

The following is a sample extract from *The Complete Guide to SMSFs and Planning for Loss of Capacity and Death*.

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The complete guide to SMSFs and planning for loss of capacity and death

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2. Introduction

This publication sets itself four goals:

- **Goal 1** — ease of use;
- **Goal 2** — to be the most comprehensive guide ever written regarding planning for SMSFs upon the loss of capacity or death of a member (ie, SMSF succession planning);
- **Goal 3** — to be the most practical guide ever written for SMSF succession planning; and
- **Goal 4** — to be the most technically accurate and detailed guide ever written for SMSF succession planning.

Naturally, feedback is always welcome as to how well the publication achieves these goals.

2.1 Goal 1 — ease of use

This publication is designed for several users:

- the busy adviser who wants to do what is best for their SMSF clients;
- the sceptical adviser who does not accept a statement merely because someone confidently asserts it; and
- ‘switched on’ SMSF members who want to understand what to do in the lead up to loss of capacity and death.

Accordingly, this document is broken into three main parts.

- The first part is chapter 3. This chapter runs you through the 11 steps that must be taken to properly plan for SMSF succession. Chapter 3 also provides suggestions and guidance. This chapter aims to be quite ‘short and punchy’.
- The second part is comprised of chapters 4 to 14. Each of these 11 chapters corresponds to one of the 11 steps. Accordingly, those who want to know more about a particular step can then read the appropriate chapter (or skip chapters if irrelevant).
- Finally, chapter 15 provides several detailed worked case studies of common SMSF succession planning scenarios.

Similarly, this structure also overcomes a flaw in many other publications or presentations discussing SMSFs succession planning. Namely, it is designed to be very structured and with a very logical sequence. Accordingly, rather than being a hotchpot of different concepts, rules and ideas, this publication has been designed to provide ‘method to the madness’.

2.2 Goal 2 — comprehensiveness

SMSFs have become a huge part of people’s wealth creation strategies. Recent figures suggest that (‘Self-managed super fund statistical report - March 2011’ in ATO website

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<<http://www.ato.gov.au/superfunds/PrintFriendly.aspx?ms=superfunds&doc=/content/00279547.htm>>):

- There are 447,620 SMSFs.
- The average value of assets in each SMSF is \$835,580. Many SMSFs report on a historical cost basis, not a market cost basis. Therefore, the true value is likely to be higher.

Accordingly, SMSFs are very important to many people. But SMSFs involve many areas of law and principles, from income tax law, to specific prudential legislation, to trusts and equity, and much more. This publication aims to cover all the important rules.

It is the most comprehensive collection of information on SMSFs and planning for loss of capacity and death.

2.3 Goal 3 — practical

At the end of the day, advisers need to know what to do. They need to know the answers to many questions, such as:

- Who should be the holder of the enduring power of attorney (and the alternate attorney)? (See the commentary in subchapter 7.2(b).)
- Who should be the executor of the will? (See subchapter 9.2.)
- Who should be the secretary of the corporate trustee? (See subchapter 4.3.)
- Is a binding death benefit nomination really the best option? (See subchapter 13.4(f).)
- What actually is a death benefit rule? (See subchapter 13.6(b).)

This publication answers all of these questions and many more.

2.4 Goal 4 — technical accuracy

This publication aims to be completely technically accurate. We welcome feedback as to any points that you might disagree with or any conflicting advice that you might have heard. As much as practicable, we have punctuated this publication with references supporting all assertions. Where there are two conflicting views, we acknowledge both and then select our preferred view and the reasons for it. (See, for example, 13.4(b).)

2.5 Feedback and future editions

We acknowledge that the four goals are ambitious. Feedback is always welcome as to how well the publication achieves these goals. We welcome feedback on any topic including:

- case studies that you might like considered in a future edition; and
- additional topics that could be covered in a future edition.

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SMSFs and planning for loss of capacity and death is a new and evolving topic. New cases are decided, the ATO constantly update their materials, and legislation changes. Also, strategies change based on societal and economical conditions. Accordingly, we envisage releasing updated versions of this publication annually.

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