



# A GUIDE TO SETTING UP SMSFS





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## INTRODUCTION

So, you have been thinking about a self-managed super fund (S.M.S.F) and you want to know if it is the right choice for you. Well, this simple guide has been prepared to assist you make this decision, but we must warn you that this information must be treated as general information only.

Most people are aware that recent market volatility and economic uncertainty have created both challenges and opportunities for super funds. While super funds delivered strong returns of 10.5% in the 2025 financial year, returns alone are not a reason to switch your money from your current provider to an SMSF.

### Things you should consider - reasons to stick with your current fund

1. **Group rate administration fees** - your employer fund provides you with group rate fees, which reduces the cost to you.
2. **What is your total superannuation balance - individually or as a couple**  
Remember that you are looking at around \$1,500 - \$10,000 annually without financial or investment advice to operate your super fund, so you need to ensure that it's cost effective to setup an SMSF. The consensus among regulators is now that you need between \$200,000 - \$500,000 to make an SMSF cost effective.
3. **Returns** - despite market volatility, do you have the time, experience and knowledge to invest your super money effectively?
4. **Insurance** - can you get reinsured if you had to re-apply for insurance with a medical condition?

### Can you afford the higher cost of an individual insurance policy?

5. **Defined Benefit Funds** - is your current super in a defined benefit Fund?  
Typically, these funds are not invested in managed funds, but the returns of these funds are determined by a combination of your salary and years of service and some additional variables. In most cases, it can be detrimental to move these funds and if you are in doubt speak to your super provider or your human resources department, who can provide you with more information.

6. Running your SMSF - There are many companies providing a variety of services from share investment to property investment that are encouraging people to move their super into an SMSF. While these investments might be beneficial for you, what these people don't tell you is how much time, and work is involved with managing your SMSF and what your responsibilities are, let alone the concentration risk of investing in one asset class. Further there is no appeal process for SMSF trustees or members to recover funds from bad investments.

### Five Compelling Facts About SMSFs (2025)

1. **85% of SMSF members are older than 45 years**
2. **68% of SMSFs have 2 members** (typically married couples)
3. **The average SMSF member balance as at March 2025 was \$809,041** compared with the median balance of \$467,187
4. **Total SMSF assets reached \$1.01 trillion** across 646,168 funds with 1.197 million members
5. **47% of SMSF members are now female**, with women gradually closing the gender gap in super balances

**Summary:** These facts paint an interesting picture of the type of people that an SMSF suits. The pattern shows people over 45 setting up SMSFs, people with higher incomes and savings, and two-member funds being the most common type due to cost sharing benefits.

*Source: ATO statistical overview of SMSFs (March 2025)*

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## NEW SMSF Quick Checklist

- ✓ How much will it cost me to run my SMSF?
- ✓ How much time do I need to spend each week to manage my fund, if I don't use professional services (financial adviser or accountant)?
- ✓ What are the risks associated with running my own SMSF?
- ✓ Will my SMSF outperform my current fund?
- ✓ Do I have between \$200,000 - \$500,000 to make it cost effective?

## Define Benefit Funds

Defined benefit funds are usually provided by the government to public service employees.

These funds are not market linked, meaning that they are not invested in managed funds like most superannuation money. Instead, the growth in these funds are calculated on the following basis:

- % (percentage of employment income) x Years of Employment

Defined benefit funds are great as they virtually guarantee growth in the fund, but the only downside is the ability of these providers (the federal and state governments) to make these payments into the future. Some funds have had to reduce benefits when they cannot afford to make payments to their members.

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## SWITCHING SUPER - things to consider

If you have seen the industry fund advertisements, you would be familiar with the message that 'low fees can make a lifetime of difference' and they are not wrong, but they are only half right. Most people start by comparing fees and returns when comparing the performance of their super fund. So what features should you compare and what do you get for what you pay?

### 1. Fees

Fees can vary depending on the type of fund you are with. An important factor is to consider the fees you pay in relation to the benefits you receive from your fund. Recent 2025 data shows:

- **For SMSF balances of \$200,000 - \$500,000:** Annual operating costs range from **\$4,629 median** to over **\$15,000** for more complex funds
- **SMSF setup costs:** Range from **\$500 to \$3,000** depending on structure and services
- **Annual ongoing costs:** Median of **\$8,611** according to current ATO data

## 2. Insurance Cover

If you joined your employer's super fund, you should be receiving a group insurance benefit, without the need for a medical test, at a competitive price. In some cases, your employer will pay for part or all of the insurance cover. If you join a super fund as an individual rather than as an employee of the company fund, you may not be able to access the competitive wholesale rates for insurance before undertaking a medical test to receive cover and you may be rejected cover, if you have any pre-existing medical conditions. This is a very important benefit of employer super funds.

## 3. Returns

How your fund has performed is ultimately the most important consideration. **In the 2025 financial year, super funds delivered strong performance:**

- **Median Growth funds returned 10.5%** for the year to June 2025
- **This followed strong returns of 9.2% in 2023 and 9.1% in 2024**
- **Listed shares were the main driver**, returning 13.7% for Australian shares and 18.6% for international shares (unhedged)

For people approaching retirement, or for those in individual retail super funds or self managed super funds, returns should be scrutinised more closely than for those in employer super funds. Our final suggestion is that you consider completing a formal SMSF trustee education course or employ the professional services of an experienced financial adviser, if you intend on setting up an SMSF.

