FUNDAMENTALLY SPEAKING

A simple explanation of the finance terms we all hear about but don't really understand

Take stock of asset values in SMSF to check on limits

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If you have a self-managed superannuation fund, you will know that you need to regularly value your fund's assets.

Needless to say, you are not required to value any shares your fund owns because the share market does the job for you. But there are plenty of assets that don't trade on a liquid market like the Australian Securities Exchange that will require your attention. One of the most common SMSF assets you need to value is property, whether this be residential, commercial or even farm land.

As a result of this valuation requirement one of the most common questions asked is: "Who can value the assets?"

Many people assume that you need to appoint a licensed valuer for the job, but this is not always the case.

In the eyes of the Australian Taxation Office, the process you implement to determine the value is far more important than who is doing the valuing. This means that you are generally able to value your SMSF assets as long as you can provide evidence of the use of objective and supportable data.

For example, if you are valuing a property, keeping sales evidence of neighbouring and comparable properties could be a good idea. However, if you have collectables or personal-use assets in your fund, these will need to be valued by an independent and qualified valuer.

One of the reasons it's so important to regularly value SMSF assets — outside of the fact it's a regulatory requirement — is that there are many types of contributions that you can make to your super fund where your eligibility depends on your total superannuation balance. Without an accurate valuation you may inadvertently make a contribution that you are not eligible to make.

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Illustration: Don Lindsay