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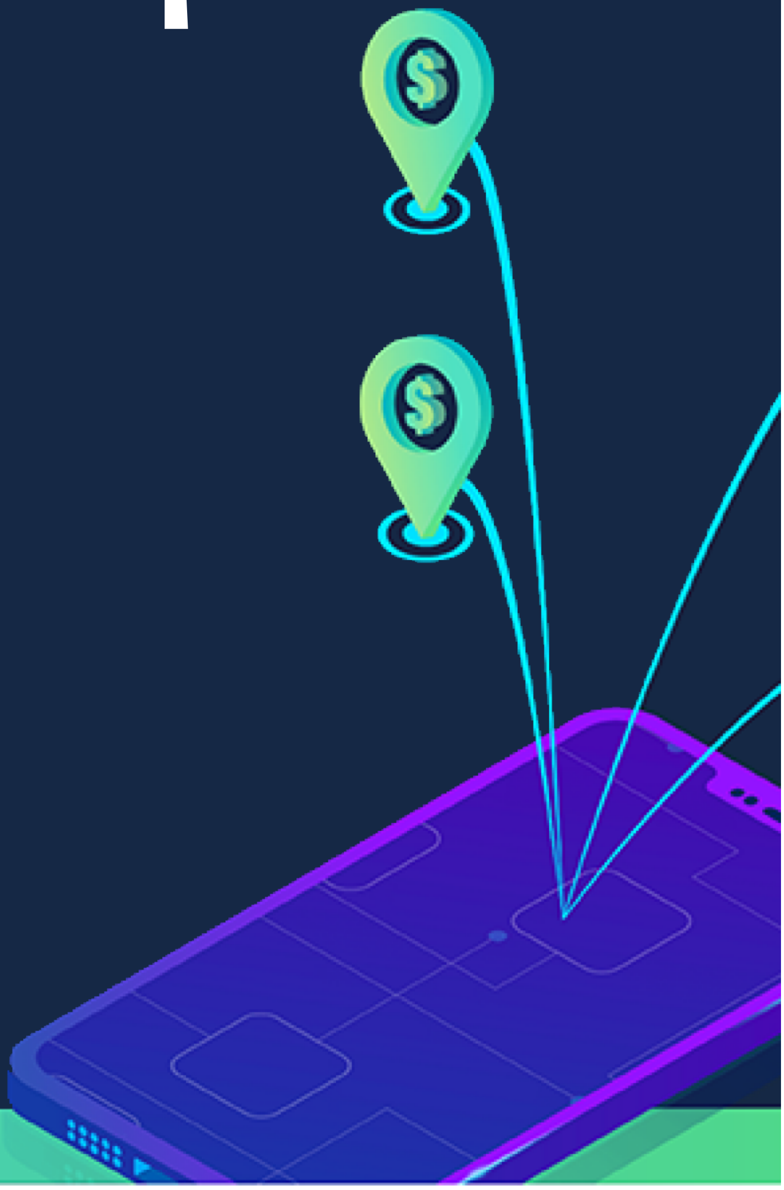
Self-Managed Super Fund Check-up

Financial Year Ending 30 June 2022



BGL Training Fund

26 April 2023

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Table of Contents

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Introduction

Welcome to **accountantsGPS** and our SMSF Check-Up report!

This report has been prepared for moneyGPS on behalf of BGL Training Fund. This report has been written in a manner which seeks to explain complex and technical issues in simple language.

What is the purpose of the SMSF Check-Up report?

The report provides an analysis of your Self-Managed Super Fund, to help provide the Trustees and Members with insights on the health of the fund, as well as being a useful quality and compliance tool for the managing accountant.

The report is intended to be used as a high level "gap analysis" to identify any potential issues with the fund, wherever possible. Depending on the topic, either internal specialists, or other external professionals / services may be the appropriate course of action to resolve those issues.

It is important to note that while the report provides feedback on the health of the fund, the information contained is factual in nature and is not financial or accounting advice.

If the trustee and members of the fund would like to receive financial advice, they can either do so through the accountant's preferred advisory practice, or by accessing the services offered through **accountantsGPS**.

What does the SMSF Check-Up report contain?

The report covers the following:

- Provides a comparison between the funds investment strategy and current asset allocation
- A performance review to 'benchmark' the returns of the fund against other funds
- An analysis of cash levels within the fund
- A review of certain documentation such as death nomination and trust structures including whether they need a review
- Growth projections for each member as they head towards retirement
- An overview of contributions, including capacity and forecasting
- A review of the property in the fund

We have included reference to Estate Planning and Personal Insurances, to initiate discussion with members by their respective accountant.