## Fund Type Comparison

FEATURE	CORPORATE	INDUSTRY	SMSF
CHOICE	Limited	Limited	Unlimited
RISK	Average	Above average	Low-High
INSURANCE	Customised	Very limited	Unlimited
FEES	High	Moderate	Variable*
BENEFITS	Some	Yes	None**

\*Variable - can be low for large balances, higher for smaller balances

\*\*No compensation scheme protection

# Setting up a SMSF

## Setting up a SMSF - Things to think about

So you want more control, greater investment choice, estate planning benefits and the ability to deduct your professional fees and you have decided that an SMSF is suitable for you. Here are some points to consider before you set up an SMSF.

### 1: Should I setup an individual or corporate Trustee SMSF?

#### 3 Reasons to Setup a Corporate Trustee SMSF

- A) Avoid potential stamp duty costs and capital gains costs due to a change in members
- B) Banks lend up to 80% to corporate trustee SMSFs
- C) Enhanced pension payment flexibility and tax planning opportunities

Most people buying property setup a corporate trustee SMSF and for a once-off fee it is well worth it when you consider the risks highlighted above.

**Corporate trustee setup costs in 2025:** \$576 ASIC fee plus administration costs

### 2: Am I responsible for my SMSF?

Yes, you are. The ATO (the regulator of SMSFs) will hold you responsible for completing your SMSF's accounting and auditing on time and for any breaches, even if you appoint an accountant or financial adviser to assist you. It is very important that you meet all of your ATO and ASIC responsibilities and payments on time.

#### Key 2025 compliance focus areas:

- Annual returns must be lodged on time (severe penalties for late lodgment)
- Asset valuations must be current and properly documented
- Audit requirements are strictly enforced
- Investment strategy must be documented and reviewed regularly

### 3: Who makes investment decisions?

Whilst some of the benefits of an SMSF include greater control, investment choice and deductible fees and direct ownership benefits, the investment decisions are solely the responsibility of the member.

#### Current SMSF asset allocation (2025):

- **Setup costs:** \$500 - \$3,000 (including corporate trustee structure)
- **Annual operating expenses (median):** \$4,629
- **Annual supervisory levy:** \$259 (unchanged for 2025)
- **Annual ASIC corporate trustee fee:** \$48
- **Total annual costs:** Can range from \$1,500 - \$15,000+ depending on complexity

While this may seem expensive, it is important to note that you will need to determine the cost of running the combined funds you have to setup the SMSF and what you intend on investing in the fund to determine whether it's worth setting up an SMSF at all.

### 5: What happens if I am exposed to fraud or theft in my SMSF?

In the event of theft or fraud or a bad investment, you will not have access to any compensation arrangements under the Superannuation Industry Supervision Act (SISA). This is an important consideration for SMSF members and trustees, as retail and industry funds provide these protection mechanisms.

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# ASFA Retirement Standard 2025

## ASFA Retirement Standard 2025

To put your SMSF planning in context, here are the current retirement income requirements:

### For a comfortable retirement (2025):

- **Couples:** \$73,875 per year
- **Singles:** \$52,383 per year

### Superannuation balance required by age 67:

- **Couples:** \$690,000
- **Singles:** \$595,000

*These figures assume you own your home and include private health insurance, domestic holidays, and a good standard of living.*

## Our Summary

The benefits gained from a corporate or industry fund, such as low account fees and subsidized insurance, are benefits well worth maintaining for most people. While there are added responsibilities with SMSFs, people on above-average incomes paying a lot of tax, wanting to purchase direct property or who are seeking to diversify their investments to create wealth or to generate income in retirement, will often benefit from setting up a self managed super fund (SMSF) provided that they are aware of their responsibilities and can allocate the time to manage their SMSF.

**The bottom line is:** There are risks and benefits with SMSFs and with retail and industry funds. It's always a case of determining which is suited to what type of investor. With the minimum viable balance now considered to be between \$200,000-\$500,000, and annual costs potentially reaching \$8,000+, careful consideration is required.

Employing an adviser can help you achieve your financial objectives, but naturally this comes at a price, compared to staying with an industry or employer super fund, where typically members receive benefits such as cheap automatic acceptance insurance, discounts on health insurance, group rate fees but where their individual needs and objectives are not always considered nor do they have any control over where their money is invested.

### SUPER FUND CHECKLIST:

CRITERIA	QUESTION	YES/NO
FEES	Do you pay for your fees, or does your employer and how do they compare to the industry?	YES / NO
BENEFITS	What additional benefits do you receive? Are your fees and insurance paid for, is it sufficient cover?	YES / NO
EXTRAS	Health fund and gym membership discounts – are these important to you?	YES / NO
RETURNS	How does your default fund compare to its peers?	YES / NO
SERVICE	Do you receive financial advice, or assistance with your account?	YES / NO
BALANCE	Do you have at least \$200,000–\$500,000 to make an SMSF cost effective?	YES / NO

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#### APPENDIX:

##### 2025 Data Sources:

- ATO SMSF Quarterly Statistical Report March 2025
- ASFA Retirement Standard March 2025
- SuperGuide Super Fund Performance 2025
- Canstar Outstanding Value Awards 2025
- Current SMSF cost analysis from major providers

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## General Advice Warning

This brochure provides general information only. Before making any financial or investment decisions, we recommend you consult a financial adviser or accountant to consider your particular investment objectives, financial situation and individual needs.

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