



Simple Fund

PENSIONS

TRAINING MANUAL

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Introduction

Welcome to the Simple Fund Pensions Training Manual.

This training manual will provide you with a detailed knowledge of the various screens, functions and reporting tools available in **Simple Fund** specifically for pension members. Using practical examples, the manual details the process of setting up and operating pension member accounts within **Simple Fund**. The course will assist those users that are relatively new to account based pensions as well as those users that have already been using **Simple Fund** or other software to maintain pension funds.

It is assumed you have an understanding of Self Managed Superannuation Fund (SMSF) compliance issues, pension taxation issues, relevant SIS regulations and the relevant social security requirements. Although some of these are explained in the manual, due to their complexities they are not covered in a half day course. While this manual is not intended to provide an exhaustive guide to pension funds, it will complement your existing knowledge with a hands-on approach maintaining pension funds. BGL emphasises the importance of professional advice in relation to the compliance and legislative aspects of pension fund establishment and maintenance.

BGL recommends you complete the tasks covered in the **Simple Fund** Introduction course before attempting this course.

Lesson 1 - Rollover Benefits and Contributions

This lesson will explain how to record Superannuation Rollins, how to add additional member accounts, and how to add additional Cash at Bank accounts to the Chart of Accounts. This lesson will also cover the process of recording Employer, Personal and Government Co-contributions into a super fund.

Lesson 2 - Commencing a Superannuation Pension

This lesson shows you how to write back tax provisions where the fund was applying tax-effect accounting; how to create entries to update the members balance prior to starting a pension; how to transfer members balances to unrestricted and how to change a member from accumulation to pension mode.

Lesson 3 - Income Stream Calculations

This lesson will show you how to utilise the Pensions function to calculate expected pension payments and tax payable for a given scenario, and project future pension payments. It also shows you how to record pension payments using standing journals, and prepare PAYG summaries.

Lesson 4 - Recording Income, Expenses and Disposals

This lesson requires you to record income, expense and capital gains transactions for the purposes of reconciling the exempt pension income calculation for taxation.

Lesson 5 - Pension Fund Year End Processing

This lesson explains how to use the Actuarial Certificate Wizard and the year end create entries process when the Unsegregated Method is used.

Lesson 6 - Pension Accounts

This lesson will show you how to commence a Transition to Retirement Pension and how to record Salary Sacrifice Contributions.

Lesson 7 - Commutation

This lesson will show you how to commute a pension account.

Lesson 8 - Allocating Assets to Pools

This lesson requires you to segregate assets in **Simple Fund** using asset Pools, and explains the differences in allocations from the Create Entries process from the unsegregated method.

Lesson 9 - Uploading XML Data

This lesson will teach you how to upload data into **Simple Fund** using Transaction Upload.

Lesson 10 - Create Entries Process for Pooled Assets

This lesson explains the year end create entries process when the segregated assets method is used, and shows you how to prepare segregated member investment reports

Training Manual Conventions

Simple Fund Conventions

One of the main objectives of **Simple Fund** is to enable superannuation data to be entered as quickly as possible. The following design features are just some of the ways **Simple Fund** speeds up the data entry process:

1. Within all transaction screens you are able to skip to the next field, using the **Tab** key if you do not wish to enter data.
2. Alternatively you can use the **Enter** key to pre fill fields with the details from the last transaction.
3. When entering cash payments or receipts **Simple Fund** automatically assumes all payments are debits and all receipts are credits.
4. You can use the standard windows shortcut keys Cut (Ctrl + X), Copy (Ctrl + C) and Paste (Ctrl + V) to move data amongst fields.

Simple Fund has its own shortcut keys should you prefer to use the keyboard rather than the mouse. Some common shortcut keys used throughout Simple Fund are as follows:

Alt + N - creates a new record.

Alt + E - edits the current record.

Alt + C - opens the chart of accounts screen.

Alt + S - posts (saves) the current data.

Alt + X - exits the current screen without saving.

Note - shortcut keys are referenced on each **Simple Fund** button with an underlined character. E.g. The



Create Entries

Create Entries shortcut key is **Alt + C**.

Training Manual Conventions

- When "**click**" is used you are required to move the mouse pointer to the field or button and press the left mouse button.
- When the word "**highlight**" is used you are required to move the mouse pointer to the data and press the left mouse button.
- Buttons to be clicked are shown on the screen in bold and italics. ie **Select**.
- Keys to be pressed are shown on the screen in bold. ie **Tab**
- Data required to be input by you will be displayed in **BOLD, ITALICS AND UPPERCASE**. Data should be input in proper case (upper and lower characters).
- Any text with the prefix "**KB**" indicates a link to an article in the Knowledge Base on the BGL Wiki.

Symbols



TIPS AND TRICKS



CAUTION



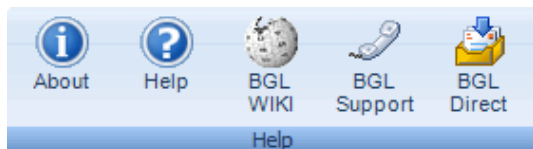
LINKS ON BGL WIKI

Simple Fund Help and Training Resources

Overview of Help

Simple Fund, like many computer software packages, requires data to be input in certain ways and will not give you the correct result if data is not input correctly. **Simple Fund** expects you have a good understanding of superannuation accounting. Although there are sometimes a number of ways that transactions can be input, **Simple Fund** adopts the most commonly used and audit preferred method.

BGL has designed many sources of help information for **Simple Fund** users. All Help resources can be accessed from the **Ribbon Toolbar, Help And Web Access Tab**, in the **Help** group.



1. ? Help

Context sensitive screen by screen **Help**.

There are three topics: *Overview*, *How Do I...* and *Fund and the ATO* that should be read by all new users before entering data into **Simple Fund**.

2. ? Training Manuals

Training Manuals are included as part of Help. These include:

Simple Fund Basics

This takes you through the most common tasks, from setting up opening balances, entering current year transactions and generating reports.

Simple Fund Advanced

Building on the knowledge gained in the Introduction Training, this covers more complex **Simple Fund** tasks.

Simple Fund Pensions

This provides a general overview of the rules and regulations applying to allocated pensions and how to set up and administer pensions in **Simple Fund**.

All Training Manuals can also be downloaded in PDF format from the Client Centre via **Your Support | Training Manuals**

3. ? Knowledge Base

From the BGL Wiki, current subscribers can access over 300 articles on your BGL software, from installations, instructions and troubleshooting.

Note: All BGL Help Resources are online on BGL Wiki. If you are connected to the Internet, **Simple Fund** will connect you automatically to BGL Wiki. This will enable you to always have access to the updated help files.

Lesson 1 - Rollover Benefits and Contributions

Objective

In this lesson you will learn how to:

- import an existing fund into **Simple Fund**
- record a superannuation rollin
- record various types of contributions in a fund

By the end of this lesson, you will be able to:

- import a zipped copy of the fund into **Simple Fund**
- correctly record the cash and taxation components of a Lump Sum rollin
- add additional bank accounts to a fund
- record employer, personal contributions and government co-contributions

Details

Member Payment Clearing Account 492

Lump Sum cash receipts are to be recorded to the Member Payment Clearing Account 492. Like investment disposals, the cash is recorded to the clearing account, and a separate screen is used to record the details of the Lump Sum rollin. This Lump Sum Rollin screen posts the Lump Sum amount to this Member Payment Clearing Account 492, balancing the transaction.

Additional Cash at Bank Accounts

Separate bank accounts are not essential for **Simple Fund** to maintain a pension but it does make it simpler for funds with segregated assets. Bank accounts must have the Cash label set to *Bank* to allow the *Statement of Cash Flows* and *Bank Reconciliation* screen to recognise the movements in this account.

Exempt Pension Income calculations

To ensure income from the new bank account is included in exempt pension income, bank accounts are flagged as an ☒ Investment Account which allows a link to the income account. Only **linked income** accounts are included in *Exempt Pension Income* or segregated current pension assets.

Learning Tasks

John Jones is combining his superannuation and making additional contributions before starting the pension. These tasks cover the journals required to record the cash receipt, and how to correctly record the taxation components of the superannuation rollin as well as showing you which accounts to use when posting employer and personal contributions.

Task 1.1 - Fund In

Import the BGL Training Fund using the **Simple Fund** Data In/Out process.

Task 1.2 - Record the Superannuation Rollover Benefit**Cash Receipt**

Bank Account (New)	605 - ANZ Cash Management Account
Date	2 July 2013
Reference	1
Account	492 Member Payment Clearing Account
Amount	\$225,000
Receipt Details	Superannuation rollin

Superannuation Rollin

John Jones is over 55 so his superannuation rollin will be unpreserved.

Date	2 July 2013
Member	John Jones
Components (Unpreserved)	
Unrestricted Non Preserved Tax Free	\$ 165,000
Unrestricted Non Preserved Taxable - taxed element	\$ 60,000
Total	\$ 225,000

Task 1.3 - Employer Contributions

John and Mary Jones have received a concessional contributions from their employer of \$20,000 each. Post these concessional contributions to ***242/00X Employer Contribution - Concessional***.

Receipt 1 - John Jones

Bank	604 - Cash at Bank
Date	28 July 2013
Ref	2
Account	242/001- Employer Contribution - Concessional
Amount	\$20,000

Receipt 2 - Mary Jones

Bank	604 - Cash at Bank
Date	28 July 2013

Ref	2
Member	Mary Jones
Account	242/002- Employer Contribution - Concessional
Amount	\$20,000

Task 1.4 - Personal Contributions

John has contributed \$150,000 from his personal savings to top up his superannuation, and Mary has contributed \$1000 to take advantage of the government co-contributions. Record these non-concessional contributions to **261/00X Member/Personal Contribution - Non Concessional**.

Receipt 1 - John Jones

Date	28 July 2013
Ref	3
Account	261/001 - Member/Personal Contributions - Non Concessional
Amount	\$150,000

Receipt 2 - Mary Jones

Date	28 July 2013
Ref	3
Member	Mary Jones
Account	261/002 - Member/Personal Contributions - Non Concessional
Amount	\$1,000

Task 1.5 - Government Co-contributions

Mary's taxable income is below the lower income threshold, and was eligible for the Super Co-contribution. The contribution has been deposited into the super fund's account. Record the co-contribution to **263/002 Other Contribution - Non Taxable**, recording the member component as 'Govt Co Contributions'.

Cash Receipt

Date	22 June 2014
Ref	4
Member	Mary Jones
Account	263/002 - Other Contributions - Non Taxable
Amount	\$500
Member Component	Govt Co Contributions

Task 1.1 - Fund In/Out

Objective

In this task you will learn how to add the BGL Training Fund to **Simple Fund** using the Data In/Out process.

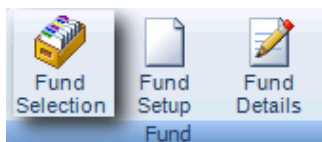
By the end of this task, you will:

- be able to create a new fund with a new code and a new name
- import the fund using the Data In/Out process
- understand how the Fund In and Fund Out process functions

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Fund** group, click **Fund Selection**



Click  **New**

Fund Code Input **PENSION** press **Enter**

Fund Name Input **BGL TRAINING FUND**

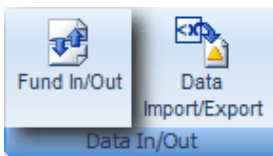
 A screenshot of a 'Fund Data Input' dialog box. It has a light blue header with two icons. The main area contains several fields: 'Fund Code' with the value 'PENSION', 'Fund Name' with the value 'BGL TRAINING FUND', 'Department' with a magnifying glass and 'X' icon, 'Portal client ?' with an unchecked checkbox, 'Include existing fund transactions ?' with an unchecked checkbox, 'Fund Password' with a text box and a blue 'X' icon, and 'Retype Fund Password' with a text box.

Click  **Save** . **Simple Fund** will now create a new blank fund ledger.

Click  **Select** to select the BGL Training Fund

From the **Ribbon Toolbar**:

On the **Data In/Out** tab, in the **Data In/Out** group, click **Fund In/Out**



Fund In Location

Click **File**. Double-click the **?:\SFUND\BGLTRAN.ZIP** file where **?** is the drive **Simple Fund** is installed.



THE BGL TRAINING FUND IS LOCATED IN YOUR SFUND FOLDER WHERE YOU INSTALL THE SOFTWARE

This process will import the data of the Simple Fund export selected below into this Simple Fund ledger.

Fund In Location
 C:\SFUND\bgltran.zip

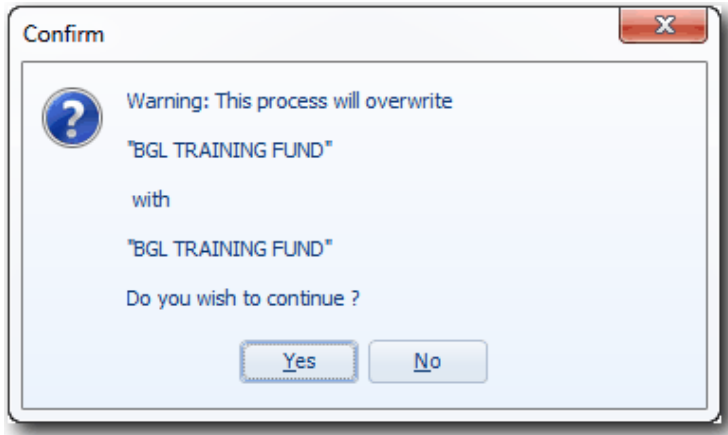
Fund In Name
BGL Training Fund

Import Fund

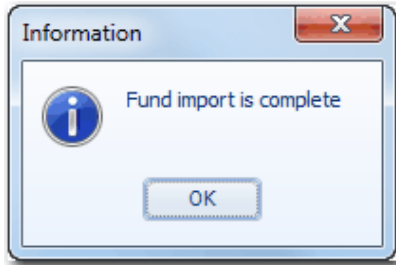
Click

Import Fund

The following message will appear:



Click **Yes** as there is no existing data to overwrite



Click **OK**

Click  **Exit.**

End of Task 1.1. Proceed to **Task 1.2.**

Task 1.2 - Record a Superannuation Rollin

Objective

In this task you will learn how to record John Jones unreserved superannuation rollin.

By the end of this task, you will be able to use the Lump Sum Rollin screen to correctly record the cash and taxation components of an Lump Sum rollin.

Overview

The Lump Sum Rollin screen allows easy input of the **tax** and **preservation components** from a member's Rollover or Lump Sum Statement. **Simple Fund** will automatically create the journal entries required to allocate the amounts input in the ledger. **Simple Fund** posts the total amount to Account 492. Therefore you should post Lump Sum cash receipts from the bank statement to this account during data input.

The various tax components input into the Lump Sum Rollins screen are posted to the following accounts. The three accounts depend on whether the amounts are Preserved, Restricted and Unrestricted. The Lump Sum transfer in accounts are transferred by the Create Entries process to the respective 500 Balance Sheet Accounts. It is important to create entries before preparing member reports as amounts from further roll in, contributions or Lump Sum Payouts are not allocated to the members account until the Create Entries process has been completed.

	Profit & Loss Account	Balance Sheet Account
Tax Free	286, 290, 288	50X/021, 026, 024
Taxable	285, 289, 287	50X/022, 025, 023

Details

John Jones has deposited the following superannuation rollin to top up his current balance, which he will later convert to a pension.

Step 1 - Record the Cash Receipt

Bank Account (New)	605 - ANZ Cash Management
Date	2 July 2013
Reference	1
Account	492 Member Payment Clearing Account
Amount	\$225,000
Details	Superannuation rollin

Step 2 - Record the Superannuation Rollin

Record the following Unpreserved Lump Sum Rollin for John Jones.

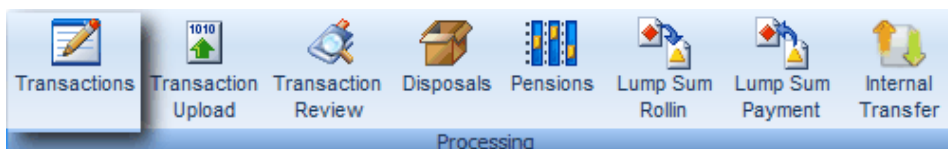
Date	2 July 2013
Member	John Jones
Lump Sum Rollin Components	(Unrestricted Non Preserved)
Undeducted Contributions	\$ 165,000
Post June 1983 Taxed	\$ 60,000
Total	\$ 225,000

Instructions

Step 1 - Record the Cash Receipt

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**



Click



Type	Input R to select Receipts .
Bank	Click  Search to display the Chart of Accounts

Adding a Bank Account

Click	B to add a new Bank account
Account Type	Leave this as Normal
Account Code	Leave this as 605 and press Enter . Simple Fund will create a bank account using the next available account code number in the Chart of Accounts.
Account Name	Input ANZ Cash Management Account and press Enter
Cash Account	Leave this as Bank This cash label allows the account to be used in the bank reconciliation screen, the Statement of Cash Flows and to be used for recording Bank Statement, Receipts or Payments.
Bank Name	Leave this blank. To attach a bank account, refer to Task 2.1 of the Simple Fund Advanced Training Manual .
Tax Return Label	Leave this as Not applicable - Permanent Difference .
Regulatory Return	Leave this as Assets - Cash
Investment Account	Simple Fund will automatically tick this checkbox ☒ . This will then generate a linked interest account and this bank account will be included in Investment Reports.

Click  **Save**

Click  to **Select** Account **605** to return to the transaction receipts screen

Complete the Transaction - Receipts Screen:

Date Input 02/07/2013 and press **Enter**

Reference Input 1 and press **Enter**

Account Input 492 and press **Enter**

Amount Input 225 000

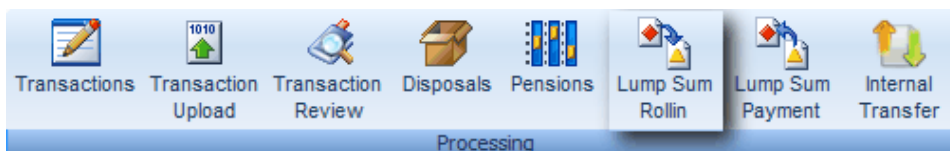
Note Input **Superannuation rollin**

Click  **Post** to record the transaction to the Ledger

Step 2 - Record the Superannuation Rollin

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Lump Sum Rollin**



Date of Rollover Payment

Click

Search or press **ALT + O**, to select the *Rollin Date* and Entries posted to the *492 Member Payment Clearing Account*

Account 492 - Member Payment Clearing Account Entries		
Show	Current	
Date	Narration	Amount
02/07/2013	Superannuation rollin	225,000.00

Highlight the **02/07/2013** John Jones **\$225,000** entry and click **Select**.

Member

Click **Search** to list **Members**. Highlight **John Jones** and click **Select**.

The \$225,000 will now need to be split between Tax Free and Taxable components under **Benefit Payment Data**

Tax Free

Input 165 000 in the **Unrestricted** column.

Taxable - Taxed element

Input 60 000 in the **Unrestricted** column and press **Enter**.

Date of Rollover Payment: 02/07/2013

Member: Jones, John

Pre Jul 07 | Post June 07 | **Post June 13**

Benefit Payment Data		Preserved	Res Non Pres	Unres Non Pres	
Tax Free				165000	
Taxable	- Taxed Element			60000	
	- Untaxed Element				
KiwiSaver Tax Free					
				Total	225000.00

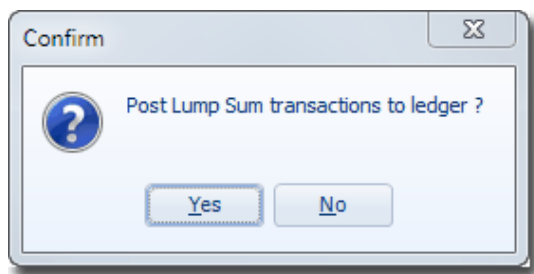
Check the total, this should be **\$225,000**

Click

 **Preview** to view the *Lump Sum Rollin Posting Report*. Click  **Exit** to close this report.

Click

 **Post** (ALT + S) to post the transactions.



Click

Yes

The following journals will be posted by **Simple Fund**.

