# The miracle of SMSF portability

**"Miracle" might not be the first word most people think of when it comes to super, but there is one area where SMSFs really are quite miraculous. That's their longevity and portability – they truly are the one super fund that can genuinely be called a "fund for life".**

Given how often and quickly things change in the financial world (which is what makes it so confusing!), it does seem bold to say that an SMSF could suit someone from their 30s right up until their 90s.

So why is this so and why should anyone care?

Even the best public super fund today may not be the best in 20 years' time. In fact, if we look backwards, many of today's popular funds didn't even exist 10 years ago or if they did, they certainly looked very different. It seems pretty easy to predict that new funds will arise, and existing ones will fall away in the coming decades. But super is incredibly long term – many of us start building it up from our first job and still have some left when we die. That means anyone with their super in a retail or industry fund can be confident they will move super funds at least once and probably several times during their lifetime.

In contrast, someone with an SMSF can change pretty much everything about their fund without actually moving to an entirely new SMSF.

For example, moving to a new financial adviser usually means changing investments and often even the administration platform they're held on. Often this would also mean moving from one retail super fund to another.

But in an SMSF, it simply means changing the investments under the bonnet, not changing the fund itself.

That distinction can be really important.

For example, what if the new financial adviser suggests keeping some of the existing investments but wants to move them to a new administration platform? In an SMSF, it's legally possible to just "move" those investments to the new platform if both parties agree. Even if this type of transfer could be arranged in a public fund, the investments would legally be moving from one super fund trustee to a new trustee. That triggers capital gains tax. In an SMSF, the owner of the investments (the SMSF trustee) stays the same so there's no capital gains tax.

Even in cases where all the investments will be sold and new ones purchased, that can be managed over time in an SMSF, it doesn't need to happen all at once. The member will still have all their super in one super fund (the SMSF) even if the investments are all over the place for a bit.

In a retail fund, it would mean having a member split across several super funds which is usually impractical unless it's just for a really short period.

> “There’s no need to also think about the flow on effects of changing super funds because the SMSF stays in place.”

And it’s not just investments. An SMSF can change all its suppliers – the accountant or administrator, auditor, tax agent, insurer and more – without forcing the member to change super funds. Getting bad service on any of these fronts? Just move supplier. A new opportunity or service has emerged with a completely different provider? Just sign up. There’s no need to also think about the flow on effects of changing super funds because the SMSF stays in place.

But hang on – isn’t this just semantics really? If everything is changing about the SMSF, don’t we really have a new super fund in the end anyway?

Actually no, and the distinction can be really important.

Think of it like renovating a house. Over time, you might add new features (a pool, a deck) or a whole new story but the address stays the same. No need to find new schools, move away from friends and family nearby or change address details with the myriad of organisations that seem to need your home address.

In just the same way, there are some very important benefits to never actually “changing super funds”.

We’ve already touched on capital gains tax.

But moving super funds can also be an administrative pain. It means giving your employer new super details for your contributions, setting up new pension payment arrangements etc.

And there are some important things to do before actually transferring that can slow the process down. For example, someone with a pension in place can’t just switch funds any time they like. They’re legally required to get all their pension payments up to date first, which won’t be convenient for someone who’d prefer to just take all their pensions at the end of the year.

Similarly, someone making personal contributions to super and claiming a tax deduction for them needs to do all that paperwork first, before moving. But what if they don't know how much they want to claim until they do their tax return in 12 months' time? Too bad.

In an SMSF, it's really common for none of this to be necessary even if everything about the fund changes (the investments, the accountant, the adviser, the auditor).

And finally there are sometimes very useful tax rules or other concessions that are lost by moving funds.

A good example is a change that occurred back in 2015 for people who had the "Commonwealth Seniors Health Card" (a card for seniors that gives them cheaper prescription medicines and some other benefits). People who met certain conditions – one of which was having a super pension in place at the time – got to ignore income from their super pensions when working out whether they were entitled to the card. The same rules applied to all funds but to keep this special treatment they have to keep the same pension in place forever. Moving to a new fund will mean losing that special concession. Again, it's easy to keep the pension in place in an SMSF, even if everything else is changing around it. But it's not possible when moving from one public fund to another.

So perhaps miracle is not too strong a word to use when it comes to the longevity and portability of an SMSF!


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Heffron Managing Director Meg Heffron has been working exclusively in SMSFs since 1998. She is one of the few actuaries to work in all areas of SMSF practice. Her passion is turning technical knowledge about SMSFs into practical solutions that accountants and advisers can use to help their clients and grow their businesses.

## Want to know more?

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