

File Name: 2013/47

11 November 2013

Consultation Paper 216 – Advice on self-managed superannuation funds: Specific disclosure requirements and SMSF costs

ASFA generally supports the proposed specific disclosure requirements contained in CP 216. Such disclosure should assist potential SMSF trustees in better understanding the risks, costs and trustee obligations involved in establishing and managing an SMSF.

Specific comments

Proposal B1:

In order to promote certainty and consistency the warning about the lack of statutory compensation for SMSFs should be provided in a prescribed format and clients should be required to sign an acknowledgement that they have received and understood the warning.

Proposal B2:

We believe that the proposed disclosure requirements will benefit clients who are considering setting up or switching to an SMSF. A further disclosure which we believe is important in the current environment is the provision of a specific warning about the liquidity and cash flow risks associated with acquiring (especially “gearing into”) an individual property where this is the proposed investment strategy of the SMSF.

We do not think that the disclosure requirements in Table 2 should be given in a prescribed format but clients should be required to sign an acknowledgement that they understand the responsibilities and risks associated with running an SMSF.

Proposal B3:

We think that a 6 month transition period from the date of the release of the class order is reasonable. Some large advice businesses may have difficulty in changing disclosure documents and processes in this period and relief for (possibly) a further 3 to 6 months should be able to be sought on an individual and justifiable basis.

ASFA does not have any comments to make in regards to the Rice Warner cost findings.