02/07/2013	288/001 - Transfers In/Unrestricted/Tax Free	165,000	Credit
02/07/2013	287/001 - Transfers In/Unrestricted/Taxable	60,000	Credit
02/07/2013	492 - Member Payment Clearing Account	225,000	Debit

Ensure that your 492 Member Payment Clearing Account has a nil balance.



PLEASE REFER TO ARTICLE 351 IF TRANSFERS IN/OUT AND BENEFITS PAID DO NOT SHOW ON THE OPERATING STATEMENT

End of Task 1.2. Proceed to **Task 1.3**.

Task 1.3 - Employer Contributions

Objective

In this task you will learn how to record concessional employer contributions prior to commencement of a pension.

Details

Employers must pay their employees the 'Superannuation Guarantee Contributions' (SGC) at the rate of 9.50% of their salary and bonuses effective from 1 July 2014.

An employer making SGC for an employee gets a tax deduction for this payment. It forms part of the salary of the employee. Often SMSF members operate their own businesses and pay themselves the SG contribution as part of their salary package.

Instructions

Post the following cash receipts:

Transaction 1:

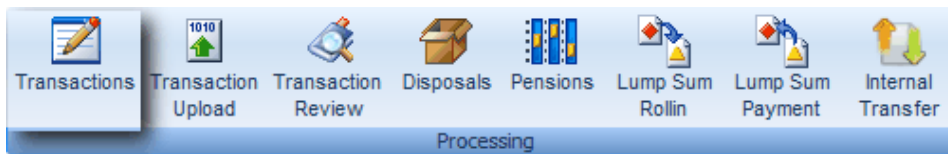
Bank	604 - Cash at Bank
Date	28 July 2013
Ref	2
Member	John Jones
Account	242/001- Employer Contribution - Concessional
Amount	\$20,000

Transaction 2:

Bank	604 - Cash at Bank
Date	28 July 2013
Ref	2
Member	Mary Jones
Account	242/002- Employer Contribution - Concessional
Amount	\$20,000

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**



- Click  **New**
- Type Input **R** to select **Receipts**.
- Bank Change this to **604**

Transaction 1:

- Date Input **28/07/2013** and press **Enter**
- Reference Input **2** and press **Enter**
- Account Input **242 001** (*Employer Contributions - Concessional - John Jones*) and press **Enter**.
- Amount Input **20 000**

Type	Receipts		Transaction Balance:		
Bank	604	Cash at Bank	Bank Balance:		0.00
Account	Jones, John (Accumulation)		Account Balance:		0.00
			Taxable Income:		20,000.00
Date	Reference	Account	Units	Amount	Div Residual
28/07/2013	2	242 001		20000.	
Note	Employer Contributions - John		GST	N/A	
CGT Date			Member Component	Employer Contributions	

Click  **Save** (**ALT + S**) to post this transaction

Transaction 2:

- Date Input **28/07/2013** and press **Enter**
- Reference Input **2** and press **Enter**
- Account Input **242 002** (*Employer Contributions - Concessional - Mary Jones*) and press **Enter**.
- Amount Input **20 000**

Type	Receipts		Transaction Balance:		
Bank	604	Cash at Bank	Bank Balance:		0.00
Account	Jones, Mary (Accumulation)		Account Balance:		0.00
			Taxable Income:		20,000.00
Date	28/07/2013	Reference	2	Account	242 002
				Units	
				Amount	20000.00
				Div Residual	
Note	Employer Contribution - Mary		GST		N/A
CGT Date			Member Component		Employer Contributions

Click  **Save** (*ALT + S*) to post this transaction



***PLEASE REFER TO ARTICLE 275 FOR INFORMATION ON EXCESS
EMPLOYER CONTRIBUTIONS***

End of Task 1.3. Proceed to **Task 1.4.**

Task 1.4 - Personal Contributions

Objective

In this task you will learn how to record personal non-concessional contributions prior to commencement of a pension.

By the end of this task, you will be able to determine the non-concessional contribution caps and identify the correct accounts to record different types of personal contributions.

Overview

In 2013-14 the non-concessional contributions cap is \$150,000. In 2014-15 the non-concessional contributions cap will increase to \$180,000

If you are under 65 years old for at least one day of a financial year, you can 'bring forward' two years worth of contributions, giving you a total non-concessional contributions cap of \$450,000 for the three years, rather than a \$150,000 cap in each year of the three years. The three-year period automatically starts from the first year that you contribute more than that year's non-concessional contributions cap.

Details

John has contributed \$150,000 from his personal savings to top up his superannuation, and Mary has contributed \$1000. Record these non-concessional contributions to **261/00X Member/Personal Contribution - Non Concessional**.

To complete this task you need to add two receipt transactions for the following contributions:

Transaction 1:

Date	28 July 2013
Ref	3
Member	John Jones
Account	261/001 - Member/Personal Contributions - Non Concessional
Amount	\$150,000

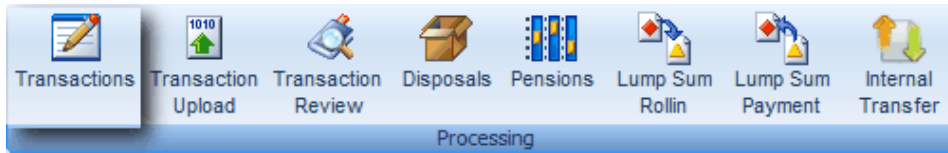
Transaction 2:

Date	28 July 2013
Ref	3
Member	Mary Jones
Account	261/002 - Member/Personal Contributions - Non Concessional
Amount	\$1,000

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**



Click  **New**

Type Input **R** to select **Receipts**.

Bank Leave this to **604**

Transaction 1:

Date Input **28/07/2013** and press **Enter**

Reference Input **3** and press **Enter**

Account Input **261 001** (Member/Personal Contributions - Non concessional - John Jones) and press **Enter**.

Amount Input **150 000**

Type	Receipts		Transaction Balance:		
Bank	604	Cash at Bank	Bank Balance:		0.00
Account	Jones, John (Accumulation)		Account Balance:		0.00
			Taxable Income:		150,000.00
Date	28/07/2013	Reference	3	Account	261 001
				Units	
				Amount	150000.00
Note	member Contribution - John		GST		N/A
CGT Date		Member Component	Personal Contributions (Non Concessional)		

Click  **Save** (**ALT + S**) to post this transaction

Transaction 2:

Date Input **28/07/2013** and press **Enter**

Reference Input **3** and press **Enter**

Account Input **261 002** (Member/Personal Contributions - Non Concessional - Mary Jones) and press **Enter**.

Amount Input **1 000**

Type	Receipts		Transaction Balance:		
Bank	604	Cash at Bank	Bank Balance:		0.00
Account	Jones, Mary (Accumulation)		Account Balance:		0.00
			Taxable Income:		1,000.00
Date	28/07/2013	Reference	3	Account	261 002
				Units	
				Amount	1000.
				Div Residual	
Note	member Contribution - Mary		X	GST	N/A
CGT Date				Member Component	Personal Contributions (Non Concessional)

Click  **Save** (**ALT + S**) to post this transaction

End of Task 1.4. Proceed to **Task 1.5**.

Task 1.5 - Government Co-contributions

Objective

In this task you will learn how to record government co-contributions received into a super fund.

By the of this task, you will be able to determine government co-contribution thresholds and identify the correct account to record government co-contributions.

Details

The super co-contribution is intended to help eligible people boost their retirement savings. If you satisfy an income test and make s personal non concessional Contribution to your super fund, the government may also makes a contribution. The amount of government co-contribution you can receive depends on how much you contribute and what your income is in the financial year.

Mary's taxable income is below the lower income threshold, and was eligible for the Super Co-contribution. The contribution has been deposited into the super fund's account. Record the co-contribution to **263/002 Other Contribution - Non Taxable**, recording the member component as '**Govt Co Contributions**'.

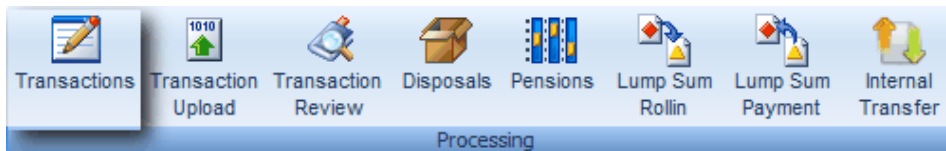
To complete this task you need to record the following cash receipt:

Date	22 June 2014
Ref	4
Member	Mary Jones
Account	263/002 - Other Contributions - Non Taxable
Amount	\$ 1,500
Member Component	Govt Co contribution

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**



- Click  **New**
- Type Input **R** to select **Receipts**.
- Bank Leave this to **604**
- Date Input **22/06/2014** and press **Enter**
- Reference Input **4** and press **Enter**
- Account Input **263 002** (Other Contributions - Non Taxable - Mary Jones) and press **Enter**.
- Amount Input **1 500**
- Member Component Select **Govt Co contributions**

Type	Receipts		Transaction Balance:		
Bank	604	Cash at Bank	Bank Balance:		0.00
Account	Jones, Mary (Accumulation)		Account Balance:		0.00
Date	22/06/2014	Reference	4	Account	263 002
Units		Amount	1500.00	Div Residual	
Note			GST	N/A	
CGT Date		Member Component	Govt Co Contributions		

Click  **Save** (ALT + S) to post this transaction



REFER TO ARTICLE 387 FOR MORE INFORMATION ON ENTERING CONTRIBUTIONS IN SIMPLE FUND

End of Lesson 1. Proceed to **Lesson 2**.

Lesson 2 - Commencing a Superannuation Pension

Objective

In this lesson you will learn the required steps to consider when commencing a pension.

By the end of this lesson, you will be able to:

- identify the steps required to commence a pension
- understand how income in a pension fund is taxed and how earnings are allocated to members
- record income and expenses prior to pension commencement
- reverse any deferred tax liabilities (if applicable)
- create entries prior to commencing a pension
- transferring members balances to unrestricted where preservation requirements are met
- changing a member account from accumulation to pension mode

Overview

The process of commencing a superannuation pension is as follows:

1. The member first notifies the Fund that they wish to start the pension. The **Pensions Notifications Letter** can be printed from the **Pensions | Prepare Reports/Post Entries** screen.
2. The Conditions of Release for the member are then confirmed by the trustee.
3. The member decides on what type of pension they want and the frequency of payment.
4. The Trustees of the Fund meet to agree to begin paying the pension and attend to any other associated matters. The **Trustee Minute/Resolution** can then be prepared from the **Pensions | Prepare Reports/Post Entries** screen.
5. The Trustees confirm in writing the amount and frequency of the pension payment. The **Pension Notifications Letter** can be printed from the **Pensions | Prepare Reports/Post Entries** screen.
6. The Trustees provide a Product Disclosure Statement setting out the terms of the pension. **Simple Fund** cannot produce this document for funds.

Taxation on Pension Accounts

Any income derived from **segregated current pension assets** will form part of the exempt pension income for the superannuation fund.

For unsegregated superannuation funds generally a actuarial certificate is required. The certificate will be used to calculate exempt pension income.

Allocation of Earnings

After much research and discussions with the ATO, NTAA and other respected SMSF Advisers in the industry, a significant change has been made to the allocation of the earnings to pension members from 01/07/2007. After this date the Create Entries process will now split a pension member's allocated earnings between tax free and taxable accounts. The tax free proportion is determined by the Tax Free Proportion Percentage entered into the member mode screen.

Part Pension Part Accumulation

Member's pension accounts must be accounted for separately from any accumulation accounts within the fund. The pension assets become known as **segregated current pension assets**. Therefore a member who has part pension and part accumulation balances in a fund will require two member accounts in **Simple Fund**. This is not necessary where a member is transferring the whole benefit from the accumulation account to a pension account.

Segregated current pension assets refers to a **group of identifiable asset and investment accounts** where investment earnings are added to the members account tax-free and pension payments and running expenses are subtracted from the members pension account.

Learning Tasks

John Jones is over 60 and is therefore eligible to commence a pension. His existing member account balance can be moved to unrestricted.

John will commence an account-based pension on 1 October 2013 based on his entire member account balance at that date.

Task 2.1 - Record Income and Expenses prior to pension commencement

Record the following income and expenses for the fund:

Cash Receipt

Bank	604 Cash at Bank
Date	08/08/2013
Ref	5
Account	280/001 - Rental Income, Unit 7
Amount	\$ 12,000

Cash Payment

Bank	604 Cash at Bank
Date	08/08/2013
Ref	6
Account	301 Accounting
Amount	\$ 2,000

This gives us \$10,000 taxable income for the quarter to review on the Create Entries report.

Task 2.2 - Writeback of Tax Effect Accounting

Remove tax-effect accounting for this fund and writeback the current provision in the 870 - Provision for Deferred Income Tax account to the 493 - Writeback of PDIT/FITB clearing account.

Type	Journals - Non-Cash
Date	01/07/2013
Reference	5
Debit Account	870 - Provision for Deferred Income Tax
Credit Account (Balancing Account)	493/999 - Writeback of PDIT/FITB
Amount	\$ 23,193

Task 2.3 - Create entries to update members balance

Create entries from 01/07/2013 - 30/09/2013 to allocate earnings, rollins, and the PDIT adjustment to the members for the accumulation period.

Task 2.4 - Transfer benefits to Unrestricted Non-Preserved

Transfer balances in John Jones Account from Preserved and Restricted to Unrestricted.

Task 2.5 - Change member to Pension mode

Transfer John Jones Account from accumulation to pension mode.

Task 2.1 - Income and Expenses Prior to Pension Commencement

Objective

In this task you will learn how to record income and expenses for the fund that occurred prior to the pension commencement.

By the end of this task you will be able to review the transactions at the end of the year to compare the taxable and exempt pension income at year end.

Details

Record the following income and expenses for the fund:

Cash Receipt

Bank	604 Cash at Bank
Date	08/08/2013
Ref	5
Account	280/001 - Rental Income, Unit 7
Amount	\$ 12,000

Cash Payment

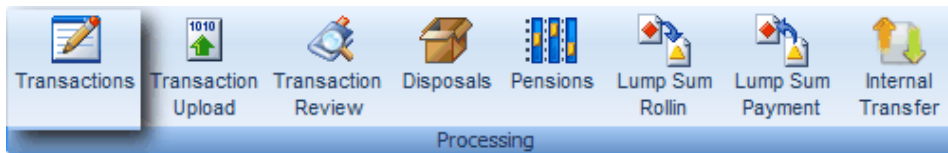
Bank	604 Cash at Bank
Date	08/08/2013
Ref	6
Account	301 Accounting
Amount	\$ 2,000

This gives us \$10,000 taxable income for the quarter to review on the Create Entries report.

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**



- Click  **New**
- Type Input **R** to select **Receipts**.
- Bank Leave this as **604**
- Date Input **08/08/2013** and press **Enter**.
- Reference Input **5** and press **Enter**
- Account Input **280 001** (*Rental Income, Unit 7*) and press **Enter**.
- Amount Input **12 000**

Type	Receipts		Transaction Balance:		
Bank	604	Cash at Bank	Bank Balance:		0.00
Account	Unit 7, 270 Grange Road, Toorak		Account Balance:		0.00
Date	08/08/2013	Reference	5	Account	280 001
Units		Amount	12000.00	Div Residual	
Note	Rent		GST	N/A	
CGT Date		Member Component	N/A		

Click  **Save** (**ALT + S**) to post this transaction

Now record the Payment for Accounting Fees.

- Type Input **P** to select **Payments**.
- Bank Leave this as **604**
- Date Leave this as **08/08/2013**
- Reference Input **6** and press **Enter**
- Account Input **301** (*Accounting Fees*) and press **Enter**.

Amount Input 2 000

Type	Payments				Transaction Balance:	
Bank	604	Cash at Bank			Bank Balance: 0.00	
Account	Accountancy Fees				Account Balance: 0.00	
					Taxable Income: 2,000.00	
Date	Reference	Account	Units	Amount	Div Residual	
08/08/2013	6	301		2000.		
Note	Accounting Fees				GST N/A	
CGT Date					Member Component N/A	

Click  **Save** (ALT + S) to post this transaction.

End of Task 2.1. Proceed to **Task 2.2**.

Task 2.2 - Writeback of Tax Effect Accounting

Objective

In this task, you will learn how to reverse deferred tax liabilities calculated by **Simple Fund**.

By the end of this task, you will be able to:

- turn off the tax effect accounting options in **Simple Fund**
- reverse all balances in the 870 account
- reverse part of the balance of 870 in a part pension, part accumulation fund

Details

Tax-effect accounting creates a capital gains tax provision for investments that have increased or decreased in value, but have not yet been sold. The Create Entries process calculates timing differences on unrealised capital gains, and posts an entry to the 870 Provision for Deferred Income Tax account. This task reverses the current provisions for tax-deferred amounts and switches off tax-effect accounting.

Since John Jones is about to start a pension, no capital gains tax will apply to his portion of disposals in the fund. Therefore a provision for deferred income tax is no longer relevant to his portion of the fund. Since Mary is also soon to begin a pension, we will write back the provision for the whole fund and switch off Tax-effect Accounting.

NOTE: If you choose to use tax-effect accounting (for example if you have a fund with both pension and accumulation members), you will need to write back a proportion of PDIT that relates to the pension members proportion of assets. This would require you to calculate the proportion, and reduce the relevant amount from PDIT, clearing against the 493 sub-account for the pension member. The pension members proportion of assets can be calculated using the members weightings in the fund. For example in this fund, you could calculate John's proportion of assets and clear the amount using the 870 account and 493/001.

Record the following Journals

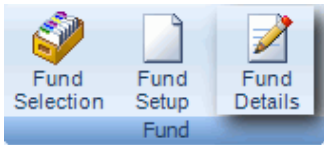
Type	Journals - Non-Cash
Date	01/07/2013
Reference	7
Debit Account	870 - Provision for Deferred Income Tax
Credit Account	493/999 - Writeback of PDIT/FITB
Amount	*\$ 23,193

***\$23,193 - this is the balance from account 870 as at 01/07/2013.**

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Fund** group, click **Fund Details**



Click the **Reporting** tab

Tax effect accounting ☐ **Uncheck** this box. **Simple Fund** will no longer post adjustments to the 870 PDIT account based on Timing differences, as part of the Create Entries process.

Include permanent differences on revaluation ☐ **Uncheck** this box whenever tax-effect accounting is not applied.

Accounting Period

Financial Year: Start 01/07/2013 End 30/06/2014

Current Period: Start 01/07/2013 End 30/06/2014

Accounting and Reporting Options:

Tax effect accounting ? ☐ Income Percentage 0.00 %

Include realised capital losses in PDIT/FITB ? ☐ Reserves OR Amount 0.00

Include permanent differences on revaluation ? ☐ Reserve profits and losses ? ☐

Include unrealised capital losses at 10% ? ☐ Lock fund input ? ☐

Wholly insurance policies ? ☐ Fund Tax Rate 15% 45% 0%

Detail members balances ? ☒

GST Registered ? ☐

Accrual accounting (BAS only) ? ☐

Resident fund ? ☒

Add imputed credits ? ☒

Add foreign credits ? ☒

Add TFN credits ? ☒

The Actuary's Percentage and Pension Expenses Percentage details have been moved to the Pension Policy tab.

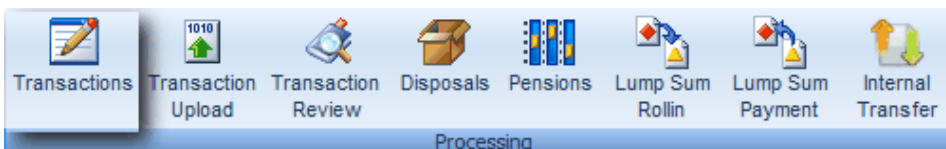
This can be found in *Fund Details > Pension Policy*. Click [HERE](#) to go to the Pension Policy tab now.

Click **Save** to save the changes.

