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Our Reference: Investment Strategy  
Phone: 13 10 20  
Client ID:

## Is your SMSF investment strategy meeting diversification requirements?

Dear Trustee

Our records indicate that your self-managed super fund (SMSF) investment strategy may hold 90% or more of its funds in one asset, or a single asset class.

This means that your fund may be at risk of not meeting the diversification requirement as outlined in the operating standard of the *Superannuation Industry (Supervision) Regulations 1994*.

As a trustee you are ultimately responsible for ensuring your investment strategy meets the requirements under the law. You could also be liable for an administrative penalty of \$4,200 if your investment strategy fails to meet these requirements.

### What you need to do

You need to review your investment strategy to make sure it complies with the law. In particular, you need to be able to provide evidence, ideally within a written investment strategy, of how you considered the following;

- › diversification of your fund investments;
- › the risks associated with inadequate diversification within the context of your SMSF's investment portfolio;
- › the making, holding and realising and the likely return from your investments having regard to your retirement objectives and expected cash flow requirements
- › the liquidity of your investments, meaning ability of your fund to pay benefits as members retire and pay other costs incurred by your fund
- › whether to hold insurance cover for one or more members of your SMSF.

Have your investment strategy ready to provide to your SMSF's approved auditor as part of your next audit. This will help your auditor form an opinion on your fund's compliance with these requirements.

### What happens now

We will also be writing directly to the auditor of your fund to notify them of our concerns. You should be aware that if your auditor identifies that you have failed to rectify any non-compliance with the requirements listed above; this could result in the imposition of the above mentioned penalties.

Yours faithfully,

**James O'Halloran**

Deputy Commissioner of Taxation

### NEED HELP?

If you have any questions, you can phone us on **13 10 20** between 8.00am and 6.00pm, Monday to Friday.

### MORE INFORMATION

For more information about investment strategies for SMSFs, visit our website [ato.gov.au/smsfinveststrgy](http://ato.gov.au/smsfinveststrgy)