Checklist

SMSF Health Summary

Please find below a summary of the findings of the report. Please understand that there may be additional feedback in the body of the report as not all scenarios can be distilled into a checklist

Legend

Off Track (High Priority) Review On Track

- Investment strategy review date
- Investment strategy vs. asset allocation
- Tailored investment strategy
- Excess cash
- Cash for pension
- Trust deed last review date
- Trustee structure
- Binding Death Beneficiary Nomination (BDBN) last review date
- Performance review date
- Performance
- Cost
- Direct property performance

Investment Strategy

Your investment strategy is your plan for investing in assets consistent with your investment objectives and retirement goals. It should set out why and how you've chosen to invest your retirement benefits in order to meet these goals. A good plan should consider risk profile, timeframes and the use of different asset classes to diversify your funds overall investment. The investment strategy of your fund is a compliance requirement, and all Self-Managed Super Funds must have an investment strategy

The ATO advises you should review your strategy at least annually.

> We found that your investment strategy has been reviewed within the last 12 months which means it appears to be up to date - well done! Remember, you don't have to wait a year to review your investment strategy, instead there are other factors that could warrant a review such as world economic factors right through to personal circumstances of the members!

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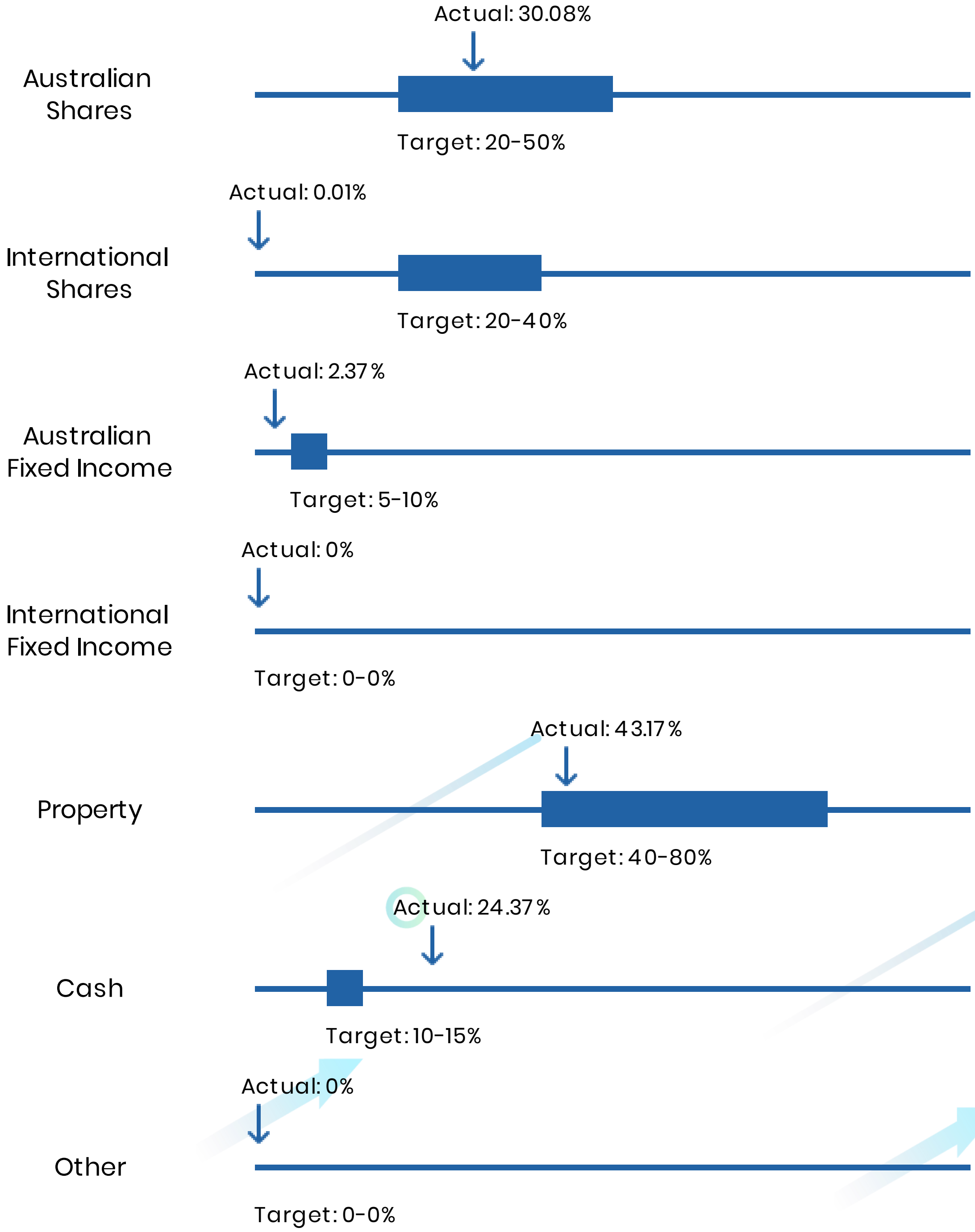
Investment Strategy (cont'd)