Reversal of PDIT Journals

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**



- Click  **New**
- Type Select **Journals - Non-Cash** and press **Enter**.
- Balancing Account Input **493 999** and press **Enter**.
- Date Input **01/07/2013** and press **Enter**.
- Reference Input **7** and press **Enter**.
- Account Input **870** and press **Enter**. The balance of the 870 account will display on the screen at *Account Balance* (if this option is set in **Defaults**).
- Amount Input **23 193** and press **Enter**.

Type	Journal - Non Cash		Transaction Balance:	
Balancing Account	493	999	Bank Balance: 0.00	
	Writeback of FITB/PDIT (Unallocated)		Account Balance: 0.00	
Account	Deferred Tax Liability		Taxable Income: 23,193.00	
Date	01/07/2013	Reference	7	Account
				870
				Units
				Amount
				23193.00
				Div Residual
Note	Reverse Provision for Deferred Tax			
				GST
				N/A
CGT Date				Member Component
				N/A

Click  **Post** (**ALT + S**) to save this transaction.

Account 870 Provision for Deferred Income Tax will now have a *nil* balance.



SKIP THIS STEP IF YOUR FUNDS DO NOT USE TAX EFFECT ACCOUNTING

End of Task 2.2. Proceed to **Task 2.3**.

Task 2.3 - Create Entries to Update Member Balance

Objective

In this task you will learn how to create entries before pension commencement.

By the end of this task, you will be able to:

- manually update security prices on the day before pension commencement
- create entries to the end of the accumulation phase, to update the members balance. This allows for the correct calculation of the pension purchase price.

Overview

In Simple Fund we will need to create entries the day before the pension starts. This needs to be completed so assets are valued at their net market value on the commencement day of the pension. Also to update the member balance as this will be reported to the ATO as the purchase price of the pension.

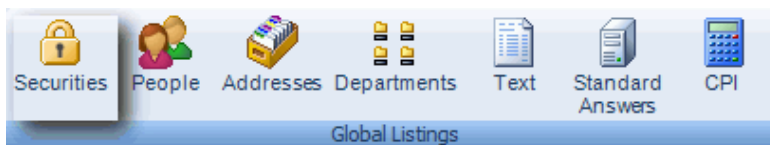
The market values of the fund assets as at 30/09/2013 are as follows:

Code	Price
ABC	\$ 3.69
BHP	\$ 35.74
GPT	\$ 3.48
IP-002	\$ 375,000.00
OST	\$.865

Manually Adding Security Prices

From the **Ribbon Toolbar**:

On the **Global Listings** tab, click **Securities** (*ALT + S*).



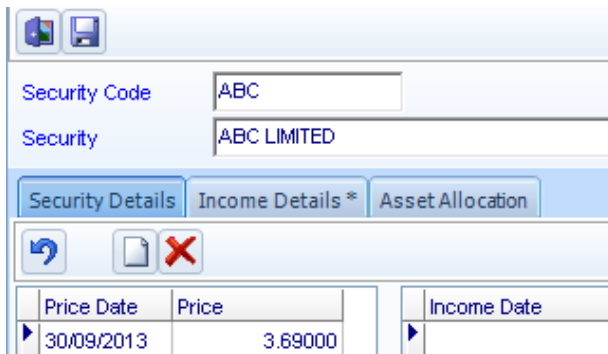
Show

Select **Fund Securities**

Highlight **ABC** and click  **Edit**

Click  **New** to add a security price.

Input the Price Date and Price.



Price Date	Price	Income Date
30/09/2013	3.69000	

Click



Add the remaining 30/09/2013 prices.

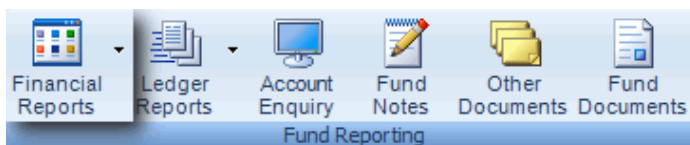
Repeat the above step until you have all the 30/09/2013 prices for this fund.

If there are securities held by this fund that do not display on this list, you must check your Chart of Accounts and ensure the correct security is linked to your investment accounts.

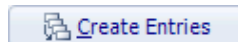
Now you are ready to create entries to update the members balance.

From the **Ribbon Toolbar**:

On the **Reports and Documents** tab, in the **Fund Reporting** group, click **Financial Reports**



Click



Period To:

Change this from **01/07/2013** to **30/09/2013**.

Create Entries

Create Entries | Tax Adjustments | Depreciation

Click help for an explanation of the Create Entries process

Create Entries Period: From: 01/07/2013 To: 30/09/2013

	Tax Losses	Capital Losses	Foreign Tax Offsets	Tax Instalments
Prior Year Carried Forward/Prepaid Amounts		0	0	0

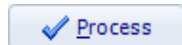
Allocate income to each members: Preserved balance

CGT Optimiser

- ☒ Allocate net income to preserved balances (Post 1/7/1999 preservation rules)
- ☒ Reduce members balance used for profit/(loss) allocations by allocated assets
- ☐ Allocate Income Tax Expense to Pension Members
- ☐ Display Member Allocation Worksheet
- ☐ Run Security Prices check
- ☒ Prepare "Create Entries" report
- ☒ Prepare PDF file of "Create Entries" report

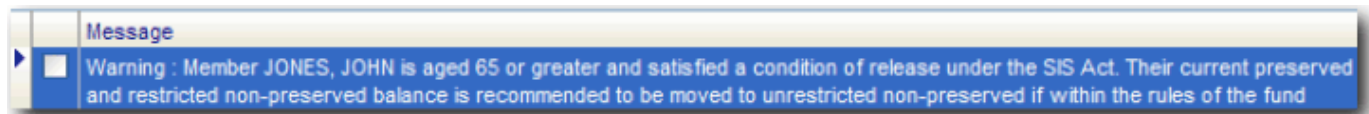
Process Abort

Click



Create Entries Review

The Create Entries Review screen will display any errors or warnings. Common error messages are as follows:



Check ☒ this message to ignore it. We will be transferring John Jones' balance to the unrestricted accounts in **Task 2.4**. Click ☒ Accept to proceed with the Create Entries process.

Create Entries Report

The Create Entries Report will display once the create entries process is complete. Review this report to see what **Simple Fund** has allocated at 30/09/2013.

Simple Fund has now updated the members account for:

- Profit allocations between 01/07/2013 and 30/09/2013
- Lump Sum Rollins
- PDIT adjustments

Before reports are prepared, the Reporting Period should be changed to **01/07/2013 - 30/09/2013**.

A full set of financial statements may now be prepared, which will reflect the balance for this member just prior to beginning the pension. Click the **Member Reports** tab to prepare a Members Statement.

After all reports have been printed:

Click  **Exit** (*ALT + X*).

End of Task 2.3. Proceed to **Task 2.4**.

Task 2.4 - Transferring Benefits to Unrestricted Non-Preserved

Objective

In this task you will learn how to transfer preserved benefits to unrestricted non-preserved accounts.

By the end of this task, will be able to:

- understand how **Simple Fund** allocates profit in an accumulation fund and in a pension fund
- transfer an accumulation members benefits to unrestricted non-preserved accounts when preservation requirements are met
- identify the journals **Simple Fund** will post when balances are transferred to unrestricted non-preserved accounts
- reverse a transfer of balances to unrestricted non-preserved and restore balances to preserved benefits

Details

John Jones has retired and is transferring his entire superannuation account balance to a Minimum Account Based Pension. It is the trustee's responsibility to ensure that all benefits are transferred from a preserved status to an unrestricted non-preserved status before an allocated pension is commenced.

Simple Fund journals the selected members balance to unrestricted non preserved accounts while retaining all Lump Sum component information. A new journal type, shown as **E** on the Transaction Add/Edit screen, reflects these transactions in the ledger.

In the  **Members Mode** screen, members can be in an Accumulation or Pension Mode.

Profit allocation at year end in Accumulation mode

Superannuation funds generally pay tax at a rate of 15% on earnings.

In accumulation mode **Simple Fund** will allocate to members accounts on either a pro rata basis based on the members daily account balance or on a fixed percentage if an Income Percentage is recorded in the members screen. The daily account balance method adds the total amount allocated to the members account for the year placing a weighting on each dollar based on the transaction date. The remaining profit (or loss) and income tax applicable is allocated to member accounts based on the total of weighted members account balances at year end. This method ensures that members who make contributions during the year receive an appropriate percentage of the profit (or loss) of the fund at year-end. Where a fixed percentage is input, this percentage overrides the daily account balance method. A fixed percentage can be input for members on the Members Details screen.

Profit allocation at year end in Pension mode

For pension accounts, earnings are exempt from 15% tax. Instead of making contributions to the fund, members draw pension payments from the fund. Pension accounts are separated from any accumulation accounts in the fund.

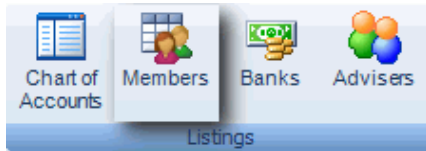
In pension mode you must enter either the pension percentage into the member mode screen or alternatively allocate assets of the fund to the relevant pension members, prior to the create entries process. **Simple Fund** uses this information during the create entries process to allocate segregated profits and exempt earnings from all segregated current pension assets.

For an example of the daily account method calculation refer to the **Simple Fund** file on **Allocation to Member Accounts**.

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Listings** group, click **Members**



Simple Fund will display the Members Add/Edit screen. Highlight **John Jones** (Account 501)

Click  **Mode**

Mode Date Input 30/09/2013.

This date forms the date of the Type E - Unpreserved transfer Journals and refers to the date the member retired, the date the member commuted their pension from accumulation mode to pension mode or the date the member joined the fund as a pension member. In this case it refers to John's retirement date.

Tax Free Proportion Leave this blank. This is the percentage of profit to be allocated to this member's tax free share of profit account.

Untick ☐ **Transition to retirement income stream**

Click ☒ **Transfer Members balance to Unrestricted Non Preserved Accounts**

Member Mode

☒ Accumulation Mode
☐ Pension Mode

Mode Date: 30/09/2013

Tax Free Proportion: 0.00 %

Transition to retirement income stream ? ☐

Transfer members balances to Unrestricted Non Preserved accounts ? ☒

The Actuary's Percentage is now in *Fund Details > Pension Policy tab*.
 Click [HERE](#) to go to the Pension Policy tab.

Click

Process

The following journals have now been posted at 30/09/2013 by **Simple Fund**. These can be viewed from the **Transactions** screen. The journal type is **E**.

Transactions:		From	01/07/2013		Transaction Filter:	Type			Advanced Transaction Filter	Transaction Search:
Detailed		To	30/06/2014			E			Filters Applied: 1	
	Date	Ref	Code	Type	Units	Debits	Credits	Bank	Narration	
☐	30/09/2013	300913	501.001	E		267500.00			Members balance transfer on change to pensio...	
☐	30/09/2013	300913	501.003	E			267500.00		Members balance transfer on change to pensio...	
☐	30/09/2013	300913	501.006	E		22000.00			Members balance transfer on change to pensio...	
☒	30/09/2013	300913	501.004	E			22000.00		Members balance transfer on change to pensio...	

To complete the process of moving the member into pension mode please proceed to **Task 2.5**.

NOTE: Task 2.4 may be also be completed if the member has met the conditions of release and their balance can be moved to Unrestricted Non Preserved. However, they may not necessarily be moving over to pension mode. This is often the case for members who are over the age of 65 but are still working.



YOU CAN SORT THE TRANSACTION SCREEN TO ENABLE EASIER VIEWING OF TRANSACTIONS

Transaction Search - BGL TRAINING FUND

Transactions: From 01/07/2008 To 30/06/2009 Transaction Filter: None

Detailed

	Date	Ref	Code	Type	
☐	30/06/2009	300609	490	C	
☐	30/06/2009	300609	490	C	

Account

Bank Excluded

Credits

Date

Debits

Disc For CG

End of Task 2.4. Proceed to **Task 2.5**.

Task 2.5 - Changing Member to Pension Mode

Objective

In this task you will learn how to change a member to pension mode.

By the end of this task, you will be able to:

- have an overview of the members screen
- convert a member to pension
- understand how the details contained within the member's screen impact the calculations performed by **Simple Fund**.

Overview

Actuary Percentage

An Actuarial Certificate is required for fund's where they wish to claim an exemption from income tax on income from unsegregated assets and the fund had at least one accumulation account and one pension account AT ANY TIME during that year.

Details

John Jones is starting a pension, and the fund has processed entries to the end of the accumulation phase.

Check the details for John Jones are correct, then transfer his account from Accumulation to Pension mode at 01/10/2013.

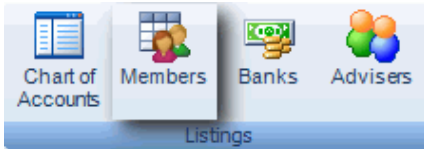
John Jones details are:

Address:	12 Market Street, South Melbourne
Date of Birth	05/09/1947
Joined Fund	14/06/1994
Commenced Service	06/06/1980
Concluded Service (retired)	02/07/2010
Death Benefit	\$1,000,000

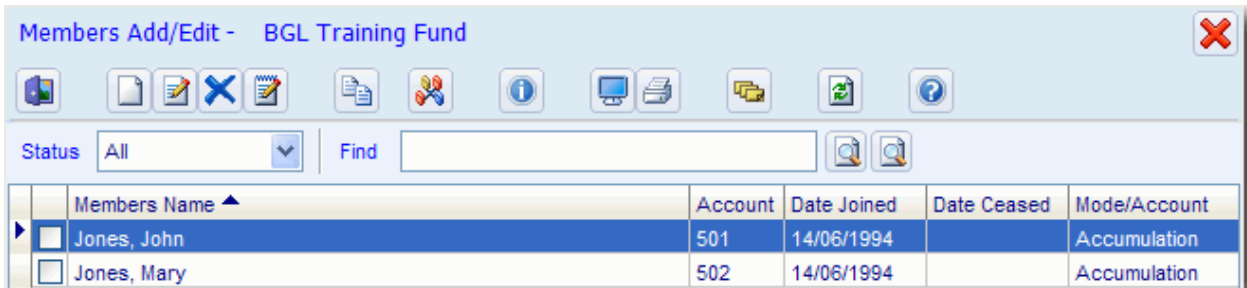
Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Listings** group, click **Members**



Simple Fund will display the Members Add/Edit screen.



Highlight **John Jones** (Account 501)

Click **Mode**

Click **Pension Mode**

Mode date Input 01/10/2013

Click **Process**

Click **Exit** (ALT + X).

NOTE: Tasks 2.4 and 2.5 can be combined into one step. When combining the two together, you would select pension mode, select the mode date as 01/10/2013 and tick "Transfer members balance to Unrestricted Non Preserved accounts?"

For example the member's mode screen will be filled out the following way when combining task 2.4 and 2.5.

Member Mode

☐ Accumulation Mode
☒ Pension Mode

Mode Date  

Tax Free Proportion %

Transition to retirement income stream ? ☐

Transfer members balances to
Unrestricted Non Preserved accounts ? ☒

The Actuary's Percentage is now in *Fund Details > Pension Policy tab*.
Click [HERE](#) to go to the Pension Policy tab.

 Process  Abort

End of Lesson 2. Proceed to **Lesson 3**

Lesson 3 - Income Stream Calculations

Objective

In this lesson you will learn how to:

- create a minimum account based pension
- post standing pension payment journals
- prepare pension documents

By the end of this lesson, you will be able to:

- use the **Pensions** screen to calculate pension payments
- create standing journals using the **Pensions** screen
- create standing journals from the **Transaction** screen
- edit existing standing journals
- post standing journals to the **Transaction** screen
- prepare a Pension Member PAYG summary, a Pension Member Notification Minute and Pension Member Notification Letters

Overview

The **Pensions** screen assists you with setting up pensions, and is divided into these steps.

Step 1 - Pension Data / Calculation

This step can be used to predict the outcome for given scenarios for an account based pension. It calculates the member's account balances and determines the amount to be used for the pension.

Step 2 - Post Entries / Prepare Forms

This step can be used to set up standing journals to record the payment of the pension and prepare the:

- Pensions Report;
- Pension Member Notification Minute;
- Pension Member Notification Letters;
- Pension Member PAYG Summaries; and
- Pensions Calculation Summary Report.

Learning Tasks

Task 3.1 - Income Stream Calculations & Lump Sum Forms

John Jones will set up a Minimum Account Based Pension and has planned the following payment scenario. Input these details into the Pensions screen and generate the predicted result for taxation and for the future pension payments.

Service Period Start	06/06/1980
Pension Start Date	01/10/2013

Type	Minimum account based pension
Payment Options	Minimum
Expected Earning Rate	Not Applicable
Excess Benefit	Nil

Task 3.2 - Pension payment standing journals

Post standing journals for the pension calculated in **Task 3.1** as follows:

Reference	43
Posting Ref	431
Frequency	Yearly
Dates Paid	01/06/2014

Task 3.3 - Prepare Pension Documents

Prepare a *Pension Member PAYG Summary* through Pensions.

Prepare a *Pension Member Notification Minute* and *Pension Member Notification Letters* from the **Pensions | Prepare Reports/Post Entries** screen.

Task 3.1 - Minimum Account Based Pension

Objective

In this task you will learn how to use the **Pensions** screen to calculate the annual pension for the fund.

By the end of this task, you will be able to calculate the pension taxation position and predict future pension payments based on specified scenarios and preview pension documents.

Details

The Pensions screen can be used to set up different scenarios to see the projected result for tax and for the future pension payments. By selecting the type of pension, the starting balance and tax components, the member's date of birth, and the expected future earnings rate, **Simple Fund** will calculate the following:

- Rebateable proportion
- Deductible amount
- Relevant number
- Annual pension (minimum and maximum)
- Pro-rata pension for year 1
- PAYG withholding
- Projected future payments for life of pension

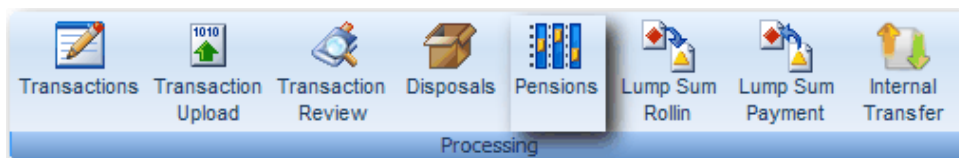
John Jones will set up a pension account and has planned for the following scenario. Input these details into the Pensions screen and generate the predicted result for taxation and for the future pension payments.

