

Example 2: An investment strategy for an SMSF with a business real property asset

Jones SMSF investment strategy

The following document details the investment strategy of Jones SMSF.

The members of the fund are John Jones (aged 48) and Jane Jones (aged 42). Both members of the fund are in accumulation stage and the fund has combined assets (as at 1 January 2024) of \$505,000.

OBJECTIVES

The fund will target an annual return of around 3% above CPI.

The overall composition of the fund's assets and their diversification will be given appropriate consideration. When doing so, members' assets held outside of the SMSF will also be taken into consideration.

The fund can invest in equities (both Australian and global), fixed income and cash and property.

It may, depending on the opportunity, consider alternative investments for a small portion of the balance, or derivatives. When investing in derivatives, a derivative risk statement outlining the expertise of the trustee will be attached.

The trustees have considered the expected risk and return of investments, appropriate diversification, the liquidity of certain investments with regard to the fund's expected cash-flow requirements and the fund's ability to discharge its liabilities. They have agreed that the fund will invest directly or indirectly in a commercial property.

The trustees have agreed that although the business real property investment is a significant allocation of the Jones SMSF, the advantages to both trustees' retirement outcomes of holding the business within the superannuation fund outweigh any risk of concentration of assets.

Within the allocation to Australian equities, the fund will seek a significant portion of quality large-cap companies that prioritise dividends in order to maximise and maintain the fund's value. A small allocation to cash or fixed income should provide the fund some security during volatile market periods.

The following overall asset allocations have been agreed upon.

- Equities 0-10%
 - Global 0-10%
 - Australian 0-5%
- Property 0-85%
 - Direct (single asset) 5%
- Cash or fixed income 0-5%

It is understood that the actual allocation to the above asset classes may move outside these target ranges from time to time. If, due to significant market movements, any asset class becomes significantly over allocated, the trustees will rebalance the portfolio at the earliest opportunity or the next trustee meeting, whichever occurs first.

POLICIES

As both members are still in accumulation mode, and will be for some time, there are no current requirements for member benefits to be made. When one or both of the members reach retirement or pass away, member benefits and liquidity will be considered as required and it is expected the business real property will be sold.

This document will be reviewed annually in June and reviews will be minuted.

INSURANCE

The insurance requirements of both members have been considered to be adequate without taking out a contract of insurance within Jones SMSF with respect to one or more members of the fund.

In reaching this conclusion the following factors were considered:

- The current insurance levels held by members outside the fund (including within other non-SMSF superannuation funds)
- The impact on Jones SMSF of providing additional enhanced insurance within the fund.

See attached documents of personal policies of both members plus the insurance attached to John Jones' industry super fund in which he still maintains a small balance.

Executed by the Trustees (sign here)

(Trustee 1)

(Trustee 2)