Current Asset Allocation

According to the latest information we have received, your current asset allocation* is as follows:



*actual asset allocation may vary depending on latest information available, market fluctuations and asset valuations.

Investment Strategy (cont'd)

What does this mean?
Based on the information provided to us, we have determined that one or more asset classes within your current fund allocation **are not in line with your investment strategy.** This may mean that the fund is no longer invested appropriately according to the objective laid out in the investment strategy and must be addressed as a matter of urgency as it is a compliance breach.

Recommendation

We strongly suggest that you discuss this with your accountant, and where appropriate seek financial advice to rectify this as soon as possible.

The assets that we found that were out of the target ranges set out in your investment strategy were:

- International Shares
- Australian Fixed Income
- Cash

warning - *accountantsGPS considers an asset to be outside of a target range if it falls outside of the target range indicated in your investment strategy. This is, however, not financial advice and you should speak with your accountant of financial planner to determine what range is acceptable in your personal circumstances.

Investment Strategy (cont'd)

Cash Analysis

Cash is an important asset within the fund as it is used to help pay for expenses as well as meet the objectives of the investment strategy. It provides liquidity to the fund, to ensure assets are less likely to be sold to meet the operating expenses of the fund. According to the Australian Taxation Office, cash makes up 16% of total assets on average within Self-Managed Super Funds.

According to the data we have, at the end of FY2021/ 2022 there was **$412120.5 of cash** sitting within your fund. Your current target range for cash is **$149364.04 - $224046.06**

You should talk to your accountant or financial planner about ensuring you have the appropriate amount of cash in your fund.

> We have determined that your fund is holding a significant amount of cash
>
> We base this analysis on numerous factors such as the total balance of the fund, the investment strategy, the expenses of the fund and the actual value of cash in the fund.

Recommendation

We recommend speaking to either your accountant, or if appropriate, financial planner about what to do with excess cash as you may be missing out on valuable returns.

Performance Benchmarking

It is important to review the performance of your SMSF. This is measured by the investment return on the fund assets in a given period. On aggregate, SMSFs* with more diversified asset allocations achieved higher returns. SMSFs generate greater variation in returns relative to APRA** funds, highlighting the importance of professional advice and a sound investment strategy.

*SMSF Association, Understanding Self-Managed super fund performance, research report summary, February 2022

**Australian Prudential Regulation Authority - this refers to non-SMSF's such as industry and retail funds

> When analysing the fund we noticed that the performance has never been reviewed. As this is an important part of managing your fund we recommend reviewing this annually.

12 month performance

6.05%

How do you stack up?

Similar SMSF's*	Non-SMSF Funds
0.7%	-3.3%

For this calculation, we have used the information available within BGL's SimpleFund 360 to determine performance. The period we cover is up to 10 years, depending upon how long this fund has been managed in Simple Fund 360.

Performance Breakdown (cont'd)

