Guide – Creating SMSF advice documents
April 2011

Adviser use only

Table of contents

Introduction

RI Advice recommend preparing **two SOAs** when providing advice to SMSF clients – one SOA addressed to members and one SOA addressed to trustees of the fund.

Depending on the advice given, you may also be required to prepare a draft **Investment Strategy Statement** for consideration by the trustees of the fund.

> **This Guide was prepared in January 2011. There may have been changes to the processes since the guide was prepared.**

All of these documents can be created in Xplan, however some manipulation may be necessary. The following instructions provide tips and explanations to help you create these documents.

Creating two SOAs

Xplan does not currently enable you to model SMSF scenarios in an **SMSF client**. SMSF modelling therefore needs to be completed in an **individual client**.

As such, the simplest way to produce an SOA addressed to the trustees of an SMSF is to:

- complete the **Client Focus** section in the **SMSF client** to ensure this information feeds through to the 'Where you are now' section of the SMSF SOA.
- complete the **Xtools+** modelling for your SMSF in the **individual client**, then cut and paste the projections from the individual's SOA into the SMSF SOA.

The following instructions provide further detail on how to create two SOAs in Xplan.

Setting up the clients

1. **Set up the SMSF member as a client (type individual)** – complete the PFP Wizard with all information relating to the individual (not the SMSF).

2. **Set up the SMSF as a separate client (type Superfund)** – complete the following sections in Client Focus with information relating to the SMSF as an entity (not the individual).

    - Key Details
    - Objectives
    - Risk Profiling
    - Insurance
    - Analysis
    - Portfolios

Tip	If the SMSF has a corporate trustee, you need to add the name of each director and the company name into the trustee section of Key Details (ie complete fields: Surname, First Name, Company Name and Trustee Type).

3. Whilst in the SMSF client, click on '**Group**' on the left hand menu, then 'Client Group' to link your individual client to the SMSF.

Modelling in Xtools+ CALM

1. Go into the **individual client**. In Xtools+ CALM, create a **current scenario**. Complete the current situation for the individual. If the individual already has an SMSF, insert relevant information into the SMSF pages of the individual client.

2. Create a **proposed scenario**. If you are recommending the client start a new SMSF, change 'Entity' (in the first screen) to reflect that an SMSF is being used and insert the name of the SMSF.

    ↳ Complete modeling for the **individual** in the **individual pages** of the **individual client**.

    ↳ Complete modeling for the **SMSF** in the **SMSF pages** of the **individual client**.

Note: please refer to page 3 of these instructions for tips on modelling some SMSF strategies.

Completing the SOA Wizards

1. In the **SMSF** client, complete the SOA Wizard for the SMSF. The following table provides some tips on completing some of the pages in the SMSF SOA Wizard.

Introduction	Address title = The Trustees Salutation = Trustees Risk profile = ensure this matches the profile of the SMSF.
Strategy	Select and complete the strategy recommendations being made to the SMSF trustees.
Projections	Select 'no' when asked if you want to include projections for the SMSF (because the modeling has been prepared in the individual client).
All other pages	Should be specific to the SMSF (not the individual members)

2. In the **individual** client, complete the SOA Wizard with all details relating to the individual, except in the projections page where you will need to include SMSF projections. We recommend selecting the following projections:

Projections – Individual	Xtools+ Displays	• Consolidated cash flow • Taxation (client & partner) • Assets – Total Details • Liabilities – Joint (if applicable)
	Xtools+ Charts	• Pensions (if applicable)

Projections – SMSF	Xtools+ Displays	• SMSF Consolidated Cashflow • SMSF Asset Details • SMSF Asset Prop Total (if applicable)
	Xtools+ Charts	• Pensions (if applicable)

Amending the SOA word documents

Once you have both SOAs opened in Word, you will need to make the following changes:

- **Appendix** – copy the "Appendix: Financial Projections" from the individual SOA and paste into the SMSF SOA at the end of the document.

- **SMSF projections** – cut all projections relating to the SMSF from the individual SOA and paste into the SMSF SOA at the end of the appendix.

Tips for modelling SMSF strategies

The following tips explain how the Xtools+ modeling was completed in the sample SOAs for **Barney and Betty Rubble** and the **Rubble Family Super Fund.** These sample SOAs are available at Adviser Services > Advice > SMSF toolkit.

Remember that all modeling for an SMSF is created in the **SMSF pages** within the **individual client**, before being cut and paste into the **SMSF** client.

Member rolls retail superannuation funds into SMSF

- **Input > Individual** > Super > Accumulation
    - ↳ Select the date to 'transfer to SMSF'.
    - ↳ Ensure <u>all</u> contribution information in this screen is set to nil/no/$0.
- **Input > SMSF** > Capital
    - ↳ Ensure the amount being rolled into the fund does NOT appear in the Opening Balance for the client.

Member contributions into SMSF (salary sacrifice, SG, etc)

- **Input > Individual** > Super > Accumulation
    - ↳ Ensure <u>all</u> contribution information in this screen is set to nil/no/$0.
- **Input > SMSF** > Capital
    - ↳ Insert contribution details.

