

Take our DIY super test...

What do you want to achieve by setting up a DIY super fund?

What do you expect to achieve by setting up a DIY fund that you won't achieve by keeping your current super?

Here are some common answers, with an explanation of whether each is based on good reasons or an indication that DIY super is not right for every investor.

Be honest and assess your answers to determine whether you want a DIY fund or it just sounds like a nice idea...



I'd like to start a DIY fund to control my investments

On its own, this reason is weak, as investing is not easy. A better answer, which indicates you are a suitable candidate for a DIY fund, might be: I'd like to start a DIY fund to control my investments because I'm an experienced personal investor and can prove it with a track record.

I want to invest in direct property and perhaps borrow money to do it

This could be a good reason for setting up a fund because it is a legitimate strategy under super rules. But it is a weak reason if it is based purely on what you have read in a magazine or newspaper, or on the advice of a real estate agent. A property should also be just one part of a DIY super investment portfolio, rather than its sole asset. A more impressive rationale would be: I'd like a DIY fund because I want to invest in direct property and maybe borrow money to do it. I've bought investment property previously and I understand the vagaries of real estate, as well as the fact that a DIY super fund should have a diversified portfolio.

My neighbour/best friend/workmate has set one up and reckons it's easy to run

At best, such a thought may be a trigger to research the viability of a DIY fund. Everyone is different, so the experience of friends may not be relevant. You need better reasons to start a DIY fund.

I'd like a DIY fund to save money because my existing super is costing me too much in fees and expenses

This should not be the sole reason for establishing a DIY super fund. You have to think about other aspects of running your fund, such as maintaining an investment strategy. It could be a reason to shop around for a cheaper public super fund. Do some research to compare the cost of your existing public super fund, as well as the real cost of a DIY fund.

I'd be a good investor if I had some money to invest

This is a weak reason for establishing a DIY fund. You are suggesting that you want to practise being an investor with your retirement savings. If you are really interested in investment, test any strategy outside super until you're confident it works.

I've managed to accumulate a sizeable nest egg in a public fund

You need to ask yourself if you contributed to this growth by choosing your own investment strategy from the selection offered by your fund. If not, why not leave the money in the public fund.

My fund is only small but DIY super will help it grow

There are no hard and fast rules on fund size, but investors with limited assets should have a clear plan to increase the balance of a DIY fund to \$200,000. Otherwise, it won't be worth it.

I want to manage the tax concessions available in super, such as imputation credits on share dividends

Not a great reason for a DIY super fund unless you can also come up with an investment strategy that will deliver the franked dividends. Your reason is also a bit single-minded.

I'd like a DIY fund when I retire and start drawing a pension from my super

A good reason for starting a DIY fund – as long as you can back it up with confidence as an investor. DIY funds are very flexible when it comes to managing a pension as the tax benefits of super can be maximised when capital is transferred from savings mode to pension mode.

I have a business and I'm very business-minded

Many DIY funds are started by people in small business who do their own books already and manage their tax affairs. If you don't do that, give yourself more time for research before setting up a fund.

I'm retired and have the time to devote to running a fund

Time is certainly an important factor when it comes to running a DIY fund. But investment experience also counts – do not assume all the extra time you have on your hands will cancel out the need for that experience. You also need to be sure your interest in a DIY fund will be maintained once the novelty wears off.

I fully understand the responsibilities involved in running a fund

Really? That must mean you have read – and understand – the statement that all new DIY fund trustees are expected to sign.

I'd like a DIY fund because it can be a fund for all the family

That's nice – but who will run the fund? All the family should be involved.

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