FINFORCE

FINFORCE EBOOK · 2026–27 EDITION

SMSF Essentials

What it costs, what trustees must do and when an SMSF makes sense

Figures checked against official sources · 1 November 2026 · finforce.com.au

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> **How to use this ebook.** Each chapter stands alone and ends with its official sources (ATO, Services Australia, RBA, ASFA, Moneysmart, TPB and others). Figures are for 2026–27 or as stated, and can change; the online version of each chapter is listed at its end.

General advice warning. This ebook is general information only and does not take into account your objectives, financial situation or needs. Rules, rates and thresholds change; figures were checked against the official sources listed in each chapter as at 1 November 2026. Before acting, consider the relevant Product Disclosure Statement and our Financial Services Guide (finforce.com.au/fsg.html) and seek personal advice.

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CHAPTER 1

Is an SMSF right for you?

A self-managed super fund gives you control over investments, but you take on legal duties as trustee. Whether it suits you comes down to balance, time and purpose.

What an SMSF is

An SMSF is a private super trust with up to six members, all of whom are generally trustees (or directors of a corporate trustee). The ATO regulates SMSFs, and each fund needs an annual independent audit.

Why people choose one

- Control over investment choice, including direct shares and property.
- Business real property: a business owner's fund can own the premises and lease it to the business at market rates.
- Family members in one fund.
- Estate planning flexibility.

What to weigh

- Fixed costs (accounting, audit, ATO levy) mean small balances can pay a lot in percentage terms.
- Time and responsibility: investment strategy, record-keeping, valuations.
- Rules: the sole purpose test, in-house asset limits, related-party restrictions and borrowing (LRBA) rules.
- Insurance usually needs to be arranged separately.

Read more: our SMSF advice, buying business premises in an SMSF and SMSF trustee duties.

Quick answers

How many members can an SMSF have?

Up to six.

Does an SMSF need an audit?

Yes, an approved SMSF auditor must audit it every year.

Sources

- ATO: Self-managed super funds

CHAPTER 2

What does an SMSF cost to set up and run?

A self-managed super fund gives you control, but it comes with fixed costs that do not shrink when the balance is small. Before setting one up, know what you will pay every year.

The government levy

Every SMSF pays the ATO supervisory levy each year with its annual return. The ATO's levy page shows **$259**, the amount since 2014–15; a newly registered fund pays $518 in its first return, covering two years. In August 2026 the Government announced it will raise the levy to **$295** and collect the first year's levy at registration, as part of a package of new SMSF consumer protections. Check the amount on your annual return.

The other costs

- **Setup:** trust deed, corporate trustee (ASIC company fees apply if you use one, which is often recommended), ABN, bank account.
- **Each year:** accounts and annual return, the independent audit (required by law), the levy, investment strategy review, and any advice fees.
- **Investments:** brokerage, platform or property costs, and insurance for members.

Fees vary widely between providers, so get written quotes. Moneysmart notes the costs can make an SMSF poor value at lower balances.

New rules proposed in 2026

The August 2026 package includes mandatory trustee education before registration, a uniquely identifiable bank account in the fund's name and a written investment strategy before registration. These are proposals and need to be legislated; we will update this page.

Is it worth it?

Compare the all-in cost against a large APRA fund for your balance, and be honest about the time and duties: SMSF trustee duties, SMSF vs industry fund and is an SMSF right for you.

Quick answers

What is the SMSF supervisory levy?

The ATO page shows $259 a year ($518 in a new fund's first return). In August 2026 the Government announced a rise to $295.

Does an SMSF need an audit every year?

Yes. Every SMSF must be audited each year by an approved SMSF auditor before it lodges its annual return.

Sources

- ATO: SMSF supervisory levy
- Treasury: Protecting consumers in the superannuation system fact sheet (Aug 2026)
- Moneysmart: Self-managed super funds

Read online with live links: finforce.com.au/insights/smsf-setup-costs.html

CHAPTER 3

SMSF trustee duties

Every SMSF trustee is legally responsible for the fund, even if an accountant or adviser helps. These are the duties that matter most.

Core duties

- **Sole purpose test**: the fund must be run to provide retirement benefits, not current-day benefits to members or relatives.
- **Investment strategy**: a written strategy considering risk, return, diversification, liquidity and insurance, reviewed regularly.
- **Keep assets separate** from personal and business assets, in the fund's name.
- **Arm's length** dealings and no lending to members.
- **Records**: minutes, financial statements and returns, kept for the required periods.
- **Annual audit and return**, lodged with the ATO.

Within 21 days of becoming a trustee

New trustees must sign the ATO trustee declaration within 21 days.

If things go wrong

The ATO can issue penalties, disqualify trustees, or make the fund non-complying. Getting the structure and process right at the start is cheaper than fixing it later. See SMSF advice.

Quick answers

What is the SMSF sole purpose test?

The fund must be maintained only to provide retirement (and related death) benefits to members.

