

Setting up an SMSF

Who can join the fund?

A question that often gets asked is who can set up an SMSF together.



The rules

The answer is practically anyone can set up a SMSF together. You can have up to six people in an SMSF, and they're often family members. The most common setup is you and your partner running the fund together, or just you if you're single. But it doesn't stop there. It is also common for business partners to set up an SMSF together, and in other cases, children may also join their parents' SMSF. As can be seen, other setups are possible.

Business partners

As mentioned above, it is possible for business partners to set up an SMSF together. However there is a catch – that is, no fund member can be employed by another member unless they're related. To be clear, the rules allow two people who are directors of a company which owns the business to set up a fund together, however it is not possible if one person is not a director – in this case, it's only allowed if you are relatives.

Your children

It is also possible for your children, regardless of their age, to join your fund. However, if your child is under 18, they can't be a trustee, so you as their parent would be the trustee on their behalf and handle that role for them. Once they're over 18, they must be a trustee unless they give someone else the power to act on their behalf by granting them an enduring power of attorney.



The number one thing to keep in mind when sharing an SMSF

Shared responsibility! As a rule, all members are usually trustees, meaning you'll share the obligations of managing the SMSF and making decisions. This means you generally won't be able to act entirely on your own and will require everyone's agreement when it comes to making decisions impacting your fund.

Change of mind and exit plan

If down the track you want to separate off into different funds, someone will have to exit the fund. This could involve selling assets or transferring them to a new fund, which might trigger capital gains tax or stamp duty issues.

When setting up your SMSF, it is important to also consider your exit plan as there will come a time when your benefit eventually needs to be paid out of the fund – this will usually happen when specific life events occur which may trigger an exit. As such, it's best to plan well ahead and deal with this consideration upfront to avoid future disputes and tax implications later on. 📄

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