Service Period Start	06/06/1980
Pension Start Date	01/10/2013
Type	Minimum Account Based Pension
Payment Option	Minimum

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Pensions**



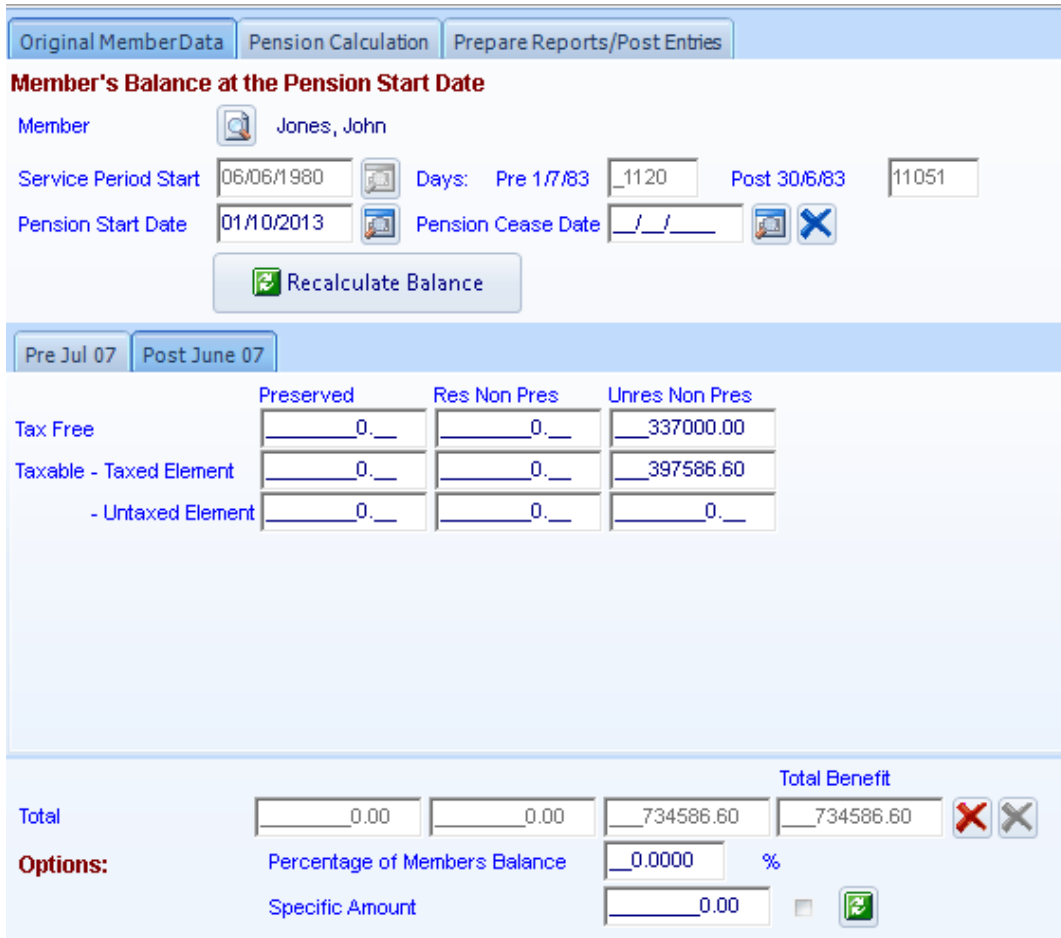
Step 1 - Input the Minimum Account Based Pension details

Click  **New**

Highlight **Jones, John** and click  **Select**

Click the **Original Member Data** tab.

The **Original Member Data** tab will display the following:



Original MemberData Pension Calculation Prepare Reports/Post Entries

Member's Balance at the Pension Start Date

Member  Jones, John

Service Period Start  06/06/1980 Days: Pre 1/7/83 Post 30/6/83

Pension Start Date  01/10/2013 Pension Cease Date  

 Recalculate Balance

Pre Jul 07 Post June 07

	Preserved	Res Non Pres	Unres Non Pres
Tax Free	0.00	0.00	337000.00
Taxable - Taxed Element	0.00	0.00	397586.60
- Untaxed Element	0.00	0.00	0.00

Total **Total Benefit**  

Options: Percentage of Members Balance %

Specific Amount 

Pension Start Date Leave this as **01/10/2013**.

Click on the **Pension Calculation** tab

Pension Type Leave this as **Minimum Account Based Pension**

Payment Frequency Leave this as **Yearly**. This can be changed to quarterly, monthly or weekly which will change the pension tax calculations accordingly.

Transition to Retirement? Leave this unchecked. Check this only if this is a Transition to Retirement Pension in which case, **Simple Fund** will calculate the maximum as 10% of the member's balance.

Annual Pension Amount Input **28 000****Member Details:**

Member	Jones, John	Date of Birth	09/11/1947	Age	65
Pension Start Date	01/10/2013	Opening Balance at 01/10/2013	734,586.60		

Pension Options:

Pension Type: Minimum Account-Based Pension

Payment Frequency: Yearly Rebateable Proportion: 100.00 % Taxable Weeks: ___

Transition to retirement pension ? ☐ Tax-free threshold NOT claimed ☐ Tax Free Weeks: ___

The following calculations are for the year ending 30/06/2014

Minimum Account-Based Pension

- Minimum (Year 1)	27,470.00	- Maximum (Year 1)	734,586.60
Annual Pension Amount	28000	Pension Rollover ?	☐
Tax Free Proportion	45.88 %	Pension to rollover	___
Death Benefit Pension ?	☐	Beneficiary	
Pension is reversionary ?	☐	Pro Rata Minimum Amount ?	☒

Calculate Pension

Click

Simple Fund will fill out the **Pension Payable** based on the Annual Pension amount.**THE ANNUAL PENSION AMOUNT FIELD IS FULLY EDITABLE**

Pension Payable	Year 1*	Annual	
Pension Amount	28000.00	28000.00	Calculate Pension
Tax Free Component	12846.40	12846.40	* Pro-rata for 273 days to 30/06/2014
Taxable Component	15153.60	15153.60	
Gross Tax	0.00	0.00	Deductible Amount
Rebate	0.00	0.00	Relevant Number
Tax Payable	0.00	0.00	Quarterly PAYG Remittance 0.00
Net Pension	28000.00	28000.00	Net Monthly Pension 2,333.33

Tax Free Component This is the pension amount taken from the tax free component

Taxable Component This is the pension amount taken from the taxable component

Gross Tax This is the gross tax payable on the assessable amount. This will be adjusted if you check the box ☒ Tax-free threshold NOT claimed.

Rebate The tax offset is applied to the 'rebateable 27H amount' (the rebateable 27H amount is the assessable amount).

The formula used for calculating the tax offset is:

Rebateable 27H Amount x Rebateable Proportion x 15%

Tax Payable This is the gross tax less the rebate

Note

If you tick the Pro Rata Minimum Amount, **Simple Fund** will display the figures on a pro-rata basis.

Minimum (Year 1) This amount is now based on 273 days as the member John Jones changed to pension mode on 01/10/2013.

Minimum (Year 1)

= 273/365 x 36,730

= \$27,470 (to the nearest \$10)

Click the **Prepare Reports/Post Entries** tab

General Reports

- ☒ 1 Pensions Report Earning Rate %
- ☒ 1 Pension Member PAYG Summaries
- ☒ 1 Pensions Calculation Summary Report
- ☒ 1 Centrelink / DVA Information Schedule

Pension Commencement Reports

- ☒ 1 Trustee Minute/Resolution for Pension Commencement
- ☒ 1 Pension Commencement Notification Letter

☒ New Pension
 ☐ Pension Rollover

☒ Member
 ☐ Trustee

Pension Continuation Reports

- ☐ 0 Trustee Minute/Resolution for Continuing Pension
- ☐ 0 Continuing Pension Notification Letter

Post Pension Entries

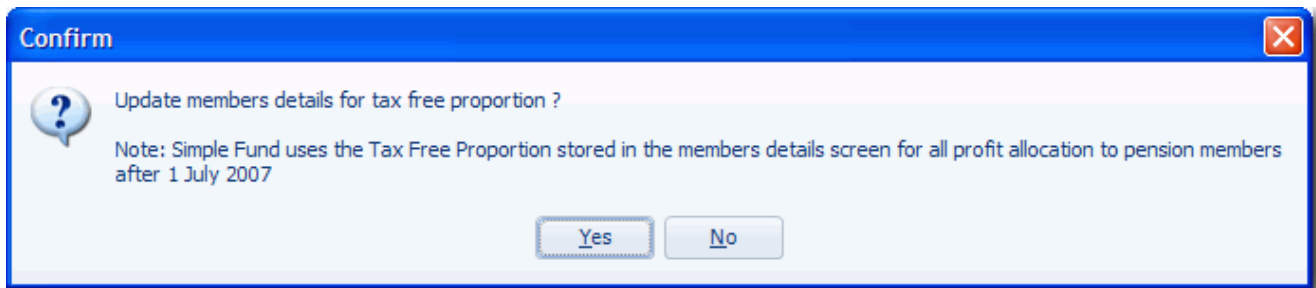
Posting Reference

Posting Frequency

Click  **Preview** to view each document.

Click  **Save.**

The following question will appear:



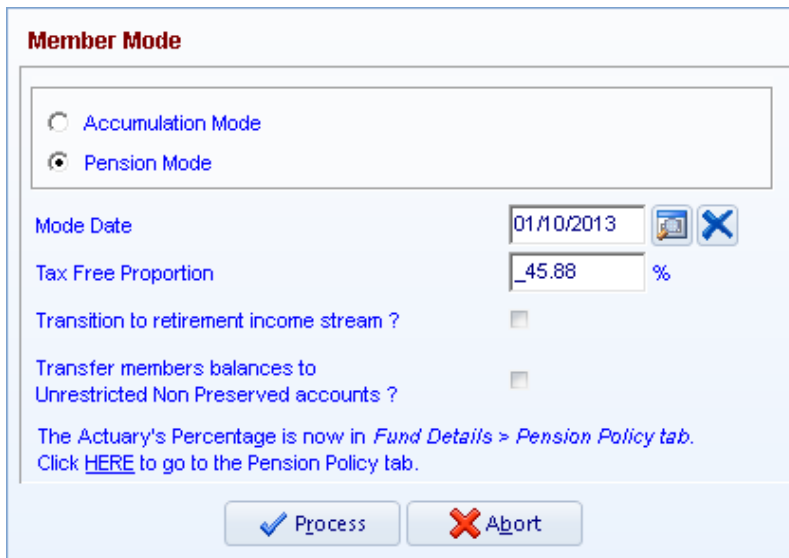
Confirm

Update members details for tax free proportion ?

Note: Simple Fund uses the Tax Free Proportion stored in the members details screen for all profit allocation to pension members after 1 July 2007

Click **YES**

Note: The tax free proportion will be stored in the Member details screen, this figure can be changed manually in the member details screen.



Member Mode

☐ Accumulation Mode
☒ Pension Mode

Mode Date: 01/10/2013

Tax Free Proportion: 45.88 %

Transition to retirement income stream ? ☐

Transfer members balances to Unrestricted Non Preserved accounts ? ☐

The Actuary's Percentage is now in *Fund Details > Pension Policy tab*.
 Click [HERE](#) to go to the Pension Policy tab.

End of Task 3.1. Proceed to **Task 3.2**.

Task 3.2 - Pension Payment Standing Journals

Objective

In this task you will learn how to post standing pension payment journals.

By the end of this task, you will be able to:

- create standing journals using the Pensions screen
- create standing journals from the Transaction screen
- edit existing standing journals
- post standing journals to the Transaction screen

Details

The Pensions screen can be used as a tool to assist with posting the pension payment journals to the correct accounts, and against the correct member taxation components, such as the tax free, taxable and non concessional components.

The payment of the pension from the bank account must then be recorded to the 492 Member Payment Clearing account. This account is used in the same manner as the 491 Proceeds of Disposals Clearing account when recording investment disposals.

Simple Fund tracks the reducing Non concessional, taxable and other Lump Sum components of the pension payments for a member.

The ATO requires PAYG withholding amounts to be withheld from certain pension payments. **Simple Fund** will calculate an estimate of the tax to be paid, and include this posting to the 860 PAYG Withholding account when creating and posting standing journals.

Instructions

Record the pension payments for John Jones Allocated pension using the Standing Journals screen.

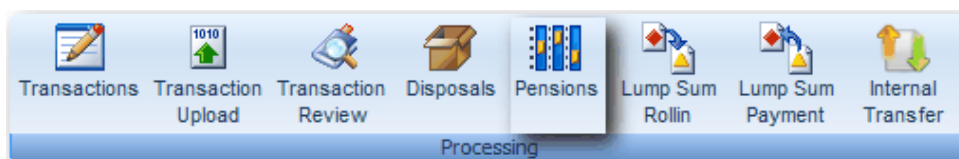


STANDING JOURNALS ARE RECURRING JOURNALS. YOU CAN STORE THESE JOURNALS IN THE STANDING JOURNAL SCREEN BY CLICKING ON  FROM THE TRANSACTION SCREEN

Step 1(a) - Prepare Standing Journals

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Pensions**



Highlight **Jones, John** (Account 501) pension on 01/10/2013 and click  **Edit**

Click the **Prepare Reports/Post Entries** tab

Step 1(b) - Save Standing Journals

Posting Reference Input **43**

Posting Frequency Leave this as **Yearly**

General Reports

	1	Pensions Report Earning Rate	0.00 %
	1	Pension Member PAYG Summaries	
	1	Pensions Calculation Summary Report	
	1	Centrelink / DVA Information Schedule	

Pension Commencement Reports

	1	Trustee Minute/Resolution for Pension Commencement	☒ New Pension ☐ Pension Rollover
	1	Pension Commencement Notification Letter	☒ Member ☐ Trustee  Min/Res Data

Pension Continuation Reports

	0	Trustee Minute/Resolution for Continuing Pension	
	0	Continuing Pension Notification Letter	 Min/Res Data

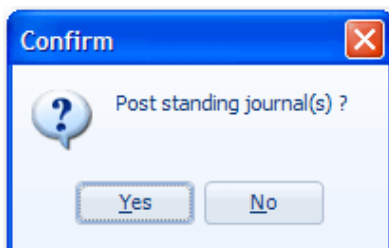
Post Pension Entries

Posting Reference

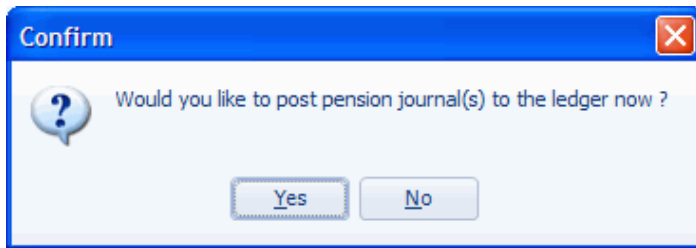
Posting Frequency

 Post Standing Journal

Click  Post Standing Journal and the following message will appear:



Click **Yes**. **Simple Fund** has now added these journals as standing journals to be posted in the future. The following message will appear:



Click **Yes**. The Standing Journals screen will display.

Standing Journals - BGL Training Fund

Find

	Ref ▲	Code	Type	Units	Amount	Narration
☐	43	413/001	J		12,846.40	Pension Payment - Tax Free
☐	43	416/001	J		15,153.60	Pension Payment - Taxable
☐	43	492	J		-28,000.00	Pension Payment

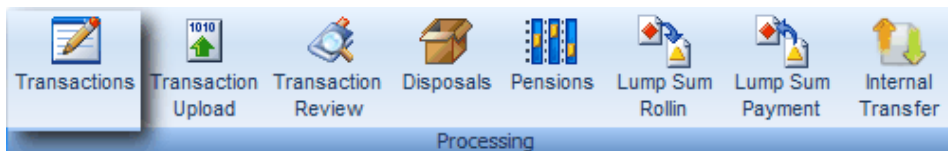
Note that the standing journal has been created from the **annual** amount. You can edit these journals to adjust the amounts before posting the transactions to the ledger.

Click **Exit** twice.

Step 2 - Post the pension on 01/06/2014

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**



Click **Standing Journals**

Click **Post**

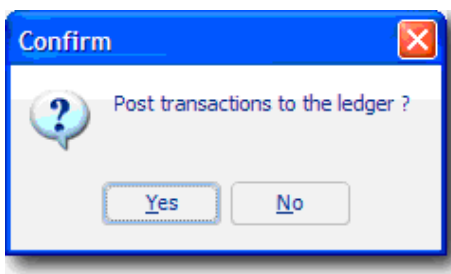
Posting Reference Input **431**

Frequency Select **Yearly**

Start Date Input 01/06/2014

Standing Reference	43
Posting Reference	431
Frequency	Yearly
Start Date	01/06/2014
End Date	09/09/2014

Click  **Post**



Click **Yes**

Click  **Exit**

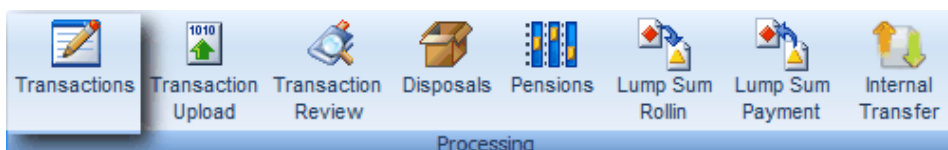
Simple Fund has now posted the following journal entries:

Transactions:		From	01/07/2013		Transaction	Date			Advanced Transaction Filter	Transaction Search:
Detailed		To	30/06/2014		Filter:	01/06/2014			Filters Applied: 1	
	Date	Ref	Code	Type	Units	Debits	Credits	Bank	Narration	
☐	01/06/2014	431	413/001	J		12846.40			Pension Payment - Tax Free	
☐	01/06/2014	431	416/001	J		15153.60			Pension Payment - Taxable	
☐	01/06/2014	431	492	J			28000.00		Pension Payment	

Step 3 - Record the Cash Payment

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**



Click  **New**

Type Input **P** to select **Payments**.

Bank Input **605** and press **Enter**

Date Input **01/06/2014** and press **Enter**

Reference Input **431** and press **Enter**

Account Input **492** and press **Enter**

Amount Input **28 000**

Transaction Add/Edit - BGL Training Fund

Type: **Payments** Transaction Balance:

Bank: **605** ANZ Cash Management Account Bank Balance: 0.00

Account: **Member Payment Clearing Account** Account Balance: 0.00

Date: **01/06/2014** Reference: **431** Account: **492** Units: Amount: **28000.** Div Residual: Taxable Income: 28,000.00

Note: GST: **N/A**

CGT Date: Member Component: **N/A**

Franked Div	Unfranked Div	Imputed Credits	Tax Free	Tax Exempt	Tax Deferred	TFN Credits	Expenses

Foreign Income	Foreign Credits For CG	Credits	Indexed Gains	Disc Gains	Other Gains	Disc For CG	Other For CG

Date	Ref	Code	Type	Units	Debits	Credits	Narration
02/07/2013	1	492	R			225,000.00	Superannuation rollin
02/07/2013	501	492	J		225,000.00		Lump Sum Rollin - Jones, John - 501
01/06/2014	431	492	J			28,000.00	Pension Payment

Previous Show Transactions by Account Code Next

Tip: At the bottom of the screen, select **Show Transactions by Reference** and any journals with reference **431** will display.

Click  **Save**

The **492 Member Payment Clearing Account** should now have a NIL balance.



REFER TO:

ARTICLE 429 – Proportioning Rule

ARTICLE 433 – Recording Pension Payments with the new Proportioning Rule

End of Task 3.2. Proceed to **Task 3.3**.

Task 3.3 - Prepare Pension Documents

Objective

In this task you will learn how to prepare a sample *Pension Member PAYG summary*, a *Pension Member Notification Minute* and *Pension Member Notification Letters* for John Jones.

By the end of this task, you will be able to prepare various reports from the **Pensions** screen.

Details

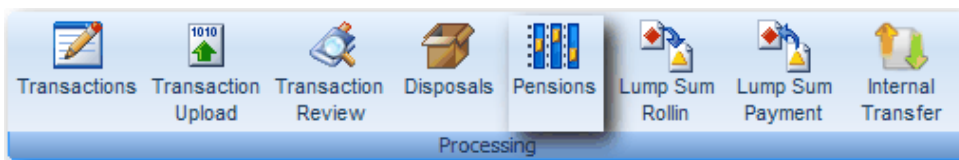
Simple Fund will prepare a sample *PAYG Payment Summary - Individual Non-Business* and a sample *PAYG Payment Summary Statement*. However these forms cannot be lodged with the ATO and the information must be transcribed onto the ATO's pre-printed forms.

Simple Fund currently prepares two different PAYG Payment Summaries. One is located in the "Other Documents" screen, which is only to be used until 30/06/2007. From 01/07/2007, the new PAYG Payment Summary can be prepared from the Pensions| Prepare Reports/Post Entries screen.

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Pensions**



Highlight **Jones, John** (Account 501) pension on 01/10/2013 and click  **Edit**.

Click Click the **Prepare Reports/Post Entries** tab

Click  **Preview** to the left of the **Pension Member PAYG Summaries**.

