



finance wise

SMSF STRATEGIES SPECIALIST SMSF
ADVISER TRAINING

Module 8 – SMSF Reserves



MODULE 8 OVERVIEW

- ❖ The history of reserves
- ❖ Types of reserves
- ❖ NTLG Contribution Reserve Issues
- ❖ Section 292-290(4)(A)



PREVIEW OF MODULE 8

QUIZ QUESTIONS (MULTIPLE CHOICE ANSWERS)

- ❖ Reserves started their origin in what type of superannuation fund?
- ❖ For a member over age 50 what is their concessional contribution amount before excess tax is paid?
- ❖ Where did the Commissioner give his view on the legitimacy of Contributions Reserves?
- ❖ What section brings allocations from a reserve into non-concessional contribution caps?
- ❖ What is one of the exceptions to the allocation from reserve = concessional or non-concessional contribution rule?

THE HISTORY OF RESERVES

- Reserves have had a long history
- RBL minimization
- Benefit Smoothing
- Returns Smoothing
- Surcharge minimisation
- Are they legitimate?
- SISA 2004 voided these strategies
- But with Simpler Super they returned
- SMSF reserves are vital for
 - Tax planning (Contributions Reserve 28 days)
 - Estate Planning (Anti-Detriment)
- TRUST DEED!!

QUESTION

- How will an allocation out of an investment reserve be treated?
- Group Discussion – Are there any exceptions to the allocation from reserve = concessional or non-concessional rule?
- An allocation from an investment reserve will be counted towards a member's concessional contribution cap, other than where:
 - The amounts allocated to all members on reasonable basis given the members proportional interests,
 - The allocations represent less than 5% of the members interest in the fund





NTLG CONTRIBUTIONS RESERVE ISSUES

- Discussion: Does a non-concessional contribution credited to a reserve count against a members non-concessional contributions cap?

Consider:

Not allocated to a member

ATO don't worry about a reserve

It can sit in suspense



SECTION 292-90(4)(A) – TO BE CONTINUED

- **7.2 Reserves and Part 3-30 of the Income Tax Assessment Act 1997**

In drafting the Simpler Super laws, the legislators crafted tight rules around the use of reserves. They have learned from their experiences with the superannuation surcharge and built upon the prior surcharge reserving rules. There are now two sets of reserving rules that are to be found in the Excess Contributions Tax laws.



SECTION 292-90(4)(A) – CONTINUED

Non-Concessional Contributions and Reserves

The definition of a non-concessional contribution in section 292-90(4)(a) includes:

- (a) an amount in a complying superannuation plan that is allocated by the superannuation provider in relation to that plan for you for the year in accordance with conditions specified in the regulations.

CASE STUDY

- Smith Family has 2 members
- George (58 and still working) and Janet Smith (55 and retired)
- George contributed his maximum concessional of \$35,000
- George's Fund balance \$500,000
- Janet \$450,000
- Earnings were \$50,000

- How much can be created in a reserve and which would you recommend?



PREVIEW OF MODULE 8

QUIZ QUESTIONS (MULTIPLE CHOICE ANSWERS)

- ❖ Reserves started their origin in what type of superannuation fund?
 - ❖ A. defined benefit
 - ❖ B. industry
 - ❖ C. Employer
 - ❖ D. Accumulation
 - ❖ E. Public Sector

- ❖ For a member over age 50 what is their concessional contribution amount before excess tax is paid?
 - ❖ A. \$35,000
 - ❖ B. there is no excess
 - ❖ C. \$50,000
 - ❖ D. \$25,000
 - ❖ E. \$500,000

QUESTIONS

- ❖ For a member over age 50 what is their concessional contribution amount before excess tax is paid?
- ❖ Where did the Commissioner give his view on the legitimacy of Contributions Reserves?
 - ❖ A. the 2011 ASMA
 - ❖ B. The Commissioner has not discussed Contribution Reserves
 - ❖ NTLG – Super meeting
 - ❖ SMSFR 2009/3
 - ❖ TR 2012/6
- ❖ What section brings allocations from a reserve into non-concessional contribution caps?
- ❖ What is one of the exceptions to the allocation from reserve = concessional or non-concessional contribution rule?

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- ❖ For a member over age 50 what is their concessional contribution amount before excess tax is paid?
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- ❖ What section brings allocations from a reserve into non-concessional contribution caps?
- ❖ What is one of the exceptions to the allocation from reserve = concessional or non-concessional contribution rule?



QUIZ TIME

- Go online
- Take the Module 8 Assessment
- Ask us if you have any queries
- You will have TWO opportunities to take the quiz

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