SMSF invests into cash account

- **Input > SMSF** > Assets
    - ↳ Holdings – select 'Class: Domestic Cash'. Enter description of account. Leave 'Value' as '$0'.
    - ↳ Rates and Fees – complete with relevant details. Click OK to display results to complete the next step.
- **Display > SMSF** > Assets > Details
    - ↳ Insert the cash amount into 'Investments > Start of Period'.

Related party loan to SMSF

- **Input > Individual** > Liabilities
    - ↳ Loan Details – insert details of the bank loan. Insert the loan amount into 'Principal'.
    - ↳ Rates and fees – complete relevant details. The loan will be 100% deductible.
    - ↳ Repayments – 'yes' to repay loan. If you are recommending the individual repay more than the minimum repayment, insert the total annual repayment into 'Specify Repay'.
    - ↳ Drawdowns – leave blank.
    - ↳ Associate – do not link this liability to any asset.

- **Input > Individual** > Cashflow > Income and Expend
    - ↳ Input the SMSF loan repayments as 'Other taxable income'.

SMSF acquires property using a borrowing arrangement

- **Input > SMSF** > Assets > Property
    - ↳ Holdings – insert all details of the new investment property, except leave the value as '$0'.
    - ↳ Rates and Fees – complete with all relevant details. Click OK to display results to complete the next step.
- **Display > SMSF** > Assets > Property > Details
    - ↳ Insert the purchase price of the property under 'Capital Improvements > Start of Period'.

- **Input > SMSF** > Liabilities
    - ↳ Loan Details – insert details of the related party loan. Insert $0 into 'Principal'. Insert the loan amount into 'Credit Limit'.
    - ↳ Rates and fees – complete relevant details. The loan will be 100% deductible.
    - ↳ Repayments – 'yes' to repay loan.
    - ↳ Drawdowns – leave blank.
    - ↳ Associate – use the drop down box to link the liability to the investment property.
    - ↳ Click OK to display results to complete the next step.
- **Display > SMSF** > Liabilities > Details
    - ↳ Insert the principal value of the loan into 'Drawdown > Start of Period'.

Splitting adviser fees

Creating two SOAs invariably means you will need to split your adviser fees between the individual client and the SMSF client.

The split may differ between clients and advisers so it's difficult to provide guidance in this area. However, the following table outlines the approximate time taken by RI Advice to prepare the sample SOAs in Xplan for **Barney and Betty Rubble** and the **Rubble Family Super Fund**.

You may find this information useful for deciding how you will arrange the split of your fees where your advice is separated into two documents.

	Total	Individual	SMSF
Set up client and complete PFP Wizard	40 minutes	40	
Set up SMSF	15 minutes		15
Complete current position in Xtools+	10 minutes	5	5
Complete proposed position in Xtools+	30 minutes	15	15
Complete SOA Wizard – individual	40 minutes	40	
Complete SOA Wizard – SMSF	30 minutes		30
Total		**100 minutes**	**65 minutes**

Total time = 165 minutes (60% allocation to individual, 40% allocation to SMSF).

Important notes:
- *The stated times are probably closer to a minimum time taken to input data.*
- *Times are based on data input into Xplan only. They do not include any strategy consideration which we assume was completed prior to commencement of data input.*

Investment strategy statement

To create an SMSF Investment Strategy Statement (ISS) in Xplan:

- Click on "Merge Report"
- Select the Report Category "RI Advice – SMSF Templates"
- Choose to run the SMSF Investment Strategy – version 1 or version 2.

Fund profile

The **Fund Profile** page of the ISS auto-populates based on the information input into the **'Client Focus'** section of **SMSF client**.
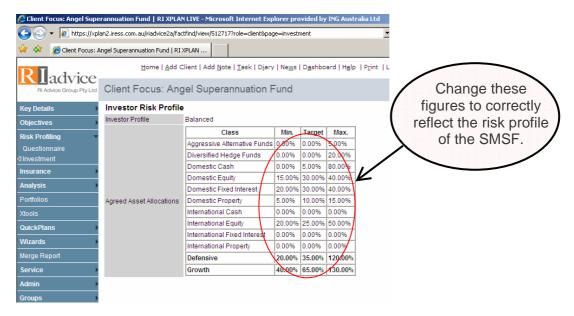
If you have also created an SOA for the SMSF, the information input into the Client Focus section of the SMSF client probably represents the SMSF details prior to implementation of your recommendations (because it was used to auto-populate the **'Where you are now'** section of the SMSF SOA).

As the **Fund Profile** section of the ISS would generally be based on the SMSF after implementation of your recommendations, you may need to amend the details. This can be done by either changing the data contained in the Client Focus section of Xplan or (probably more simply) by amending the word document.

Asset allocation

The **asset allocation** section of the ISS auto-populates based on the information input into Client Focus > Risk Profiling > Investment.

To ensure the ISS asset allocation correctly auto-populates, change the figures in the Min / Target / Max columns to correctly reflect the risk profile of the fund.

Further information

Please direct queries on creating SMSF advice documents to the RI Advice team.