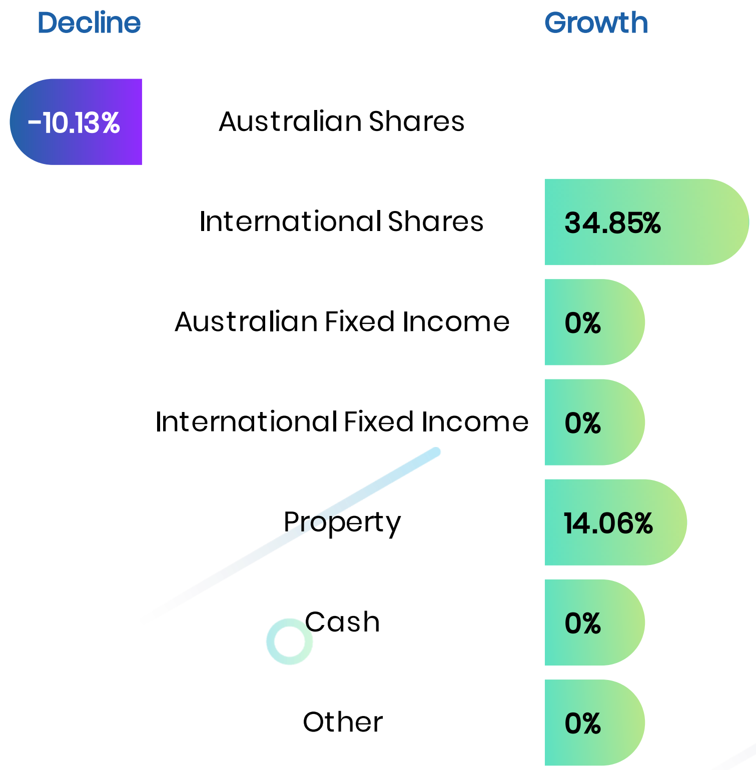
Recommendation

We would recommend speaking with your accountant in the first instance and if required, your financial planner to undertake a performance review.

*When comparing your fund, we define "similar" as those with a similar balance and with a similar level of complexity.

Here is a more detailed breakdown of how your individual asset classes performe for the 2021 / 2022 Financial Year

Asset Class Performance



The best performing asset for 2021/ 2022 Financial Year was Amerisource Bergen Corp., performing at 34.85%. The worst performing asset for 2021/ 2022 Financial Year was Wesfarmers Limited - Ordinary Fully Paid, performing at -29.09%.

Cost to Manage

The costs associated with running your SMSF will impact the performance of your fund. The set-up and running costs can be high. Managing your SMSF has other costs and is a lot of work. SMSF trustees can spend on average eight hours a month to manage an SMSF. That's more than 100 hours a year. It covers things such as investing, accounting, auditing, advice and more.

Your cost	How do you stack up?		
	Similar SMSF's*	Non-SMSF Funds	
$3,412	**$15,588**	**$3,175**	**Unfortunately fee data for non-SMSF Funds over $250,000 are grouped together. Given your balance, this may mean that a direct comparison is difficult to achieve.

*When comparing your fund, we define "similar" as those with a similar balance and with a similar level of complexity.

A breakdown of your costs

Accountancy Fees	$3,412.00

The costs to manage your fund are currently lower than the average SMSF.

There are many reasons why your fees might be below the average.

Fees are usually based on the complexity of the fund as well the level of involvement required of the accountant. Having lower than average fees may simply mean that you have a simple, low maintenance fund. It may also mean however that the person administering your fund is taking care of you that little bit extra to ensure that your retirement savings get the best chance possible to grow!

Estate Planning

Binding Death Benefit Nomination

We found that you do not have a BDBN in place for your SMSF. It is important to create a BDBN as it provides certainty and gives direction to the trustee as to which beneficiaries will receive your superannuation proceeds upon your death.

Superannuation does not automatically form part of your estate and therefore without a BDBN the trustee decides under the relevant legislation which beneficiaries will receive your superannuation proceeds.

John Jones

To establish a BDBN the trust deed of your SMSF must allow and provide provision to permit a BDBN. The BDBN must then be prepared and executed so that it satisfies the requirements of the trust deed, superannuation legislation and regulations.

Recommendation

We suggest you contact your accountant in the first instance and if required , your financial planner to assist you with establishing your BDBN and ensuring it is up to date, compliant and reflects your intentions.

Mary Jones

To establish a BDBN the trust deed of your SMSF must allow and provide provision to permit a BDBN. The BDBN must then be prepared and executed so that it satisfies the requirements of the trust deed, superannuation legislation and regulations.

Recommendation

We suggest you contact your accountant in the first instance and if required , your financial planner to assist you with establishing your BDBN and ensuring it is up to date, compliant and reflects your intentions.

Estate Planning (cont'd)

While we acknowledge that a Binding Death Benefit Nomination inside a Self-Managed Super Fund is not subject to SIS Reg 6.17A (see Hill v Zuda Pty Ltd as trustee for the Holly Superannuation Fund [2022] HCA 21), we still recommending reviewing this regularly to ensure it is up to date and reflects the latest wishes of the member.