General Reports

-  1 Pensions Report Earning Rate %
-  1 Pension Member PAYG Summaries
-  1 Pensions Calculation Summary Report
-  1 Centrelink / DVA Information Schedule

Pension Commencement Reports

-  1 Trustee Minute/Resolution for Pension Commencement
-  1 Pension Commencement Notification Letter

☒ New Pension ☐ Pension Rollover

☒ Member ☐ Trustee

 [Min/Res Data](#)

Pension Continuation Reports

-  0 Trustee Minute/Resolution for Continuing Pension
-  0 Continuing Pension Notification Letter

 [Min/Res Data](#)

Post Pension Entries

Posting Reference

Posting Frequency

 [Post Standing Journal](#)



THE CENTRELINK / DVA SCHEDULE IS AUTOMATICALLY PREFILLED AND CAN BE FORWARDED TO THE RELEVANT DEPARTMENT

PAYG withholding amounts

PAYG withholding tax amounts include any journals posted to Pensions Paid where the ☒ PAYG withholding check box was ticked after the journal amount.

The screenshot shows a software interface for creating a journal entry. A callout box with the text "Tick this box for PAYG amounts" points to a checkbox labeled "PAYG Withholding" in the "Div Residual" column. The interface includes fields for Type (Journal - Cash), Balancing Account, Account (Jones, John), Date (01/06/2010), Reference (431), Account (413 001), Units, Amount (6739.91), and Div Residual. A GST field is set to N/A. Transaction Balance, Bank Balance, and Account Balance are all 0.00. Taxable Income is 6,739.91.

Note: In this example, John has no PAYG amount.

Click **Preview** to the left of the *Pension Member Notification Minute* to preview this document. Select if this is a "**New Pension**" or "**Pension Rollover**".

Click **Preview** to the left of the *Pension Member Notification Letter* to preview this document. Click "**Member**" if the letter is from the Member or click "**Trustee**" if the letter is from the Trustee.

End of Lesson 3. Proceed to **Lesson 4**.

Lesson 4 - Recording Income, Expenses and Disposals

Objective

In this lesson you will learn how to record income, expense and capital gains transactions.

By the end of this lesson, you will be able to:

- understand how important the correct setup of investment accounts are in **Simple Fund** to ensure linked income accounts are set up
- reconcile exempt pension income calculation for taxation purposes

Overview

Exempt Pension Income

- Income derived from current pension assets is exempt from 15% Income Tax and will be written back as exempt pension income on the tax return.
- Capital gains on disposals are non-assessable, treatment will depend if the fund is unsegregated or has segregated assets.

Linked Income Accounts

Simple Fund only includes linked income accounts in the calculation of exempt pension income. The income account must be linked to an investment account that the fund holds at least one unit in.

To check if an income account is linked, you can either:

1. from the **Chart of Accounts**, edit the Investment and click  , **Links** or
2. from **Reports and Documents | Account Enquiry** , select the Investment account

If you are reconciling the Create Entries Report **Calculation of Exempt Pension Income** section, and an income account does not appear in the exempt income listing, then the most likely cause is that a link has not been created between the asset and the income account.

Expenses - Taxation Ruling 93/17

Trustees and administrators of SMSF should be aware of the interaction of **Taxation Ruling 93/17 - Income tax deductions available to superannuation funds**, which deals with exempt income and the apportionment of expenditure. Briefly the ruling specifies that *expenditure incurred solely in gaining or producing exempt income is not deductible and that expenditure incurred partly in producing assessable income and partly in gaining exempt income must be apportioned*. TR 93/17 provides several methods of how apportionment of deductible and non-deductible expenditure can be calculated. The correct method for apportioning expenditure depends on the circumstances of the fund.

Simple Fund allows you to record the percentage of non-deductible expenses in **Fund Details | Pensions Policy** .

Learning Tasks

Record the following income transactions for the BGL Training Fund.

Task 4.1 - Recording Exempt Income

Bank Account	604 - Cash at Bank
Date	24 April 2014
Reference	51
Account	250/001 Cash at Bank
Amount	\$30,000.00

Task 4.2 - Recording Exempt CGT Disposal

Record the following disposal, calculating the nominal capital gain, and record the cash receipt.

Date of Disposal	25 April 2014
Reference	52
Security	776/002 One Steel limited
Amount Received	\$36,000
Bank Account	604 - Cash at Bank
Units Sold	500 (All)

Task 4.3 - Recording Partly Deductible Expenses

Bank Account	604 - Cash at Bank
Date	26 April 2014
Reference	53
Account	301 Accounting Fees
Amount	\$2000

Task 4.1 - Recording Exempt Income

Objective

In this task, you will learn how to record partially exempt income for the BGL Training Fund.

By the end of this task, you will be able to record income and reconcile the exempt portion once the Create Entries process is complete.

Details

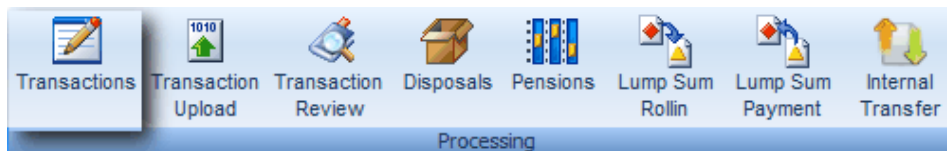
To complete this task, you need to add the following receipt transactions:

Bank Account	604 - Cash at Bank
Date	24 April 2014
Reference	51
Account	250/001 Cash at Bank
Amount	\$30,000.00

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**



Click	 New
Type	Input R to select Receipts .
Bank	Select Account 604 .
Date	Input 24/04/2014 and press Enter
Reference	Input 51 and press Enter
Account	Input 250 001 and press Enter
Amount	Input 30 000

Type	Receipts		Transaction Balance:	
Bank	604	Cash at Bank	Bank Balance: 0.00	
Account	Cash at Bank		Account Balance: 0.00	
			Taxable Income: 30,000.00	
Date	Reference	Account	Units	Amount
24/04/2014	51	250 001		30000.
Note	Interest		GST	N/A

Click  **Save** (ALT + S).

End of Task 4.1. Proceed to **Task 4.2**.

Task 4.2 - Recording Exempt CGT Disposal

Objective

In this task you will learn how to record an investment disposal.

By the end of this task you will be able to record an investment disposal and reconcile the exempt portion once the Create Entries process is complete.

Details

To complete this task, you need to add a new receipt transaction (Step 1) to record the disposal proceeds of \$36,000 and process an investment disposal with the following details:

Date of Disposal	25 April 2014
Reference	52
Security	776/002 - One Steel Limited
Amount Received	\$36,000
Bank Account	604 - Cash at Bank
Units Sold	500 (All)

Simple Fund assumes that all **receipts** for the disposals of the assets are posted to account 491 Disposal of Investments Proceeds Account. Post your Bank Statement or Receipt entries for the sale proceeds to the 491 account. It speeds up data entry by allowing you to post all your bank statement entries, and then proceed to the Disposals screen to record your "Sell Notes" where **Simple Fund** calculates the CGT.

This training manual assumes you have an understanding of Capital Gains Tax legislation. This legislation is complex and this training manual does not seek to cover this area. General information on CGT laws can be found in Form F of the Tax Return instructions (accessed from the Financial Reports Tax Return screen) or the ATO website at www.ato.gov.au.

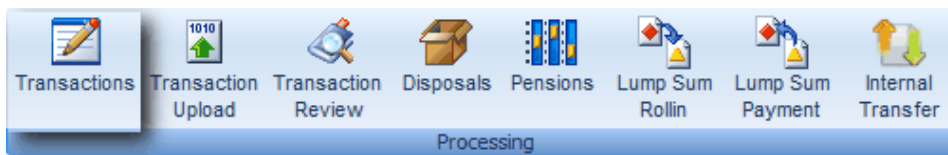
Capital Gains Tax Reforms Overview

- The Disposals report will calculate the capital gain or loss under the *Indexation Method*, *Discounted* and *Other Profit* method.
- **Simple Fund** will automatically select the disposal method that creates the smaller taxable capital gain after previewing the disposal report.
- If an asset has been held less than 12 months, **Simple Fund** will record the disposal using the *Other Profit* method with no discount and no indexation.

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**



Step 1 - Recording the disposal proceeds

- Click  **New**
- Type Input **R** to select **Receipts**.
- Bank Input **604 - Cash at Bank**
- Date Input **25/04/2014** and press **Enter**
- Reference Input **52** and press **Enter**
- Account Input **491** (Disposal of Investments Proceeds Account) and press **Enter**
- Amount Input **36 000** and press **Enter**
- Note Input **SOLD OST**

Type	Receipts		Transaction Balance:		
Bank	604	Cash at Bank	Bank Balance:	0.00	
Account	Disposal of Investments Proceeds Account		Account Balance:	0.00	
Date	25/04/2014	Reference	52	Account	491
Units		Amount	36000.00	Div Residual	
Note	Sold OST		GST	N/A	
CGT Date		Member Component	N/A		

Click  **Save** (**ALT + S**).

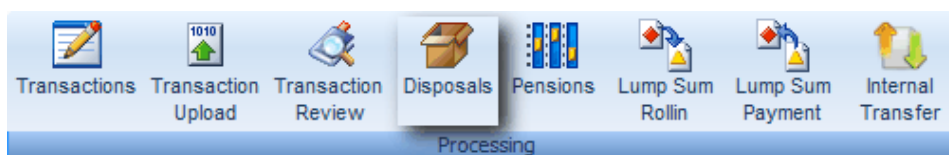
Click  **Exit** (**ALT + X**).

The debit will automatically be posted to the bank account for this cash receipt.

Step 2 - Processing the disposal

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Disposals**



Date Sold Click **Search** (ALT + O) to select the Date Sold and Consideration from entries posted to the 491 Disposal of Investments Proceeds Account

Account 491 - Disposal of Investments Proceeds Account Entries		
Show	Current	
Date	Narration	Amount
25/04/2014	Sold OST	36,000.00

Highlight the **25/04/2014 - Sold OST** and click **Select**.

Asset Sold Input 776 002 and press **Enter**

Input **500** units and click **Allocate**. Alternatively, click **Sell All**.

Date sold		25/04/2014	Display ALL transactions ?		☐			
Consideration		36000	Building depreciation					
Asset sold		776 002	Onesteel Limited					
Disposal Method								
☒ Most tax effective ☐ Least tax effective ☐ First in first out ☐ Last in first out								
Sell All		Clear All		Units	500.0000			
				Allocate				
Date	Type	Units	Unit Cost	Total Cost	Narration	Sold	Balance	Method
01/02/1997	Purchase	500.000	2.64	1,320.00	Purchase	500.0000	0.0000	Discounted

Simple Fund has selected the **Discounted** method as the most tax-effective. Where a fund has large capital losses to be applied, the indexation method can be selected instead. The Taxable and Non-Taxable amounts will adjust accordingly. Disposal methods may be changed prior to Creating Entries by using the **CGT Optimiser**.



CAPITAL GAINS WILL ONLY BE EXEMPT WHEN THE CREATE ENTRIES PROCESS IS COMPLETED AT THE END OF THE YEAR

Click

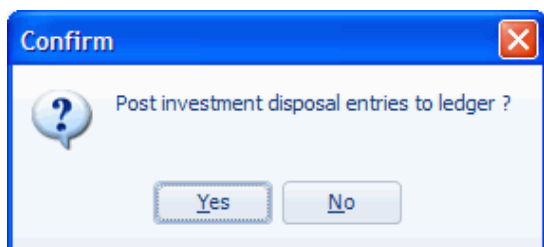


Preview. to prepare a Profit/Loss on Disposal of Investment Report. Click **Exit** to close this report.

Click



Post



Click

Yes

Click



Documents to delete disposals or reprint disposal reports.

Click



Exit.

The disposal journal above does not remove the entire balance of the 776 002 Account. The disposal process will only reduce the *cost base* of the investment to nil. The market value change of the last recorded revaluation for the investment would remain, but only until the next **Create Entries** process is performed. When tax-effect accounting is applied in the fund, **Simple Fund** will calculate the timing difference (tax effect) impact on members' accounts and the Provision for Deferred Income Tax (870) Account as part of the next Create Entries process.



***REFER TO ARTICLE 274 FOR MORE INFORMATION ON CAPITAL GAINS
IN A PENSION FUND***

End of Task 4.2. Proceed to **Task 4.3.**

Task 4.3 - Recording Partly Deductible Expenses

Objective

In this task you will learn how to record partially deductible expenses for the BGL Training Fund.

By the end of this task, you will be able to record partially deductible expenses and reconcile the deductible and non deductible expenses once the Create Entries process is complete.

Details

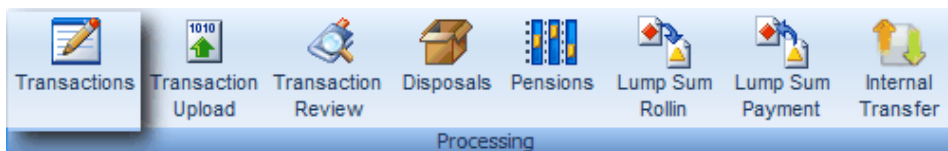
To complete this task, you need to add the following payment.

Bank	604 - Cash at Bank
Date	26 April 2014
Reference	53
Account	301 Accounting Fees
Amount	\$2000
Note	Accounting Fees

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**



Click	 New
Type	Input P to select Payments .
Bank	Leave this as account 604
Date	Input 26/04/2014 and press Enter
Reference	Input 53 and press Enter
Account	Input 301 and press Enter .
Amount	Input 2 000

Type	Payments		Transaction Balance:	
Bank	604	Cash at Bank	Bank Balance:	0.00
Account	Accountancy Fees		Account Balance:	0.00
Date	26/04/2014	Reference	53	Taxable Income:
Account	301	Units		2,000.00
Amount	2000.00		Div Residual	
Note	Accounting Fees		GST	N/A
CGT Date			Member Component	N/A

Click  **Save** (ALT + S). **Simple Fund** will now save this transaction to the ledger

Click  **Exit** (ALT + X).

This expense will be written back as non-deductible based on the expense percentages entered in the **Pension Policy** screen. For further information on Expenses Percentage, refer to **Task 5.3**.



***REFER TO ARTICLE 957 FOR MORE INFORMATION ON PENSION
MEMBER NON- DEDUCTIBLE EXPENSES***

End of Lesson 4. Proceed to **Lesson 5**.

Lesson 5 - Pension Fund Year End Processing



Note: When starting a pension, circumstances may vary from fund to fund. The training manual should be used as a guide only.

Objective

- use the **Simple Fund Actuarial Certificate Wizard** to request and obtain an actuarial certificate
- input an actuary percentage into **Simple Fund**
- determine when to create entries in a part pension, part accumulation fund
- review a create entries report
- reconcile exempt pension income, exempt capital gains and non-deductible expenses

Overview

Apply a pension percentage or allocate pension assets

Prior to the create entries process for any pension members, you must ensure that either:

- a) An Actuarial Percentage has been input into the pension policy tab, or
- b) The Assets of the Fund have been allocated to the relevant pension members (**Lesson 8**)

Before Creating Entries (where assets are not segregated/allocated to members)

The following steps should be followed before Creating Entries in a pension fund:

1. Write back any PDIT amounts in account 870 that relate to the pension fund. Switch off tax-effect accounting in **Fund Details | Reporting** (if applicable) (**Task 2.2**)
2. Ensure pension members balances have been transferred out of Preserved and Restricted accounts to Unrestricted accounts (**Task 2.4**)
3. Input the actuary percentage in **Fund Details | Pension Policy** (**Task 5.3**).
4. Input the proportion of expenses that are non-deductible in Deductible and Non-Deductible expenses in **Fund Details | Pension Policy** (**Task 5.3**).

Learning Tasks

Task 5.1 - Create Entries to Update the Fund's Balance

You must create entries to update the member's balance before you use the Actuarial Certificate Wizard.

Task 5.2 - Request an Actuarial Certificate using the Actuarial Certificate Wizard

Use the Actuarial Certificate Wizard to request and obtain an actuarial certificate.

Task 5.3 - Create a Pension Policy

Create a Pension Policy to account for the actuary and expense percentages.

Task 5.4 - Create Entries with the Pension Policy

Once the actuary percentage has been received and updated in **Simple Fund** create entries for the full year, applying the annual percentages.

Task 5.5 - Balance Forward

Balance the BGL Training Fund forward to the next financial period.

Task 5.1 - Create Entries to Update the Fund's Balance

Objective

By the end of this task, you will be able to Create Entries for the full financial year to request an Actuarial Certificate

Instructions

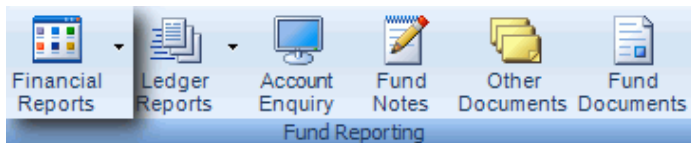
To use the Simple Fund Actuarial Certificate Wizard, ensure all data entry has been completed and that you Create Entries for the full financial year.

The following security prices apply as at 30 June 2014:

Code	Price
ABC	\$3.45
BHP	\$35.9
GPT	\$3.84
IP-002	\$400,000.00
OST	Sold

From the **Ribbon Toolbar**:

On the **Reports and Documents** tab, in the **Fund Reporting** group, click **Financial Reports**



Create Entries to 30/06/2014. **Do Not Reverse Entries**

Click  **Create Entries**

Create Entries

Click help for an explanation of the Create Entries process

Create Entries Period: From: 01/10/2013 To: 30/06/2014

	Tax Losses	Capital Losses	Foreign Tax Offsets	Tax Instalments
Prior Year Carried Forward/Prepaid Amounts	0	0	0	0

Allocate income to each members: Preserved balance

CGT Optimiser

- ☒ Allocate net income to preserved balances (Post 1/7/1999 preservation rules)
- ☒ Reduce members balance used for profit/(loss) allocations by allocated assets
- ☐ Allocate Income Tax Expense to Pension Members
- ☐ Display Member Allocation Worksheet
- ☒ Run Security Prices check
- ☒ Prepare "Create Entries" report
- ☒ Prepare PDF file of "Create Entries" report

Process Abort

Click

Process

The Create Entries Review screen will display the following warning message

Create Entries Review - BGL Training Fund - Pensions

Message

Warning: Fund has pension member(s) but no actuary percentage or segregated assets at 30/06/2014. Therefore no exempt pension income will be calculated.

Click  to accept and continue.

Task 5.2 - Actuarial Certificate Wizard

Objective

By the end of this task, you will be able to use the **Simple Fund Actuarial Certificate Wizard** to request and obtain an actuarial certificate.

Details

The Actuarial Certificate Wizard allows you to request and obtain an actuarial certificate for Account Based Pensions only.

You can obtain Actuarial Certificates from Act2 Solutions, Accurium and Cumpston Sarjeant Consulting Actuaries.

This process allows you to prepare an actuarial certificate within **Simple Fund**. The Actuarial Certificate process will:

1. extract the certificate data from the **Simple Fund** ledger (or data can be input if required)
2. make the appropriate calculations
3. provide access to the certificate payment process
4. submit the certificate to the actuary for review and approval
5. provide a tax invoice
6. provide the Actuarial Certificate

Once the actuary percentage has been obtained, **Simple Fund** will automatically create a **Pension policy** in **Fund Details** and add the percentage that was calculated. The Actuarial Certificate will also be added to **Document Management**. The Tax Invoices are saved as PDF files in the Fund folder located in the SFUND folder.

