

Does your SMSF need to take out life insurance?

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Trustees of SMSFs must not forget their duty to consider life insurance for their members.

Regulation 4.09 of the Superannuation Industry (Supervision) Regulations 1994 is part of the operating standards that apply to self-managed superannuation.

The regulation requires (among other things) that the trustee of the fund must:

- formulate
- review regularly; and
- give effect to

an investment strategy that has regard to whether the trustee should hold a contract of insurance that provides insurance cover for one or more members of the fund.

In considering whether to take out life and or TPD insurance for a member a trustee would do well to consider:

- the member's total super balance
- any existing insurance arrangements both inside and outside of superannuation
- the age and health of the individual member
- the income, assets and liabilities of the individual member
- the impact of death or disability on members or beneficiaries' standard of living
- the member's intentions in relation to their death benefits
- the nomination of the beneficiary/s of the policy
- the taxation of benefits
- the conditions of release
- the cost and affordability of cover taking into account the member's age and retirement goals, and
- the deductability of insurance premiums

Townsend's Lawyers offers pro forma documents to record a fund's investment strategy and provides compliance assurance for the trustees and the fund: Visit www.townsendslaw.com.au/online-products/category/smsf

For more information on any aspect covered in this article, please call SUPERCentral on 02 8296 6266 or email info@supercentral.com.au.