Estate Planning (cont'd)

Re-contribution Strategies

A re-contribution strategy involves withdrawing a lump sum after a condition of release is met, paying any necessary tax on the withdrawal and re-contributing these funds into superannuation as a non-concessional contribution. When you withdraw this again at a later date, you do not need to pay tax on it as your contribution was from after-tax money.

A key reason to do this is to **reduce the taxable component of your super and increase the tax-free component.**

Who may it suit?

Recontribution strategy may be suitable for **individuals who are under 75 (unless eligible to use the downsizer contribution) with access to their super,** otherwise individuals eligible to contribute who:

- Wish to commence a retirement phase pension <60
- Have a large taxable component and non-tax dependant beneficiaries
- Have both tax and non-tax dependant beneficiaries
- Are members of a couple, where one may be eligible for social security concessions or payments and the other is under Age Pension age, or
  - are members of a couple and wish to manage their transfer balance cap (TBC), total super balances (TSB) to maximise contributions and retirement phase interests.

> Based on the available information we do not believe that any of the fund members would be eligible to undertake a recontribution strategy. However, this is not financial advice and we therefore strongly recommend speaking with an financial planner if this is something you would like to look at undertaking.

Estate Planning (cont'd)

Warning - We strongly suggest you speak with your accountant in the first instance, and if required your financial planner before considering a recontribution strategy. Such a strategy must be executed correctly or there are certain risks such as

- Withdrawing too much and not being allowed to re-contribute it
- Potential capital gains tax events
- Such a strategy may have limited benefit if your spouse is your final beneficiary
- Every case is different. There is no one-size-fits-all strategy for SMSFs. Please discuss with your accountant or financial planner before attempting to implement a re-contribution strategy

Example - Case Study

Tom Roberts

Tom, age 60, has $500,000 in his super fund with $250,000 tax-free and $250,000 taxable component. Assuming he is eligible to withdraw his superannuation balance, and his total superannuation balance last 30 June was less than $1.48 million, he could proportionally withdraw $330,000 from his superannuation tax free as he is over age 60.

	Tax-free component	Taxable component
Initial superannuation balance	$250,000	$250,000
Withdrawal	$165,000	$165,000
Balance in fund	$85,000	$85,000
Add re-contributed amount	$330,000	$0
Balance afer re-contributing	**$415,000**	**$85,000**

Tom is eligible to re-contribute the full $330,000 into super, his revised superannuation balance will consist of 83 per cent tax-free component, rather than the original 50 per cent

Trustee Strategy

An SMSF is a type of trust. A trust requires trustees, assets and beneficiaries. A trust deed sets out the rules for establishing and operating your SMSF.

The trust structure determines how assets are held in your SMSF and information about the trust structure is found in the trust deed.

There are two SMSF trustee structures, one where the trustees work in their individual capacity and another where a company is appointed as the trustee. In both cases, it's the members who run the fund. A corporate trustee structure can be expected to save money and administration time over the longer term.

Your fund is currently set up as an individual trustee

In almost all cases an individual trustee is less preferred than a corporate trustee structure.
Some of the disadvantages of an individual trustee structure include:

- Complicated if single member
- Multiple penalties against each trustee individually
- Fund assets are held in the name of the individuals and therefore if trustees change all documentation needs updating
- Difficulties if one member dies, particular if there are only two members

Because of this, having a corporate trustee structure, with more than 1 director, tends to create much simpler management of the fund overall.

Recommendation

We recommend speaking with your accountant in the first instance and if required, your financial planner about reviewing this.

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Member Contributions

In general there are two ways to contribute to your super: concessional (before-tax) contributions and non-concessional (after-tax) contributions.

Concessional contributions are payments to a super fund which are claimed as a tax deduction such as payments from your employer or additional payments made through a salary sacrifice arrangement.

Non-Concessional contributions are payments made to super where a tax deduction is not claimed, usually from after-tax pay or as a lump sum.

Catch-up Concessional Contributions

This rule allows you to contribute an unused portion of your concessional contributions (before tax) over the last 5 years.