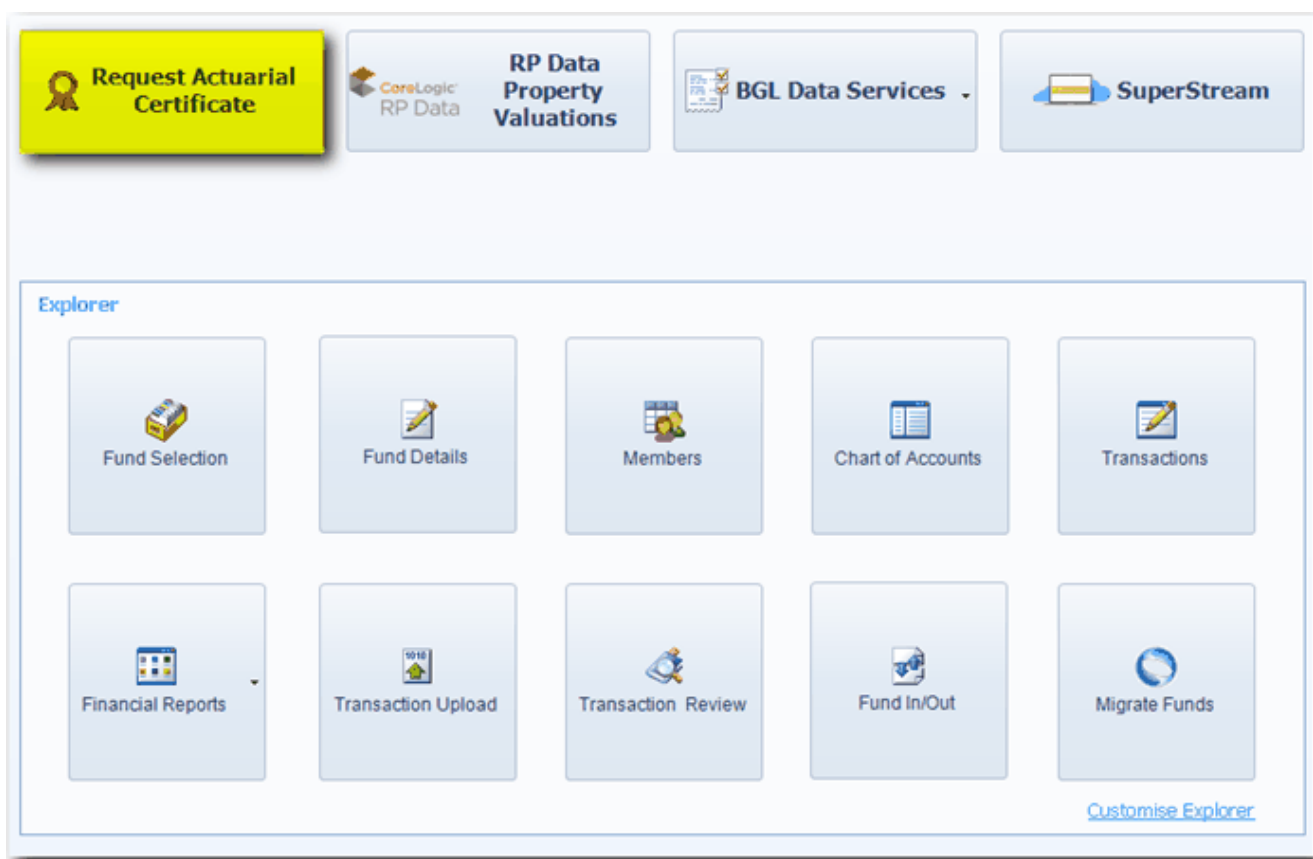
NOTE: If the Actuarial Certificate was emailed instead of being released through **Simple Fund**, you need to manually create a **Pension Policy**.

Important Prerequisites to use the Actuarial Wizard

1. Ensure data entry has been completed for the full financial year.
2. Member(s) have been converted to pension mode.
3. Active Internet connection.
4. Tax agent and trustee details have been input into **Fund Details | Details**.
5. Create entries is processed for the full financial year.

Instructions

From the **Simple Fund** main screen, click the **Request Actuarial Certificate** icon.



Step 1 - Certificate List

Select an actuary provider's logo to start generating a new certificate. Once you click on a logo, you will be required to select a fund.

Click **Certificate List** tab and select an actuary provider.

Select **PENSION: BGL Training Fund** from your **Fund Selection** list

This screen will also provide you with information on average processing time and the cost of an actuary certificate.

Step 2 - Fund Information

Actuary Provider **Simple Fund** will display the provider you selected in the **Certificate List** screen.

Current Financial Year Leave this as From **01/07/2013** to **30/06/2014**

Data Leave this as **Use Ledger and Input Data**

This option allows you to use the data that you already have in **Simple Fund**, however you can also enter additional data through the **Transaction** section.

The member and contribution data from the selected fund will be displayed.

Untick ☐ **Opening balances only?**

Ticking this box will automatically pre-fill only the members' opening balances in the **Transactions** section. Other transactions that were posted during the year like contributions, transfers in/out or pension benefits will not be included in the calculation. You will then need to enter those manually through the **Transactions** section.

Certificate Prepared Date Leave this as **Today's Date**

Trustee Details

Trustee Leave this as John and Mary Jones

Simple Fund will display the trustees' details from the **Fund Details** screen.

You can click on  to change these details.

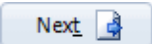
Administrator / Adviser Details

Firm Details Leave this as BGL Corporate Solutions Pty Ltd

Simple Fund will display the tax agent's details from the **Fund Details** screen.

You can click on  to change these details.

Introduction	Certificate List	Fund Information	Pension Info	Transactions	Calculation	Contact Details	Payment
Actuary Provider		Act2 Solutions					
Current Financial Year		From	01/07/2013	To	30/06/2014	Data	Use Ledger and Input data
Certificate Prepared Date		09/09/2014					
Trustee Details							
Trustee		John and Mary Jones					
Trustee Type		Individual					
ABN/ACN		N/A					
Trustee(s)		John Jones Mary Jones					
Member Details							
Member Name		Date of Birth		TFN			
Jones, John		09/11/1947		999999941			
Jones, Mary		06/03/1954		999999870			
Administrator / Advisor Details							
Select your firm name:							
Firm Details		Bgl Corporate Solutions Pty Ltd					
Firm Address		606- 608 Hawthorn Road, Brighton East, VIC, 3187					
Trustee Application?							
Previous							

Click  to proceed to the **Pension Info** section.

Step 3 - Pension Info

This screen will display the pension start/cease date for each member in the fund in the current year.

You must confirm these dates are correct.

Details can be changed in **Fund Data Input | Listings | Members**.

Actuarial Certificate Wizard - BGL Training Fund

Register for Post Pay

Introduction Certificate List Fund Information Pension Info Transactions Calculation Contact Details Payment

Pension Start / Cease Dates

Confirm the pension start date for each member account in the current year. If the date(s) are incorrect, check the Member Mode screen before proceeding

Confirm the pension ceased date for each member account who has ceased/commuted their pension in the current financial year.

Jones, John

Acc	Start Date	Date Ceased	Commute Ceased	Acc Description
501	01/10/2013			

Click  to proceed to the **Transactions** section.

Step 4 - Transactions

This screen will display all the transactions for the fund selected.

You can enter additional transactions in this screen. These transactions are only specific for the **Actuarial Certificate Wizard** screen and will not be posted to the fund's **Transaction** screen.

Transaction Details (Add / Edit)

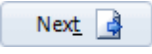
Date: Members: Transaction Type: Amount: Account Balance: Account Description:

 Save Transaction  Save As New  Delete Transactions  Reload Ledger Data

Transaction Filter

Members: Transaction Type:

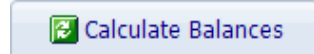
	Date	Days	Member Account	Account Code	Account Description	Transaction Type	Amount	Account Balance
☐	01/07/2013	365	Jones, John (Accumulation)	501		Opening Balance	267,500.00	0.00
☐	01/07/2013	365	Jones, John (Accumulation)	501		Opening Balance	22,000.00	0.00
☐	01/07/2013	365	Jones, Mary (Accumulation)	502		Opening Balance	265,885.00	0.00
☐	02/07/2013	364	Jones, John (Accumulation)	501		External Transfe...	60,000.00	0.00
☐	02/07/2013	364	Jones, John (Accumulation)	501		External Transfe...	165,000.00	0.00
☐	28/07/2013	338	Jones, John (Accumulation)	501		Contribution	20,000.00	0.00
☐	28/07/2013	338	Jones, Mary (Accumulation)	502		Contribution	20,000.00	0.00
☐	28/07/2013	338	Jones, John (Accumulation)	501		Contribution	150,000.00	0.00
☐	28/07/2013	338	Jones, Mary (Accumulation)	502		Contribution	1,000.00	0.00
☐	01/10/2013	273	Jones, John (Accumulation)	501		Internal Transfer...	-684,500.00	0.00
☐	01/10/2013	273	Jones, John (Pension)	501		Internal Transfer...	684,500.00	0.00
☐	01/06/2014	30	Jones, John (Pension)	501		Pension Benefit	-12,846.40	0.00
☐	01/06/2014	30	Jones, John (Pension)	501		Pension Benefit	-15,153.60	0.00
☐	22/06/2014	9	Jones, Mary (Accumulation)	502		Contribution	1,500.00	0.00

Click  to proceed to the **Calculation** section.

Step 5 - Calculation

Simple Fund will display the net income for the period, that is, income less expenses and excluding benefits paid, contributions and transfers in/out.

Click



Exempt Percentage.

to calculate the balances and the Estimated Tax

The following confirmation message will appear. You must ensure the tasks have been completed and all the boxes have been ticked:

Actuarial Certificate Calculations Checklist

The following tasks must be completed before the actuarial certificate calculations can be made:

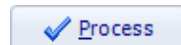
Have the opening balances for all member accounts been calculated or input ?	☒
Have all contributions for the year been calculated or input ?	☒
Have the transaction types for all transfers been correctly classified ?	☒
Have all external transfers in been calculated or input ?	☒
Have all transfers between member accounts been calculated or input ?	☒
Have all transfers between member accounts and reserves been calculated or input ?	☒
Have all accumulation benefits from member accounts been calculated or input ?	☒
Have all pensions paid from member accounts been calculated or input ?	☒
Have all assets been revalued correctly ?	☒
Have all pension payments been cashed promptly ?	☒
Are all assets (particularly in-house assets) within concentration thresholds ?	☒

Once all the tasks listed above have been selected, ensure you tick the following to proceed:

☒ I hereby warrant that the data used for this calculation is correct. Further, I acknowledge that I am responsible for the data provided to the actuary and indemnify BGL Corporate Solutions Pty Ltd from any liability for any errors or omissions in the data.

If you have not completed one of the tasks, click **Abort** and then click **Previous** to go back to the **Data Input/Review** screen and enter any missing information.

Click



Percentage.

to calculate the balances and the Estimated Tax Exempt

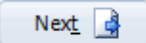
Simple Fund will prepare an Actuary Certificate Detail Report. This report will display on screen and will be saved in your fund folder.

Current Financial Year 01/07/2013 to 30/06/2014

 Calculate Balances Estimated Tax Exempt Percentage **53.40%**

Current Pension Liabilities	656,500.00	Average Current Pension Liabilities	509,667.12	Net Income for period (excluding benefits paid, contributions and transfers in/out)	147,511.00
Total Superannuation Liabilities	944,885.00	Average Total Superannuation Liabilities	954,375.43	Segregated/Pooled Assets Excluded	0.00
Excluding Net Income				Fund has Reserves ?	No

Member Name	Opening Balance (Accumulation)	Opening Balance (Pension)	Contributions / Ex Transfers In	Benefits / Ex Transfers Out	Internal Transfers In (Adjusted)	Pensions	Closing Balance	Contributions / Ex Transfers In (Weighted)	Benefits / Ex Transfers Out (Weighted)
Jones, John	269,500.00	0.00	395,000.00	0.00	684,500.00	-26,000.00	656,500.00	381,808.23	0.00
Jones, Mary	265,885.00	0.00	22,500.00	0.00	0.00	0.00	288,385.00	19,483.57	0.00
Reserves	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Totals	555,385.00	0.00	417,500.00	0.00	684,500.00	-26,000.00	944,885.00	401,291.80	0.00

Click  to proceed to the **Contact Details** section.

Step 6 - Contact Details

Contact Name Input **John Smith**

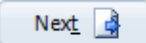
Telephone Input **03 9512 3456**

Email Input **john@smithjones.com.au**

Click  to save these contact details in **Simple Fund**.

Additional Information You can use this field to add any additional notes or comments regarding this actuary certificate application.

For training purposes please do not click on payment as you will be locked in this screen until a payment is made.

Click  to proceed to the **Payment** section.

Step 7 - Payment

This tab will go through the payment process.

You can make payment by clicking on one of the following options:

- Post-Pay - This payment method allows you to apply for actuarial certificates and pay at the end of the month. You need to register before using this payment method by either calling BGL on 1300 654 401 or by filling out and faxing/emailing the following form to BGL - <http://files.bglcorp.com.au/faqdocs/PostPayDDR.pdf>. The contact details can be found in the form.
- Credit Cards - MasterCard, Visa and American Express
- EFT
- Cheque

Warning: Do not close the payment tab once you have selected a payment type.

You will automatically be taken to the Certificate List tab once the Actuarial Certificate is sent to the Actuary Provider.

Your payment options are below. Please note that selecting Cheque or Direct Debit will delay order fulfillment.

Please select a payment method for your Actuary Certificate:

Actuary Post-Pay

Post-Pay allows you to quickly obtain your Actuary Certificate while leaving payment until the end of the month.

Credit Card (Select Type)



AMEX Surcharge 3.1%

Once the payment has been made and processed, an invoice will be generated. The invoice will get saved to **Document Management** and **All Documents and Forms** screens under **Reports and Documents | Documents and Tasks**.

The following data will be sent to the Actuaries:

- Statement of Financial Position/Balance Sheet
- Operating Statement
- General Ledger
- Actuarial data and calculations

Viewing and Printing the Actuarial Certificate

The Actuarial Certificate will only be available when it is released by the Provider.

To check whether the certificate has been released by the Provider, go to the **Certificate List** tab and check the **Release Date** and **Release Status**. The certificate will be available for you to preview/print in **Simple Fund** if the **Release Status** is **Released via Simple Fund**. **Simple Fund** will automatically add the actuary percentage to the **Fund Details | Pension Policy** screen.

Click  to preview the Actuarial Certificate, Invoice and Actuarial Application Summary

Select your Actuary to create a New Actuarial Certificate



Ph 1800 230 737
www.act2.com.au

Price: \$176
Avg Processing Time: 1 day(s)



ph 1800 203 123 • www.bendzulla.com

Price: \$176
Avg Processing Time: 1 day(s)



www.cumsar.com.au (03) 9642 2242

Price: \$176
Avg Processing Time: 1 day(s)

Certificate List Filter:

	Fund Name	Provider Name	Start Date	End Date
☒	BGL SUPERANNUATION FUND	Act2 Solutions	01/07/2008	30/06/2009



Actuary Certificate

Invoice

Actuarial Application Summary

Note: For the purpose of this training, you will need to manually create a **Pension Policy** refer to **Task 5.3**.

Task 5.3 - Create a Pension Policy

Objective

The **Pension Policy** tab is used in Simple Fund to manage the actuarial and expense percentages. This tab allows you to have multiple policies set up for a fund.

Deductible and Non-Deductible expenses

The Pension Expense Percentage is split between General and Investment Expense percentages. Simple Fund will allow for two different formulas to be used in the calculation of your non-deductible expenses.

There are three options provided to users to calculate the General and Investment Expense percentages.

Manually Specify Percentage:

You are able to specify a percentage you have calculated, given that it is a fair and reasonable assessment.

When using the Actuarial Certificate Wizard in Simple Fund to obtain the Actuary Certificate, by default Simple Fund will create the Pension Policy and set the calculation method to **Manually Specify Percentage**.

Use Actuarial Percentage:

By selecting this method Simple Fund will use the Actuarial Percentage entered in the policy.

Calculate Using ATO Formula (TR 93/17):

During the Create Entries process the proportion will be automatically calculated (using the calculations prescribed in ATO TR 93/17) and applied.

General Expenses will use the guidance of ATO Interpretative Decision ATO ID 2012/47 which states that all types of contributions (including non-concessional) and Lump Sums rolled into the fund are included in the calculation of Assessable Income for the purposes of calculating the deductible proportion.

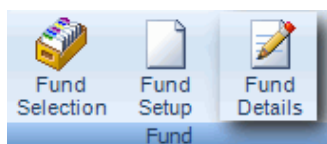
Details of the calculation used will be displayed in the Create Entries Report.

A limitation exists in Simple Fund, if a fund has multiple create entries you will not be able to get Simple Fund to calculate the percentage as per specified in TR 93/17. You will need to either manually enter or use the actuarial percentage for both the General and Investment Expense percentages.

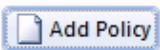
Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Fund** group, click **Fund Details**



Click the **Pension Policy** tab.

Click the  button.

1. Policy Dates Leave dates as 01/07/2013 to 30/06/2014.
2. What is your Actuarial Input **60 %**
(Tax Exempt)
Percentage ?
3. Use segregated If ticked all current year capital gain and loss events will be ignored. Leave
Method for CGT **unticked.**
Calculations ?
4. Apply Actuarial If ticked Simple Fund apportions Foreign Tax Offsets by the Actuarial
Percentage to Foreign Percentage. By default it will be **unticked.**
Tax Offsets ?
5. What is Select **Use Actuarial Percentage**
Non-Deductible
proportion of your
General Expenses
6. What is Non-Deductible Select **Use Actuarial Percentage**
proportion of your
Investment Expenses




1). Policy dates Start  End 

Exempt Current Pension Income

2). What is your Actuarial (Tax Exempt) Percentage ? %

3). Was the fund in full pension phase for the entire income year ?
(i.e. all member accounts paying income streams for full year?) ☐

4). Apply Pension Exemption to Foreign Tax Offsets ? ☐

Deductible and Non-Deductible expenses

5). What is the Non-Deductible proportion of your General Expenses ? % ▼

6). What is the Non-Deductible proportion of your Investment Expenses ? % ▼

Click



Task 5.4 - Create Entries with the Pension Policy

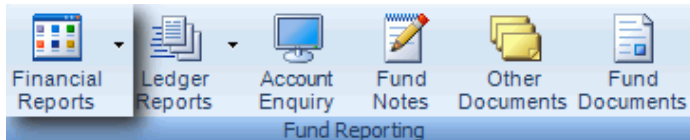
Objective

In this task you will learn how to apply the pension policy for a fund that started a pension part way through the year.

Instructions

From the **Ribbon Toolbar**:

On the **Reports and Documents** tab, in the **Fund Reporting** group, click **Financial Reports**



Step 1 - Reverse Entries created so the last Create Entries Date shows 30/09/2013

Once the actuarial certificate has been received, reverse the second create entries (30.06.2014). **Do not reverse the first period create entries.**

Click  **Reverse Entries**

 A screenshot of the 'Reverse Entries' dialog box. It has a title bar 'Reverse Entries'. Inside, there is a 'Transaction Date' field with the value '30/06/2014' and a calendar icon to its right. Below the field is the text 'Click process to reverse the entries posted.' At the bottom of the dialog are two buttons: 'Process' (with a checkmark icon) and 'Abort' (with a red X icon).

Click  **Process**

Step 2 - Tax Adjustment

Before you undertake the Create Entries process for the period 01/10/2013 to 30/06/2014, we will need to manually calculate the exempt current pension income from 01/07/2013 -30/09/2013. Once calculated we will need to create a Tax Adjustment to Tax Label - Expenses Exempt Current Pension Income (K)

Assessable income excluding contributions made between 01/07/2013 - 30/09/2013 was Rent Received for \$12,000.00. Multiply the \$12,000.00 by the actuarial percentage of 60%. This will equal the tax adjustment of \$7200.00

Click  **Create Entries** and select **Tax Adjustments**.

Input the amount of \$7200.00 and set the Tax Label to **Expenses - Exempt Current Pension Income (K)**

Create Entries

Create Entries Tax Adjustments Depreciation

Tax adjustments

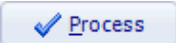
	Amount	Tax Label
Tax Adjustment 1	7200	Expenses - Exempt current pension income (K)
Tax Adjustment 2	0	None
Tax Adjustment 3	0	None

Non deductible expense adjustments

	Amount	Tax Label
Tax Adjustment 4	0	None
Tax Adjustment 5	0	None
Tax Adjustment 6	0	None
Tax Adjustment 7	0	None
Tax Adjustment 8	0	None

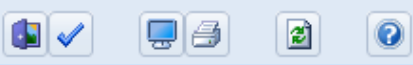
Process Abort

Step 3 - Create Entries

Click  to create entries from the 01/10/2013 to 30/06/2014

The Create Entries Review screen will display the following warning message

Create Entries Review - BGL Training Fund - Pensions



Message

Warning: Create Entries date range does not match the Pension Policy date range.

