KADOTA

Starting an SMSF?

A simple first-year trustee guide

Running your own Self-Managed Super Fund (SMSF) gives you control over your retirement savings, but it also comes with responsibilities. Most compliance issues happen in the first year, usually because trustees don't fully understand the rules. This quick guide highlights the most common mistakes and how to avoid them.

1. Keep your SMSF completely separate

Your SMSF must operate independently from your personal finances.

Do:
• Use an SMSF-only bank account
• Use SMSF-only investment accounts or crypto wallets
• Keep records for every transaction

Don't:
• Use personal bank accounts or wallets
• "Temporarily" move SMSF money through personal accounts
• Mix personal and SMSF assets

Even short-term mixing is most likely a compliance breach.

2. Understand what counts as a contribution

Not all contributions are obvious. If money or assets enter the SMSF and can't be clearly proven as already SMSF-owned, they'll usually be treated as contributions, even if that wasn't your intention. If it's not clearly SMSF money, it will be treated as a contribution.

3. You generally can't transfer personal assets into your SMSF

Many trustees assume they can move personal investments into their SMSF. Most of the time, this isn't allowed.

You generally cannot:
• Transfer crypto you already own
• Move personal investments into the SMSF
• Buy assets directly from yourself or relatives

These are called related-party transactions and are generally reportable breaches. In some specific cases this is permitted, but strict rules apply. Always seek advice before transferring a personally owned asset into your SMSF.

4. Documentation is everything

Auditors rely on evidence, not explanations.

You must keep:
• Proof of asset ownership
• Transaction records
• Clear movement of funds
• Screenshots or statements, where required

If you can't prove it, the auditor can't accept it.

5. Property-specific traps for SMSFs

Property is a popular SMSF investment, but it's also one of the most common sources of breaches. *Please note* that the following are not permitted and can come with hefty penalties:

• Buying residential property from yourself or a related party
• Living in, holidaying in, or using SMSF property personally
• Renting residential property to family or related parties
• Paying property expenses personally and "reimbursing" later
• This can be acceptable in specific situations; please speak to your SMSF accountant prior
• Poor documentation around purchase costs, loans or renovations

SMSF property must be treated strictly as an investment, not a personal asset.

6. Be careful with alternative investments

Assets like crypto, private investments, gold, silver, collectibles, and alternatives require extra care.

They need:
• Clear ownership
• SMSF-controlled accounts or wallets
• Traceable transactions

Poor structure = higher compliance risk and higher audit costs. These assets have very specific requirements; please speak to an expert before purchasing these in an SMSF.

7. Some issues can't be undone

A common myth is that issues can be cleaned up during tax time.

In reality:
• Some breaches must be reported
• Auditors can't ignore missing evidence
• Good intentions don't override the rules

Getting it right upfront saves stress, cost and risk.

Final tip

Most SMSF issues that we see come from honest mistakes, but the rules still apply. If you're unsure, getting good advice early makes all the difference. Ask before you act, keep it simple, and document everything.

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Ready to discuss your SMSF?

Call Kadota