> **John Jones**
>
> Based on the information available to us, we estimate that the unused portion of your concessional contributions over the last 5 years is:
>
> **$89,000**

> **Mary Jones**
>
> Based on the information available to us, we estimate that the unused portion of your concessional contributions over the last 5 years is:
>
> **$102,500**

*Whilst every effort has been taken to formulate these figures accurately, they should not be read to constitute financial advice. Things such as missing information may cause these calculations to be inaccurate and as such should not be purely relied upon when making decisions about contributions.

warning - This is not a recommendation to contribute extra to your fund. There are a number of variables at play, and extra contributions may not be appropriate for you. Please discuss with your accountant or financial planner.

Member Contributions (cont'd)

Recommendation

If you would like to find out the exact size of the unused portion of your concessional contributions over the last 5 years, we recommend you speak with your accountant or financial planner about getting the right advice.

Downsizing

Under current rules, eligible persons are able to sell their primary residence (home) and contribute some of those funds into superannuation.

As with all things Super, there are of course some rules around this.

Some of the main criteria are:

- You must be 55 years old
- The house must have been used to actually live in, rather than an investment property
- You must have owned this property for 10 years
- You have not previously made a downsizer contribution
- You must make your contribution into super within 90 days of settlement

This is provided as guidance only. We were not able to consider certain factors such as how long you have owned your property.

Recommendation

If this is a strategy you would be interested in learning more about, we recommend you speak to your accountant in the first instance, and if required your financial planner about receiving advice on this matter.

Member Contributions (cont'd)

Concessional Contributions

A concessional contribution is where you can contribute to superannuation with pre-tax money. This can be a fantastic, tax friendly way to help top up your retirement savings.

In this exercise, we'd like to show you the impact of making concessional contributions and how it may benefit your super balance at retirement

John Jones

21/22 FY Contribution	Annual Cap	Capacity
$13,500	$27,500	$14,000

Mary Jones

21/22 FY Contribution	Annual Cap	Capacity
$0	$27,500	$27,500

disclaimer - These projections assume a concessional contributions and earnings tax rate of 15%. If your declared income plus concessional contributions is greater than $250,000 combined, then your concessional contributions and earnings will be subject to the Division 293 tax of an extra 15%

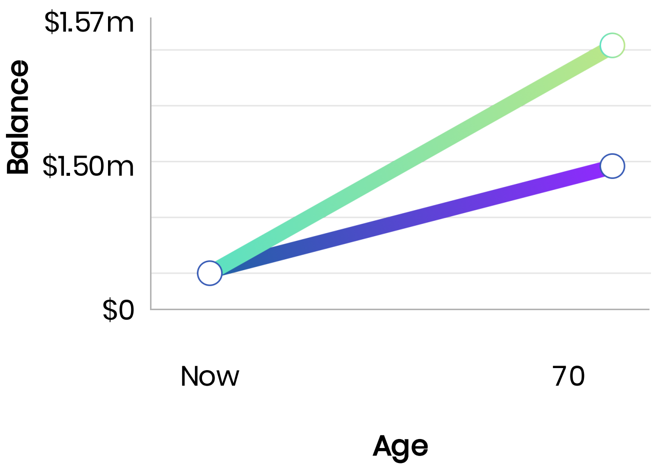
Member Contributions (cont'd)

Projections

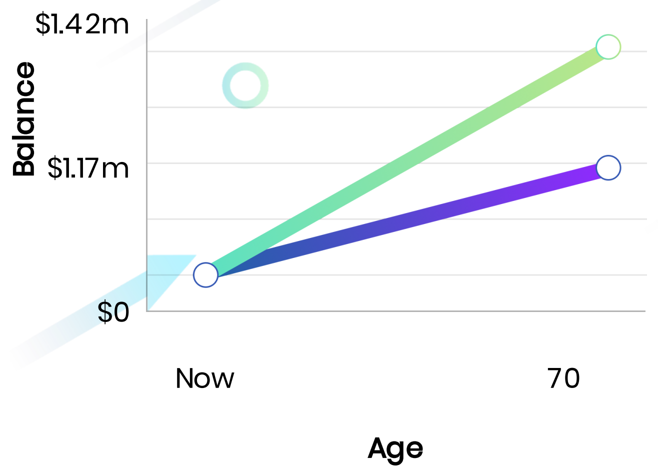
Based on the above information, if you were able to take full advantage of your concessional contributions caps, here is what each member's balance may look like at retirement age. For the BGL Training Fund we have calculated an assumed rate of return of 6.73% based on your current asset allocation. Our methodology in arriving at this figure is detailed below.