Click  to accept, the Create Entries process will now finalise the fund as at 30/06/2014.

Step 4 - Review the Create Entries report

Review the Create Entries report on the Calculation of Exempt Pension Income and Pension Member Non Deductible Expenses.

Pension Member Non Deductible Expenses

Item	Percent	Amount
Accounting Fees	60.000	1,200.00
Accounting Fees	60.000	1,200.00

On the Tax Return accounting fees showing at Label J1 and J2 will be \$1600.00 and \$2400.00 respectively.

Calculation of Exempt Pension Income

The following items should appear for John Jones: The total will appear at Label **K** in the SMSF Annual Return.

Item	Percent	Amount
Exempt Capital Gains	60.000	13,872.00
Cash at Bank interest	60.000	18,000.00
Tax Adjustment 1 - Label EG		7,200.00
Total		39,072.00

Capital Gains Schedule

Since the capital gains are above the \$10,000 threshold, the Capital Gains Schedule will automatically be prepared when preparing the Tax Return.

End of Task 5.4. Proceed to **Task 5.5**.

Task 5.5 - Balance Forward

Objective

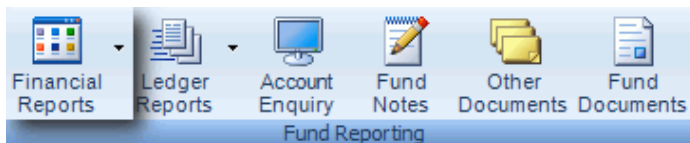
In this task you will learn how to balance the fund ledger forward to the next accounting period.

By the end of this task, you will be able to balance forward using the **Fund Details** screen.

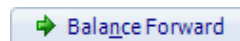
Instructions

From the **Ribbon Toolbar**:

On the **Reports and Documents** tab, in the **Fund Reporting** group, click **Financial Reports**



Click



Simple Fund requires you to confirm that:

Check ☒ *Has all processing been completed?*

Check ☒ *Have all reports been printed?*

Check ☒ *Have you backed up your data?*

Start Date This should display **01/07/2014**

End Date This should display **30/06/2015**

Balance Forward

Pre balance forward tasks:

Has all processing been completed ? ☒

Have all reports been printed ? ☒

Have you backed up your data ? ☒

New financial year:

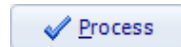
Start Date

End Date

☒ Process

☒ Abort

Click



Check the **Reporting** tab in **Fund Details** and check the Financial Period now displays 01/07/2014 - 30/06/2015.

Click



***REFER TO ARTICLE 79 & 80 IF YOU EXPERIENCE PROBLEMS
BALANCING FORWARD***

End of Lesson 5. Proceed to **Lesson 6**.

Lesson 6 - Pension Accounts

Objective

In this lesson you will learn how to create a Transition to Retirement pension in **Simple Fund** and record additional salary sacrifice contributions for the member.

By the end of this lesson, you will be able to:

- setup a member that is commencing a transition to retirement pension
- use the pension screen to calculate pension payments
- post pension payment journals
- create an additional accumulation member account in **Simple Fund**
- post salary sacrifice contributions to the new additional accumulation member

Overview

This lesson commences the following pension.

Transition to Retirement pensions

These pensions apply for members aged 55 and over who are still working. They must withdraw between a minimum of 4% and maximum of 10% each year, and the pension income is taxable, and subject to PAYG withholding.

The following tasks require you to:

1. commence a Transition to Retirement pension for a member over 55 who is still working; and
2. record additional contributions made by this member.

Learning Tasks

Task 6.1 - Commence a Transition to Retirement Pension

Commence a Transition to Retirement pension

Task 6.2 - Salary Sacrifice Contributions

Record additional contributions from a member who has entered a Transition to Retirement pension.

Task 6.1 - Commence a Transition to Retirement Pension

Objective

In this task you will learn how to create a transition to retirement income stream.

By the end of this task, you will be able to:

- convert an accumulation member to a transition retirement income stream
- use the pension screen to calculate pension payments
- change the minimum pension amount calculated by **Simple Fund**
- post pension payment journals

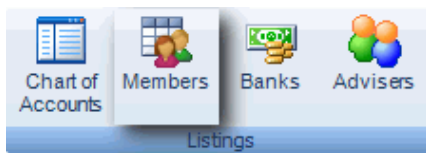
Details

Mary will commence a Transition to Retirement pension on 1 July.

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Listings** group, click **Members**



Step 1 - Change Mary to Pension Mode

Highlight **Mary Jones** and click  **Mode**.

Click ☒ **Pension Mode**

Mode date Input 01/07/2014

Tax Free Proportion Leave this blank. Simple Fund will update the Tax Free Proportion Percentage once the income stream has been created.



REFER TO ARTICLE 424 FOR MORE INFORMATION ON TRANSITION TO RETIREMENT PENSIONS

Click ☒ **Transition to retirement income stream**

Do not click ☐ **Transfer members balances to Unrestricted Non Preserved accounts**

Member Mode

☐ Accumulation Mode
☒ Pension Mode

Mode Date  

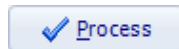
Tax Free Proportion %

Transition to retirement income stream ? ☒

Transfer members balances to Unrestricted Non Preserved accounts ? ☐

The Actuary's Percentage is now in *Fund Details > Pension Policy tab*.
 Click [HERE](#) to go to the Pension Policy tab.

Click



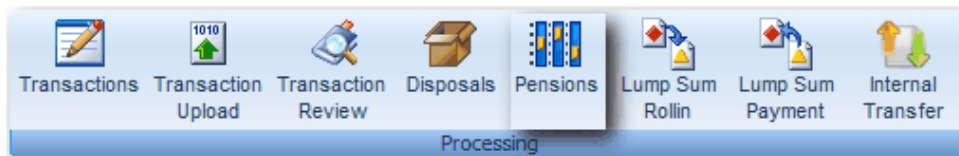
Click



Step 2 - Calculate Pension Income Stream amounts

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Pensions**



Click



Highlight

Mary Jones and click  **Select**

The **Original Member Data** tab will display the following:

Original Member Data	Pension Calculation	Prepare Reports/Post Entries
Member's Balance at the Pension Start Date		
Member	Jones, Mary	
Service Period Start	14/06/1980	Days: Pre 1/7/83 1112 Post 30/6/83 11324
Pension Start Date	01/07/2014	Pension Cease Date / /
Pre Jul 07 Post June 07		
	Preserved	Res Non Pres
Tax Free	2500.00	0.00
Taxable - Taxed Element	346384.96	0.00
- Untaxed Element	0.00	0.00

Pension Start Date Leave this as **01/07/2014**.

Click on the **Pension Calculation** tab

Pension Type Change this to **Minimum Account Based Pension**

Payment Frequency Leave this as **Yearly**. This can be changed to quarterly, monthly or weekly which will change the pension tax calculations accordingly.

Transition to Retirement? Leave this checked. This is a Transition to Retirement pension in which case, **Simple Fund** will calculate the maximum as 10% of the member's balance.

Minimum (Year 1) Amount **\$13,960.00** being the minimum amount.

Annual Pension Amount Change this to **15,000**

Tax Free Proportion This is the percentage of Mary's pension payments that will be Tax Free. This is calculated from her Tax Free proportion / Total member balance.

Mary's Tax Free balance as at the 01/07/2014 is \$2,500

Mary's Total balance is \$348,884.96 Her Tax Free %:

= 2,500 / 348,884.96

= 0.72%

Pension Options:

Pension Type Minimum Account-Based Pension

Payment Frequency Yearly Rebateable Proportion 100.00 % Taxable Weeks ___

Transition to retirement pension ? ☒ Tax-free threshold NOT claimed ☐ Tax Free Weeks ___

The following calculations are for the year ending 30/06/2015

Minimum Account-Based Pension

- Minimum (Year 1) 13,960.00 - Maximum (Year 1) 34,890.00

Annual Pension Amount 15000 Pension Rollover ? ☐

Tax Free Proportion 0.72 % Pension to rollover ___

Death Benefit Pension ? ☐ Beneficiary  

Pension is reversionary ? ☐

Click

 Calculate Pension

Simple Fund will fill out the **Pension Payable** based on the Annual Pension amount.

Pension Payable	Year 1	Annual
Pension Amount	15000.00	15000.00
Tax Free Component	108.00	108.00
Taxable Component	14892.00	14892.00
Gross Tax	0.00	0.00
Rebate	0.00	0.00
Tax Payable	0.00	0.00
Net Pension	15000.00	15000.00

 Calculate Pension

Deductible Amount	
Relevant Number	
Quarterly PAYG Remittance	0.00
Net Monthly Pension	1,250.00

Tax Free Pension
Amount

The tax free amount of Mary's pension is the Total Pension x Tax Free %:

$$= 15,000 \times 0.72\%$$

$$= \$108.00$$

Taxable Pension
Amount/Assessable
Amount

Total Pension amount less Tax Free Pension amount:

$$= \$15,000 - \$108.00$$

$$= \$14,892.00$$

Step 3 - Create Standing Journals (optional)

Click the **Prepare Reports/Post Entries** tab

Posting Reference Input **81**

Posting Frequency Leave this as **Yearly**

General Reports

1 Pensions Report Earning Rate %
 1 Pension Member PAYG Summaries
 1 Pensions Calculation Summary Report
 1 Centrelink / DVA Information Schedule

Pension Commencement Reports

1 Trustee Minute/Resolution for Pension Commencement ☒ New Pension ☐ Pension Rollover
 1 Pension Commencement Notification Letter ☒ Member ☐ Trustee Min/Res Data

Pension Continuation Reports

0 Trustee Minute/Resolution for Continuing Pension
 0 Continuing Pension Notification Letter Min/Res Data

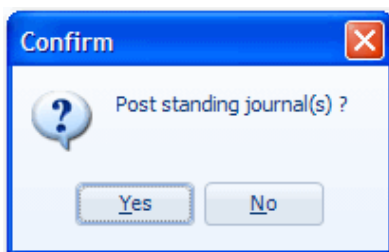
Post Pension Entries

Posting Reference
 Posting Frequency

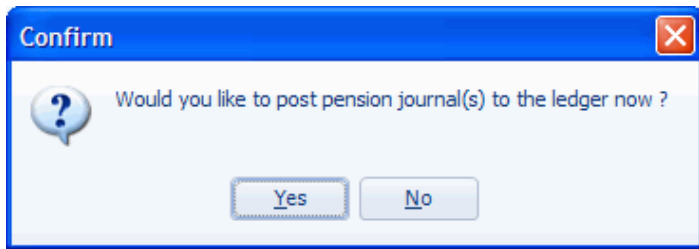
Post Standing Journal

Click

Post Standing Journal



Click **Yes**. Simple Fund has now added these journals as standing journals to be posted in the future. The following message will appear:

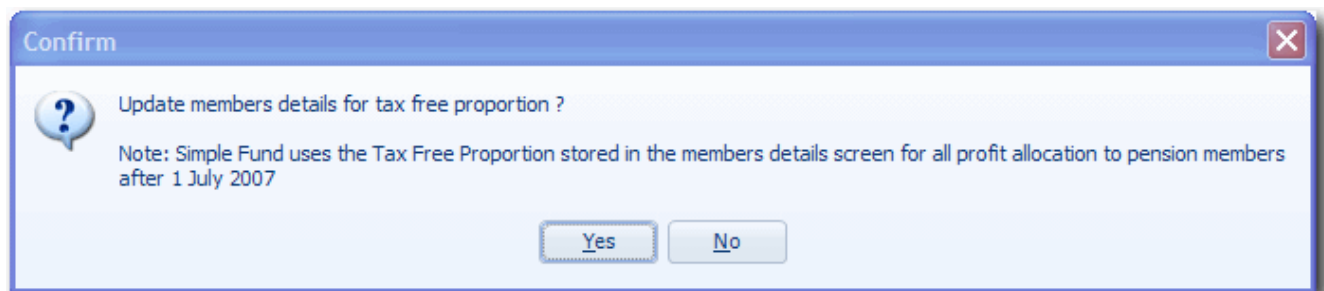


Click **No**. We will not post these amounts to the ledger at this time.

Note: If you wish to post the journals , click on Yes and follow the steps in Task 3.2

Click  **Save**

The following prompt will appear:



Click **Yes**. **Simple Fund** will now update the Tax Free Proportion percentage in the member's mode screen with 0.72%.

End of Task 6.1. Proceed to **Task 6.2**.

Task 6.2 - Salary Sacrifice Contributions

Objective

In this task you will learn how to record contributions for members in pension mode.

By the end of this task, you will be able to:

- create an additional accumulation member account in **Simple Fund**
- post salary sacrifice contributions to the new additional accumulation member

Details

Since 1 July 2007 a common strategy for members 55 or over, but still working, has been to commence a transition to retirement income stream to take advantage of tax-effective income, but continue to work and contribute to superannuation.

Mary has commenced a superannuation income stream, but has made a concessional salary sacrifice contribution of \$20,000.

Step 1 - Add an additional accumulation account for Mary

Step 2 - Record the following contribution

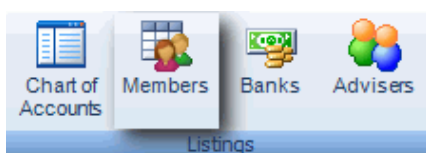
Bank	605 ANZ Cash Management Account
Date	10/07/2014
Ref	83
Account	242/003 - Employer Contributions - Concessional
Amount	\$ 20,000

Instructions

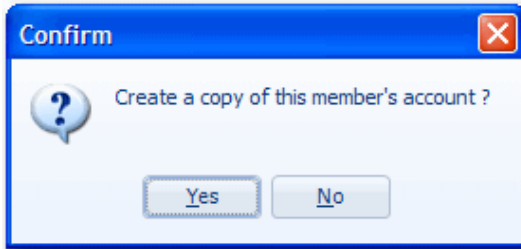
Step 1 - Add a new accumulation account for Mary Jones

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Listings** group, click **Members**



Highlight **Mary Jones** and click  **Copy**.



Click **Yes**. **Simple Fund** will copy Mary's details to the next available member account number (503). The following details will be copied to Mary Jones account 503:

- Member start date
- TFN
- Address
- Member Mode
- Member Mode date

Note: Mary Jones 503 should be in *Accumulation Mode*. Change Mary Jones Account 503 to Accumulation.

Highlight **Mary Jones 503** and click  **Mode**

Click ☒ **Accumulation Mode**

Mode date Leave this blank.

Tax Free Proportion Leave this blank.

Do not click ☐ **Transition to retirement income stream**

Do not click ☐ **Transfer members balances to Unrestricted Non Preserved accounts**

Member Mode

☒ Accumulation Mode
☐ Pension Mode

Mode Date  

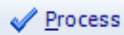
Tax Free Proportion 0.00 %

Transition to retirement income stream ? ☐

Transfer members balances to Unrestricted Non Preserved accounts ? ☐

The Actuary's Percentage is now in *Fund Details > Pension Policy tab*.
 Click [HERE](#) to go to the Pension Policy tab.

Click

 **Process**

Mary Jones 503 will be added to the Members list.

Status	All	Find					
	Members Name ▲	Account	Date Joined	Date Ceased	Mode/Account	Pool Name	Pool %
☐	Jones, John	501	14/06/1994		Pension	N/A	
☐	Jones, Mary	502	14/06/1994		Pension	N/A	
☒	Jones, Mary	503	14/06/1994		Accumulation	N/A	

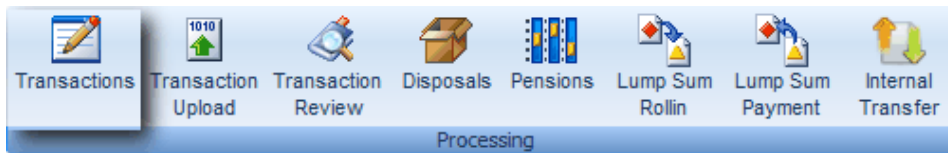
Click

 **Exit** (ALT + X).

Step 2 - Record employer contributions for Mary Jones

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**



Click

 **New.**

Transaction Type Select **Receipts** or press R

Bank Input 605

Transaction Date Input 10/07/2014 and press Tab.

Reference Input 83 and press Tab.

Account Input 242 003 and press Tab.

Amount Input 20 000

Note Input **Employer Contributions**

Type	Receipts		Transaction Balance:		
Bank	605	ANZ Cash Management Account	Bank Balance:		0.00
Account	Jones, Mary (Accumulation)		Account Balance:		0.00
			Taxable Income:		20,000.00
Date	Reference	Account	Units	Amount	Div Residual
10/07/2014	83	242 003		20000.	
Note	Employer Contributions		X	GST	N/A
CGT Date			Member Component		Employer Contributions

Click  **Save**

Click  **Exit** (ALT + X).

End of Lesson 6. Proceed to **Lesson 7**.

Lesson 7 - Commutation

Objective

In the lesson you will learn how to commute a pension account and start an accumulation account.

By the end of this lesson, you will be able to:

- cease an income stream
- transfer balances from the existing pension account to a new accumulation account using **Internal Transfer Wizard**
- cease the existing pension account

Overview

To commute a minimum account based pension, you must ensure at least the minimum amount is paid from the pension.

The minimum payments must occur in the financial year in which the commutation is to take place.

Refer to ATO's website for more information -

<https://www.ato.gov.au/Super/Self-managed-super-funds/In-detail/SMSF-resources/SMSF-technical/Pension-standards-fo>

The **Internal Transfer Wizard** in **Simple Fund** allows you to record journals to commute a pension or transfer part/all of a member's balance to another account.

The **Internal Transfer Wizard** will:

- post journals to transfer out balances from an existing account
- post journals to transfer in balances to a new account or to an existing account
- create a new account to transfer transactions

Learning Task

Task 7.1 - Commutation of a Member

John Jones account 501 will be commuting his existing pension and returning to work.

Commuting his pension requires the following steps:

Step 1 - Enter a cease date for the income stream.

Step 2 - Use the Internal Transfer Wizard to transfer the balance from John Jones 501 to John Jones new accumulation account

Step 3 - Enter in a "Date left Fund" for John Jones 501

Task 7.1 - Commutation of a Member

Objective

In this task you will learn how to commute a pension using the **Internal Transfer Wizard**.

By the end of this task, you will be able to complete the commutation using the following steps:

- Step 1 - Enter a cease date for the income stream.
- Step 2 - Use the Internal Transfer Wizard to transfer the balance from John Jones 501 to John Jones new accumulation account.
- Step 3 - Enter in a "Date left Fund" for John Jones 501.

Details

John Jones account 501 will be commuted and a new accumulation account will be opened for John Jones. The commutation occurs on the 01/07/2014.

Legislation states that if a pension that commenced after 19 September 2007 is to be commuted, you must ensure that at least a minimum amount is paid from the pension beforehand.

The minimum payment must occur in the financial year in which the commutation is to take place.

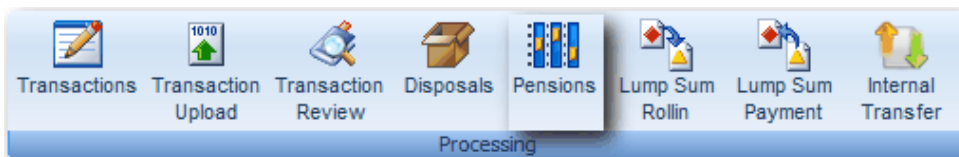
Instructions

Record a minimum pension payment if required.

Step 1 - Enter a cease date for the income stream.