Sources

- ATO: Self-managed super funds

CHAPTER 4

SMSF vs an industry or retail fund

There is no “best” super fund for everyone. The right answer depends on your balance, how hands-on you want to be, and what you want super to do.

Industry and retail funds

- Someone else runs the fund, the investments and the paperwork.
- You choose from a menu of options.
- Group insurance is often included.
- Costs are mostly a percentage of your balance.

Self-managed super funds

- You (and up to five others) are the trustees and are legally responsible.
- You choose almost any investment allowed by law, including direct shares and business property.
- Costs are mostly fixed (accounting, audit, ATO levy), so they are heavier on small balances.
- You have to keep records, set an investment strategy and get an annual audit.

Questions to ask yourself

- Do I have the time and interest to be a trustee? See SMSF trustee duties.
- Is my balance large enough that fixed costs make sense?
- Is there something I want to do that my current fund can’t?
- Will I still want to run it at 80?

We will tell you if an SMSF is not right for you. Read is an SMSF right for you? or Book a no-obligation chat.

Quick answers

Is an SMSF better than an industry fund?

Not automatically. An SMSF gives more control but brings legal duties and fixed costs. It tends to suit larger balances and engaged trustees.

Sources

- ATO: Self-managed super funds

- Moneysmart: SMSFs

Read online with live links: finforce.com.au/insights/smsf-vs-industry-fund.html

CHAPTER 5

Business premises in an SMSF

Business real property is one of the few assets an SMSF can buy from, and lease to, a related party, such as your own business. Here is how it works.

The rule

An SMSF can acquire business real property (land and buildings used wholly and exclusively in a business) from a related party, at market value. It can then lease it to your business, as long as the lease is on commercial terms and rent is at market rates and actually paid.

Why business owners do it

- Rent paid to your fund is generally deductible to the business and taxed at concessional rates in super.
- The property sits inside a regulated trust structure.
- In pension phase, income and gains can be taxed more favourably.

Risks

- Concentration: one property can be most of your retirement savings.
- Liquidity: paying pensions or benefits can be hard if the fund is mostly property.
- Borrowing must meet limited recourse borrowing arrangement rules.
- If the business struggles, the tenant is you.
- Stamp duty, valuations and legal costs.

Also see is an SMSF right for you? and advice for business owners.

Sources

- ATO: Self-managed super funds

Read online with live links: finforce.com.au/insights/smsf-business-property.html

CHAPTER 6

SMSF borrowing (LRBA) safe harbour interest rates for 2026–27

If an SMSF borrows from a related party, such as a member lending to their own fund to buy property, the loan must be on arm's length terms. The ATO publishes safe harbour interest rates each year.

The rates

Year	Real property	Listed shares or units
2026–27	9.35%	11.35%
2025–26	8.95%	10.95%
2024–25	9.35%	11.35%

Why it matters

A related-party limited recourse borrowing arrangement (LRBA) that follows the ATO's safe harbour terms in Practical Compliance Guideline PCG 2016/5 is treated as arm's length. If a loan is on more favourable terms, such as a lower rate, income from the asset can be taxed as non-arm's length income at the top rate.

What trustees should do

- Check your related-party loan rate for 2026–27 is at least the safe harbour rate, or that you can show the terms are arm's length another way.
- Keep a written loan agreement and pay on time, monthly.
- Stress-test the fund's cash flow with the SMSF property calculator; see also SMSF and business property.

Quick answers

What is the SMSF LRBA safe harbour rate for 2026–27?

9.35% for real property and 11.35% for listed shares or units.

What happens if a related-party loan is below the safe harbour rate?

Income from the asset may be treated as non-arm's length income and taxed at the top rate, unless the terms can be shown to be arm's length.

Sources

- ATO: Other super rates and thresholds (Table 28, LRBA rates)

Read online with live links: finforce.com.au/insights/smsf-lrba-interest-rates-2026-27.html

CHAPTER 7

Division 296: the extra tax on super balances over $3 million

The Division 296 tax became law in March 2026 and applies from the 2026–27 financial year. It adds tax on the earnings linked to the part of a person's total super balance above $3 million, with a higher rate above $10 million.

The key numbers for 2026–27

- **Large super balance threshold:** $3 million. An extra 15% applies to the share of super earnings linked to the balance above it.
- **Very large super balance threshold:** $10 million. A further 10% applies to the share of earnings linked to the balance above it.
- Both thresholds are indexed to CPI in future years: the $3 million threshold in $150,000 steps and the $10 million threshold in $500,000 steps.

When it applies

For 2026–27, the tax applies if your total super balance at the end of the year (30 June 2027) is above $3 million. From 2027–28 it applies if your balance just before the start of the year or at the end of the year is above the threshold. The ATO says the first assessments, for 2026–27, will issue in the later half of the 2027–28 financial year. The tax can generally be paid from your super fund.

