you create on our website is appropriate for you nor does it guarantee that the investments you hold or intend to purchase are going to work. We are not recommending or validating your investment selection and we won't be able to make a judgement about whether your investment strategy aligns with your actual or intended investments.

Our framework does not guarantee that the auditor will not raise concerns or create a contravention if what you create does not align. We will be able to provide feedback from the Auditor, but we are not able to influence any action they may choose to take.

## What's Next?

If you have read this information sheet and decided that you will outsource this task to your financial adviser, we recommend that you ask them as soon as possible to avoid any delays. If you have decided to do the form online, great. If you have read this document and still want more information or a meeting, please call to book a meeting. The cost of that meeting will be \$225. It will take 1 hour to work through this topic and complete a new investment strategy.

## DISCLAIMER

All information provided in this document does not consider any of your investment objectives, financial situation or particular needs and should not be in any way considered as financial advice. SUPERVISION does not provide financial product advice or recommend any financial products or whether you should establish an SMSF. This applies equally to those financial products which are established for any entity or when you become a client of SUPERVISION. We also recommend that you seek professional advice from a financial adviser before making any decision to establish an SMSF or purchase any financial product referred to on this document. While the sources for the materials are considered reliable, responsibility is not accepted for any inaccuracies, errors or omission. Supervision SMSF Solutions (ACN 134 666 596) AFSL 435751. Contact us 08 9367 9655 or info@supervision.com.au.