Legend Current contribution Maximum contribution

John Jones



Mary Jones



Member Contributions (cont'd)

It's important to note that these are only projections. We have included them for illustrative purposes only, and do not consider your personal cashflow, goals and other circumstances. Actual outcomes will be different. Furthermore, this is not financial advice and we are not in a position to recommend whether you should be contributing more to super or not.

Recommendation

If this is a strategy you would like to learn more about, we strongly recommend speaking with your accountant in the first instance and if required, your financial planner to make sure you get the right advice.

Assumption

- The current concessional contributions limit is $27,500 and our formula assumes this does not change
- You will make these contributions up until your retirement age.
- Your asset allocation remains as it was at the time of this report
- For performance we have taken the time to research average asset class returns from 3 major fund managers over a 30 year period
- We then remove 1% from each asset class to remain conservative and use this information, in conjunction with your actual asset allocation, to calculate an overall assumed rate of return.

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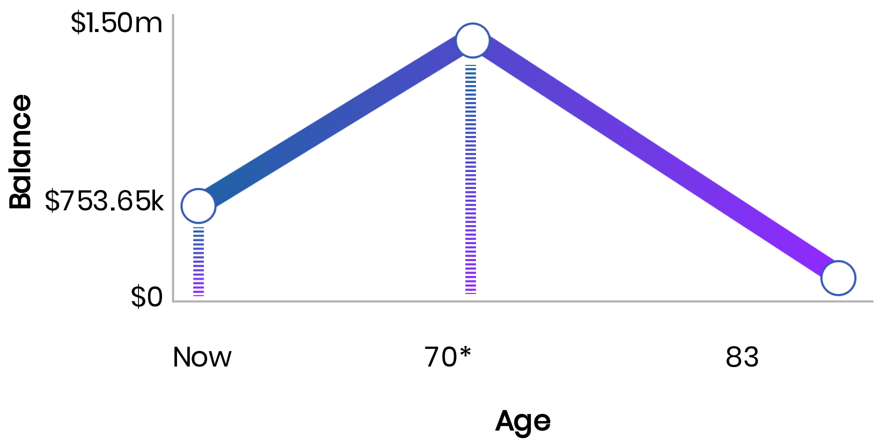
Retirement Planning

Here we have used projections to examine how long your funds will last in retirement and provide an indication of what sort of income will be available to you once you retire.

We have done this calculation by taking your current super balance and level of contributions. Then assumed an average return (for your risk profile) and that you will continue to contribute to your super until retirement age.

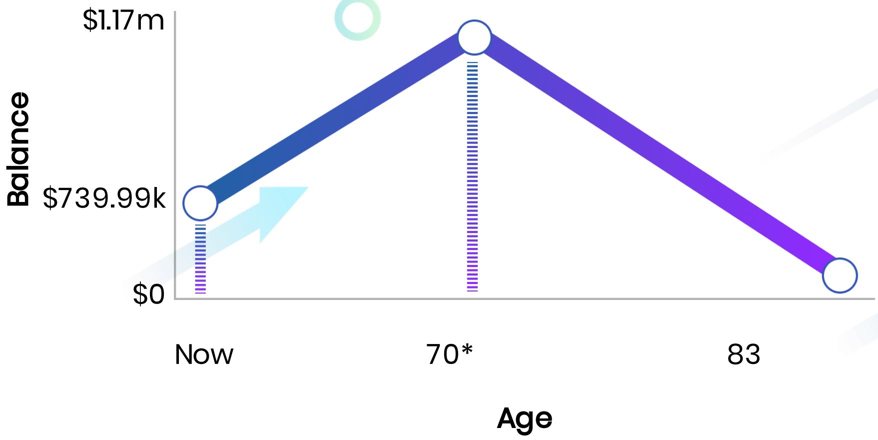
This is an indication of the annual income that may be available to you at retirement each year until your life expectancy.

John Jones



* As the desired retirement age of John is 70, we have set this as the date where contributions will cease.

Mary Jones



* As the desired retirement age of Mary is 70, we have set this as the date where contributions will cease.

Based on our calculations, in this scenario you may be able to make the following annual drawdowns from retirement age until age 83:

John Jones **$115.52k**

Mary Jones **$89.80k**

* It is worth noting of course that this figure would change depending on when you actually decide to begin drawing down and how long you live in retirement.

In forming these projections, accountantsGPS have made the following assumptions:-

- Your concessional contributions will remain at their current levels
- The fund will not be invested or receiving any returns once you begin drawing down
- Average life expectancy in Australia is currently 83
- Your asset allocation will remain the same as it was at the time of this report.

