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New SMSFs unaware of risk

The majority of new self-managed super (SMSF) investors are unaware of the risk they are exposed to and the complexities of running their own fund, according to data from Self Super Insurance.

Recent data from the insurer suggested the longer an investor ran a fund the more they became aware of the risks.

"Our market research found almost 30 per cent of SMSFs have limited awareness of their obligations and more than half were only moderately aware," said John Kelly, managing director of Self Super Insurance. "Being unaware of those obligations means a large proportion will inevitably breach these obligations."

Recent data released by the Australian Taxation Office found most breaches involve improper documentation of loans, administrative breaches, contravening the 'in-house asset' rule by exceeding the 5 per cent cap or misunderstanding the exemptions.

"As the sector gets larger and even more complex and some of the legislative reforms take effect next year, there are bound to be more risks to trustees that aren't as apparent as the more familiar ones," Kelly added.

Lack of knowledge of risks and obligations, Kelly added, would give rise to new trends in the market.

"Firstly the rise of the administrator, who will help manage the compliance responsibilities of an SMSF, and secondly the rise of the educator, as various groups establish themselves to amalgamate and disseminate information, " he said.

Conclusion

If you have an SMSF or you are thinking about setting one up, get **initial** and **ongoing** advice.

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