Who should look at this now

- SMSF members with large balances, especially where the fund holds business real property or other assets that are hard to sell. See SMSF and business property.
- Couples where one partner holds most of the super. Contribution splitting and spouse strategies may matter: spouse contributions and splitting.
- Anyone planning a large contribution, such as from a business sale: selling your business, super and CGT.

Do not make sudden withdrawals or restructures without advice. Getting money back into super later is limited by the contribution caps and the transfer balance cap.

Quick answers

What is the Division 296 tax?

An extra 15% tax on the share of super earnings linked to a total super balance above $3 million, plus a further 10% on the share linked to the balance above $10 million, from 2026–27.

When will the first Division 296 assessments be issued?

The ATO says assessments for 2026–27 will begin issuing in the later half of the 2027–28 financial year.

Is the $3 million threshold indexed?

Yes. From 2027–28 it is indexed to CPI in $150,000 increments; the $10 million threshold in $500,000 increments.

Sources

- ATO: Division 296 tax on large super balances
- ATO: Be ready for new tax on large and very large super balances (7 July 2026)
- Treasury Laws Amendment (Building a Stronger and Fairer Super System) Act 2026

Read online with live links: finforce.com.au/insights/division-296-tax-super-over-3-million.html

CHAPTER 8

Binding death benefit nominations: making sure your super goes where you want

Super does not automatically form part of your estate. Unless there is a valid binding nomination or reversionary pension, the fund trustee decides who receives it, within the law.

The options

- **Binding nomination:** the trustee must pay the people you name, if the nomination is valid. In many public funds these lapse after three years unless renewed.
- **Non-lapsing binding nomination:** offered by some funds, stays in place until you change it.
- **Non-binding nomination:** a guide only; the trustee decides.
- **Reversionary pension:** a pension continues to a nominated dependant.

Who you can nominate

Your dependants under super law (spouse, children, financial dependants and people in an interdependency relationship) or your legal personal representative (your estate).

The SMSF trap

For SMSFs, the ATO's view is that the three-year lapsing rule does not apply unless the trust deed imports it, but the nomination must follow the deed exactly. In Hill v Zuda (2022) the High Court considered SMSF nominations. Courts have struck down nominations that did not follow the deed. Have the deed and nomination reviewed together.

Tax matters too

Payments to adult children who are not dependants can be taxed: see super death benefit tax rates, death benefits for adult children and the calculator.

Quick answers

Does my will cover my super?

Not automatically. Super is paid by the trustee under the fund rules unless there is a valid binding nomination to your estate or dependants.

Do binding nominations expire?

In many public funds after three years unless renewed or non-lapsing. In SMSFs it depends on the trust deed.

Sources

- Moneysmart: Who gets your super if you die
- ATO: SMSFD 2008/3
- High Court: Hill v Zuda Pty Ltd [2022] HCA 21

Read online with live links: finforce.com.au/insights/binding-death-benefit-nominations.html

CHAPTER 9

Super death benefit tax rates for adult children, explained

When super is paid as a lump sum to an adult child who is not a tax dependant, the taxable component can be taxed. Here are the rates and the levers worth knowing about.

The rates (non-dependant, lump sum)

- **Non-taxable component** (the ATO's name for it is in its guidance linked below): not taxed.
- **Taxable component, taxed element:** taxed at up to 15% plus Medicare levy (up to 17%).
- **Taxable component, untaxed element:** taxed at up to 30% plus Medicare levy (up to 32%). This usually arises where a fund has claimed deductions for insurance premiums or the fund is untaxed.

Example: a $500,000 taxed-element taxable component paid to an adult non-dependant child could cost up to $85,000 in tax (17%). The fund withholds the tax, and the child can claim the Medicare levy portion through their tax return as applicable.

Who counts as a dependant?

For tax purposes a dependant includes a spouse or former spouse, a child under 18, someone financially dependent on you, or someone in an interdependency relationship with you. Most adult children are not dependants, which is why this tax applies to them.

Levers to discuss with an adviser

- A recontribution strategy can convert taxable component into non-taxable component while you are alive, subject to caps and eligibility.
- Binding death benefit nominations and estate planning: see binding nominations.
- Model the impact with our super death benefit tax calculator.

Quick answers

How is super taxed when left to adult children?

For a non-dependant adult child, the non-taxable component is not taxed, the taxed element is taxed at up to 17% including Medicare levy, and the untaxed element at up to 32%.

Can I reduce death benefit tax on super?

Strategies such as a recontribution strategy may reduce the taxable component. Eligibility rules and caps apply; get personal advice.

Sources

- ATO: Tax on super benefits (death benefits)
- ATO: Super death benefits

Read online with live links: finforce.com.au/insights/super-death-benefit-tax-rates-explained.html

Want this applied to your situation?

Book a review with the FinForce team at Level 7, 190 Edward Street, Brisbane City, online or by phone: 07 3262 6585 · finforce.com.au

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