For performance we have taken the time to research average asset class returns from 3 major fund managers over a 30 year period. We then remove 1% from each asset class to remain conservative and use this information, in conjunction with your actual asset allocation to calculate an overall assumed rate of return.

Property Review

2/606-608 Hawthorn rd, Brighton East VIC 3187

If you hold an investment property in your SMSF it is likely to be a significant percentage of the assets of the fund.

The suitability of the property/ies should be reviewed regularly on two different criteria:

1. The property rental return and long-term capital growth prospects.
2. The property purchased through your SMSF complies with the SMSF rules.

Property Value

$730,000

Rental performance	4.73%	Similar properties	3.50%
Growth performance	14.06%	Similar properties	-5.60%

Recommendation

It appears that your property has been valued within the last 2 years - which is great.

Liquidity Warning

Based on the information available to us, it appears that your loan makes up 9.59% of the property's value. Given this is below 70% we consider this to be a generally healthy level of liquidity. This means that you have a reduced risk of incurring a loss if you were forced to sell the property. Well done!

Appendices

Estate Planning for Your SMSF

SMSF Estate Planning offers opportunities to ensure the assets you leave in your super account go directly and tax effectively, to the people who you nominate as your intended beneficiaries.

There are a number of important issues to consider in any estate planning exercise, including: Your Trust Deed, the makeup of your benefits and beneficiary nominations, the manner in which you have written them, and who will take over the running of your fund when can no longer do so or, when you die.

Reviewing your Estate Plan

- Am I certain that my super fund assets will end up in the hands of the correct beneficiaries?
- Does my Will acknowledge any aspect of my superannuation and vice-versa?
- Are my nominations legally binding or have they already lapsed?
- Am I certain my beneficiaries will not be left with a large inheritance tax bill?

Estate planning can be complex depending upon your circumstances, but with expert assistance, it can ensure you leave a legacy in the manner you intended.

Benefits of Estate Planning

AET can provide a range of estate planning services at concessional pricing for clients of accountantsGPS, including:

- Drafting Wills (both standard and complex) and all associated estate planning documentation eg powers of attorney (financial and medical); advance care directives; advice on superannuation death benefit nominations.
    - Optional executor and trustee services.
    - Disability trusts and trusts for vulnerable beneficiaries.
    - Solutions for blended families; and
    - Philanthropic/charitable trustee services.

Link to current online functionality: AET/ET - Will Service:accountantsGPS Estate Planning

Appendices (cont'd)

SMSF Insurance Requirements

What are the rules about SMSF's and Insurance?

SMSF Requirement: SMSF trustees must consider whether to take out appropriate insurance cover for each member of their fund as part of preparing their investment strategy

The Super System Review conducted by the Federal Government in 2015 confirmed that SMSF Trustees must thoroughly consider each member's financial situation to determine if they have an appropriate level of insurance cover. Important considerations include:

- Members current level of debt
- Whether they have any dependents and, if so, how those dependents could be provided for if the member were to die or be unable to work for any reason.

Note: Whilst the objective of this report is to provide a comprehensive assessment of your SMSF, we are not in a position to complete a formal analysis of your personal insurance needs or make any recommendations about what type of insurance you should hold. Please speak with you accountant or financial planner if you would like to receive advice on your insurance needs.

What types of insurance cover are SMSFs allowed to provide?

SMSFs are allowed to provide insurance cover that meets one of the following superannuation conditions of release:

- Life Insurance death
- Total & Permanent Disability
- Income Protection
- Trauma Insurance

The advantages of purchasing insurance through an SMSF

1. *The premiums are tax-deductible* from the fund's earnings in its annual tax return, provided the SMSF is listed as the policy owner and the SMSF member is the insured person.
2. *The premiums are paid by the fund,* so a fund member's personal cash flow isn't affected.
3. *The insurance cover can usually be tailored* to the member's individual circumstances.

Appendices (cont'd) - SMSF Insurance Requirements

About AGI Insurance Cover

- *No medicals* up to certain limits
- Unlimited Death cover
- Total and Permanent Disability (TPD) cover of up to $3 million
- Income protection of up to $30,000 per month
- The ability to transfer existing cover of up to $2 million for Death and/or TPD and $20,000 per month for Income Protection cover
- Competitive premiums
- Easy online application process
- Immediate cover

To find out more, please visit our life insurance page, [accountantsGPS Insurances]

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