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Pensions**



Highlight **Jones, John** (Account 501) pension on 01/10/2013 and click  **Edit**

Click the **Data/Calculation** tab

Pension Cease Date Input **01/07/2014** as the Pension Cease date

Original MemberData		Pension Calculation		Prepare Reports/Post Entries	
Member's Balance at the Pension Start Date					
Member	Jones, John				
Service Period Start	06/06/1980		Days: Pre 1/7/83	1120	Post 30/6/83
Pension Start Date	01/10/2013		Pension Cease Date	01/07/2014	
Recalculate Balance					

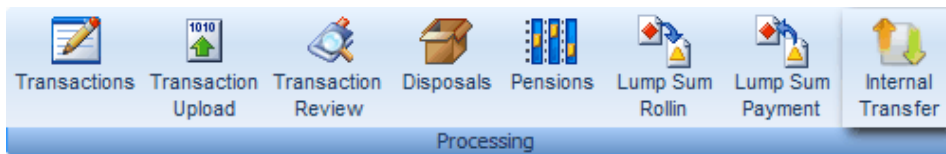
Click **Save**

Click **Exit**

Step 2 - Use the Internal Transfer Wizard to transfer the balance from John Jones 501 to John Jones new accumulation account

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Internal Transfer**



Click **New Internal Transfer**

Click **OK** to the following Information screen.

Information X

The Simple Fund Internal Transfer Wizard is used to complete an Internal Transfer for a Member. Transfers out can be processed for multiple accounts at once and all documentation can be printed at the end.

Before using this wizard, ensure the following is completed

- * For a pension account the required pension payment has been made prior to the transfer/commutation.
- * All transactions have been entered prior to the Internal transfer date
- * Where the transfer takes place mid-year it is recommended that you create entries a day prior to the transfer

Click [OK] to continue

Enter the **Transfer Details****Step 1 - What is the date of the transfer?**

Input 01/07/2014

Step 2 - Which member is the Internal Transfer for?

Select Jones, John

Step 3 - Which of the member's accounts are being transferred out of?

Click ☒ Account 501 - 14/06/1994 - Pension.

Step 4 - Which Account is the total balance being transferred into?

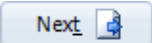
Click ☒ Create a New Account. **Simple Fund** will automatically create a new accumulation account for John Jones.

Note: If you are transferring balances to an existing member account, you will need to select the account code to transfer to.

Step 5 - For account selected in Step 4, which component would the amounts be transferred to?

Click ☒ Maintain current preservation component(s)

Transfer Details	Transfers Out	Confirmation	Reports						
Step 1. What is the date of the transfer ? 01/07/2014 									
Step 2. Which member is the Internal Transfer for ? ☒ Jones, John ☐ Jones, Mary									
Step 3. Which of the member's accounts are balances being transferred out of ? <table border="1"> <thead> <tr> <th>Account</th> <th>Date Joined</th> <th>Mode/Account</th> </tr> </thead> <tbody> <tr> <td>☒ 501</td> <td>14/06/1994</td> <td>Pension</td> </tr> </tbody> </table>				Account	Date Joined	Mode/Account	☒ 501	14/06/1994	Pension
Account	Date Joined	Mode/Account							
☒ 501	14/06/1994	Pension							
Step 4. Which Account is the total balance being transferred into ? ☒ Create NEW Accumulation Account ☐ Transfer to an existing Accumulation Account									
Step 5: For account selected in Step 4, what component would the amounts be transferred to ? ☒ Maintain current preservation component(s) ☐ Unrestricted Non Preserved									
Next 									

Click  to record the Transfer Out details.

Enter the **Transfer Out** details.

Step 6 - Select the total transfer amount will be?

Select ☐ Entire Balance

Note: To transfer part of the balance, select Part of Balance and click  to input the balance details.

Transfer Details Transfers Out Confirmation Reports

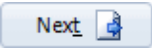
Step 6. Select what the total transfer amount will be ?

Total Transfer Out amount : \$757,036.84

Account 501 - Jones, John
Balance as at 01/07/2014 is \$757,036.84

☒ Entire Balance
 ☐ Part of the Balance

Amount to be transferred out \$757,036.84

Click  to confirm transactions.

View **Transaction Confirmation/Summary**.

Transfer Details Transfers Out Confirmation Reports

Please confirm the transfer below before the transactions are posted

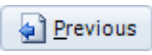
Member: Jones, John

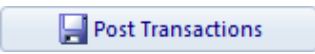
Amounts being Transferred In

Account	Preserved	Res Non Pres	Unres Non Pres	Total	Taxable	Tax Free	Total
504	0.00	0.00	757,036.84	757,036.84	385,380.54	371,656.30	757,036.84

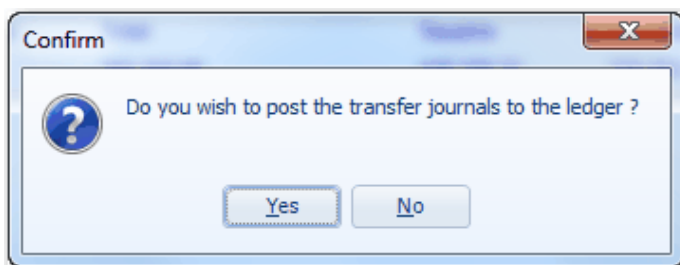
Amounts being Transferred Out

Account	Preserved	Res Non Pres	Unres Non Pres	Total	Taxable	Tax Free	Total
501	0.00	0.00	757,036.84	757,036.84	385,380.54	371,656.30	757,036.84

Click  to make any changes.

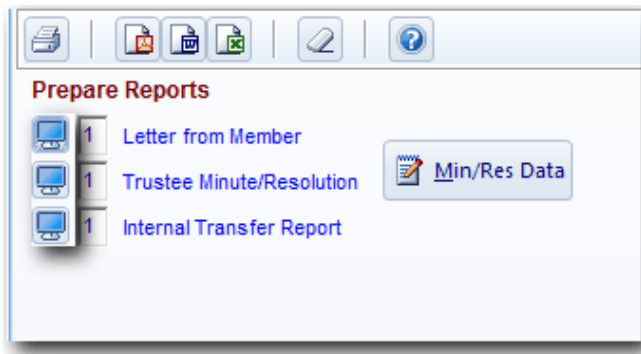
Click  once all transactions have been confirmed.

Click **Yes** to the following confirmation message:



View **Reports**

Click  **Preview** to the left of any of the reports in this screen.



Click **Exit** twice.

Simple Fund will post the following Transfer Out and Transfer In journals:

Transactions:		From	01/07/2014		Transaction	Narration			Advanced Transaction Filter	Transaction Search:
Detailed		To	30/06/2015		Filter:	internal			Filters Applied: 1	
	Date ▲	Ref	Code	Type	Units	Debits	Credits	Bank	Narration	
☐	01/07/2014	010714	501/174	J		371656.30			Internal Transfer Out - 501- UNP/TaxFree	
☐	01/07/2014	010714	504/164	J			371656.30		Internal Transfer In - 504- UNP/TaxFree	
☐	01/07/2014	010714	501/173	J		385380.54			Internal Transfer Out - 501- UNP/Taxable	
☐	01/07/2014	010714	504/163	J			385380.54		Internal Transfer In - 504- UNP/Taxable	

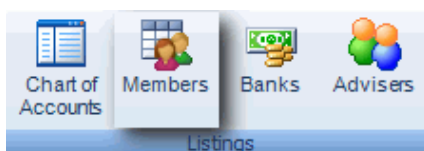
Simple Fund will also automatically create a new accumulation account for John Jones.

	Members Name	Account	Date Joined	Date Ceased	Mode/Account	Pool Name	Pool %
☐	Jones, John	501	14/06/1994		Pension	N/A	
☒	Jones, John	504	14/06/1994		Accumulation	N/A	
☐	Jones, Mary	502	14/06/1994		Pension	N/A	
☐	Jones, Mary	503	14/06/1994		Accumulation	N/A	

Step 3 - Enter in a "Date left Fund" for John Jones 501

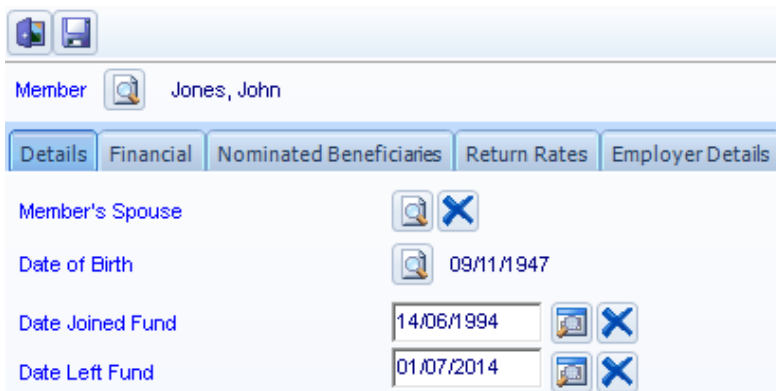
From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Listings** group, click **Members**



Highlight **Jones, John** (Account 501) pension and click **Edit**

Date left Fund Input **01/07/2014** as the Date left Fund.



Member  Jones, John

Details Financial Nominated Beneficiaries Return Rates Employer Details

Member's Spouse  

Date of Birth  09/11/1947

Date Joined Fund 14/06/1994  

Date Left Fund 01/07/2014  

Click  **Save**

Optional Step- Convert John Jones to Pension

If John was converting his accumulation account back to a pension, you will need to follow the steps covered in **Task 2.5**.

An income stream can also be created for John Jones 504 using the steps in **Lesson 3**.



***REFER TO ARTICLE 360 FOR MORE INFORMATION ON PENSION
COMMUTATION***

End of Lesson 7. Proceed to **Lesson 8**.

Lesson 8 - Allocating Assets to Pools

Objective

In this lesson you will learn how to segregate assets to members using asset pools.

By the end of this lesson, you will be able to:

- create up to five asset pools
- link members to assets pool in the members screen
- allocate investments to asset pools in the chart of accounts
- remove asset pools from investments in the chart of accounts

Details

The Trustee's of the BGL Training Fund have elected to segregate all fund assets for the full financial year.

Learning Tasks

To complete this task, you need to set up and allocate three pension pools.

Task 8.1 - Create a Pension Policy for segregated assets

Create a Pension Policy when the SMSF assets are segregated. The purpose of the Pension Policy is for Simple Fund to calculate your deductible and non-deductible expenses

Task 8.2 - Set up Asset Pool Names

Set up the following Asset Pool Names for the BGL Training Fund:

- Pool 1 - John (Accumulation)
- Pool 2 - Mary (Pension)
- Pool 3 - Mary (Accumulation)

Task 8.3 - Linking Members to an Asset Pool

Allocate the investments of the fund to separate asset pools.

Pool	Member	Percentage
John (Accumulation)	504 - John Jones	100%
Mary (Pension)	502 - Mary Jones	100%
Mary (Accumulation)	503 - Mary Jones	100%

Task 8.4 - Allocating Assets to a Pension Pool

John (Accumulation)

504

604 - Cash at Bank

772/001 - Unit 7, 270
Grange Road, Toorak

782/001 - General
Property Trust

Mary (Pension) 502

605 - ANZ Cash
Management Account

776/001 - BHP Billiton
Limited

776/003 - ABC Limited

**Mary (Accumulation)
503**

724/001 - Westpac Term
Deposit

Task 8.1 - Create a Pension Policy for segregated assets

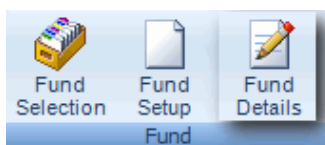
Objective

In this task you will learn to create a Pension Policy when the SMSF assets are segregated. The purpose of the Pension Policy is for Simple Fund to calculate your deductible and non-deductible expenses.

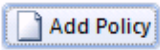
Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Fund** group, click **Fund Details**



Click the **Pension Policy** tab.

Click the  **Add Policy** button.

- | | |
|---|---|
| 1. Policy Dates | Leave dates as 01/07/2014 to 30/06/2015. |
| 2. What is your Actuarial (Tax Exempt) Percentage ? | Input 0 % |
| 3. Use segregated Method for CGT Calculations ? | If ticked all current year capital gain and loss events will be ignored. Leave unticked . |
| 4. Apply Actuarial Percentage to Foreign Tax Offsets ? | If ticked Simple Fund apportions Foreign Tax Offsets by the Actuarial Percentage. By default it will be unticked . |
| 5. What is Non-Deductible proportion of your General Expenses | Select Calculate Using ATO Formula (TR 93/17) |
| 6. What is Non-Deductible proportion of your Investment Expenses | Select Calculate Using ATO Formula (TR 93/17) |




1). Policy dates Start  End 

Exempt Current Pension Income

2). What is your Actuarial (Tax Exempt) Percentage ? %

3). Was the fund in full pension phase for the entire income year ?
(i.e. all member accounts paying income streams for full year?) ☐

4). Apply Pension Exemption to Foreign Tax Offsets ? ☐

Deductible and Non-Deductible expenses

5). What is the Non-Deductible proportion of your General Expenses ? % 

6). What is the Non-Deductible proportion of your Investment Expenses ? % 

Click  **Save.**

End of Task 8.1. Proceed to **Task 8.2.**

Task 8.2 - Set up Asset Pool Names

Objective

In this task you will learn how to create names for asset pools.

By the end of this task, you will be able to create names for up to five pools.

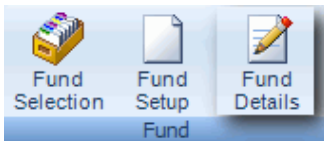
Details

Investments can be set up in a Pool and members then allocated to the Pool. **Simple Fund** defines these pools as Pool 1 to Pool 5. However you may set up more meaningful names for these asset pools.

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Fund** group, click **Fund Details**



Click the **Pools** tab

Pool 1 Input **JOHN** (**ACCUMULATION**)

Pool 2 Input **MARY** (**PENSION**)

Pool 3 Input **MARY** (**ACCUMULATION**)

Pool 1	John(Accumulation)
Pool 2	Mary(Pension)
Pool 3	Mary(Accumulation)
Pool 4	Pool 4
Pool 5	Pool 5

Click  **Save**.

End of Task 8.2. Proceed to **Task 8.3**.

Task 8.3 - Linking Members to an Asset Pool

Objective

In this task you will learn how to allocate members to asset pools.

By the end of this task you will be able to link members to assets pools in the members screen. The total allocation for each pool must be 100%.

Details

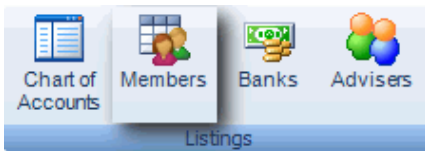
Allocate the members to the asset pools set up in **Task 8.2**.

Pool	Member	Percentage
John (Accumulation)	John Jones (504)	100%
Mary (Pension)	Mary Jones (502)	100%
Mary (Accumulation)	Mary Jones (503)	100%

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Listings** group, click **Members**



Highlight **John Jones Account 504**

Click  **Edit**

Click **Financial**

Member Pool Select **John (Accumulation)**

Member Jones, John

Details Financial Nominated Beneficiaries Return Rates Employer Details

Current Salary

Previous Salary

Taxable Income

Reportable Fringe Benefits

Death Benefit

Disability Benefit

Transitional RBL Pension

Transitional RBL Lump Sum

Income Percentage %

Expense Percentage %

Member Pool Pool Income Percentage %

Pool Income Percentage Input 100

Click



Save

Now repeat these steps to allocate the remaining pools to the other member accounts:

Pool	Member	Percentage
Mary (Pension)	Mary Jones (502)	100%
Mary (Accumulation)	Mary Jones (503)	100%

End of Task 8.3. Proceed to **Task 8.4.**

Task 8.4 - Allocating Assets to a Pool

Objective

In this task you will learn how to allocate investments to the asset pools.

By the end of this task, you will be able to:

- allocate asset pools to investments in the chart of accounts
- identify when an investment is attached to a pool in the chart of accounts
- remove asset pools from investments in the chart of accounts

Details

Assets can be allocated in two ways. They can be individually allocated to members, or investments can be set up in a Pool and members then allocated to the Pool.

This task requires you to set up an asset pool for John Jones accumulation account and Mary Jones pension and accumulation account.

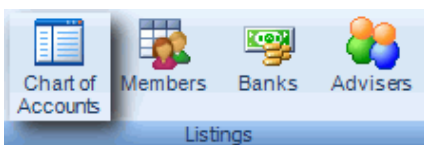
Allocating assets allows for the linked income from these investments to be specifically allocated to the member linked to that pool. Any earnings on unallocated assets are automatically allocated by **Simple Fund** to the members based on their weighted balances.

Instructions

BGL Training Fund now has segregated assets, and will segregate assets using the Pool method. This is the preferred method where each member has a fixed percentage ownership of a single pool. The Direct Allocation method is covered in the **Simple Fund Advanced Training Manual Task 7.3** and can be applied where a member may have a different percentage allocation for different assets.

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Listings** group, click **Chart Of Accounts**



Allocate Assets to Pool 1.

Highlight the **604 - Cash at Bank**

Click



Edit

Asset Pool

Select **John (Accumulation)**.

Click **Save**. Simple Fund will update the asset accounts and its linked accounts names to include the wording **"John (Accumulation)"**.



CLICK ON THE RED CROSS ✖ ICON IN THE CHART OF ACCOUNTS TO DELETE THE ALLOCATIONS.

Repeat the steps above to allocate the remaining assets of the fund. To check all accounts have been allocated, you can view the Trial Balance through *Ledger Reports*.

John (Accumulation)

772/001 - Unit 7, 270
Grange Road, Toorak

782/001 - General
Property Trust

Mary (Pension) 502

605 - ANZ Cash
Management Account

776/001 - BHP Billiton
Limited

776/003 - ABC Limited

Mary (Accumulation)

503

724/001 - Westpac Term
Deposit



***ALL INVESTMENTS MUST BE ALLOCATED. ALL MEMBERS WILL RECEIVE A
SHARE OF INCOME FROM ANY UNALLOCATED INVESTMENTS***

End of Lesson 8. Proceed to **Lesson 9**.

Lesson 9 - Uploading XML Data

Objective

In this lesson you will learn how to upload data into **Simple Fund** using the BGL Import data source from the Transaction Upload screen.

By the end of this lesson, you will be able to:

- understand the benefits of using data upload
- be able to identify the various data upload sources
- be able to identify the two main data file formats - xml and csv
- create your own xml file using the transaction upload spreadsheet in your SFUND folder

Task 9.1 - Uploading XML data

Objective

In this task you will learn how to upload data into **Simple Fund** using the BGL Import data source from the Transaction Upload screen.

By the end of this task you will be able to:

- create your own XML file using the SF_Transaction_Upload_ver1.5.xls file in the SFUND folder
- identify the reference number in an XML file
- upload an XML file into a fund

Details

We will be uploading transactions that are in an XML format.

The transaction that will be imported using BGL Import include:

Receipts

Transaction 1:

Bank	604 - Cash at Bank (John - Accumulation)
Date	2 July 2014
Account	280/001 Rent - Unit 7
Amount	\$11,000

Transaction 2:

Bank	604 - Cash at Bank (John - Accumulation)
Date	3 July 2014
Account	238/001 Distribution - GPT
Amount	\$2,000
Imputed Credit	\$ 385
Tax Free	\$ 110

Transaction 3:

Bank	605 - ANZ Cash Management Account (Mary - Pension)
Date	4 July 2014
Account	250/003 Interest - ANZ
Amount	\$1,000

Transaction 4:

Bank	605 - ANZ Cash Management Account (Mary - Pension)
Date	5 July 2014
Account	239/001 Dividends - BHP
Amount	\$3,500 Fully Franked
Imputed Credits	\$1,500

Payments

Transaction 1:

Bank	604 - Cash at Bank (John - Accumulation)
Date	6 July 2014
Account	301 Accounting Fees
Amount	\$2,000

Transaction 2:

Bank	604 - Cash at Bank (John - Accumulation)
Date	7 July 2014
Account	302 Administration Costs
Amount	\$1,000

Disposal

Transaction 1:

Bank	605- Cash at Bank (Mary- Pension)
Date	8 July 2014
Account	776/001 BHP
Amount	\$20,000

The Transaction upload source that will be used is **BGL IMPORT**

The file is located in ?:\SFUND\DATAIN Folder

Name of File : *pension transaction upload.xml*

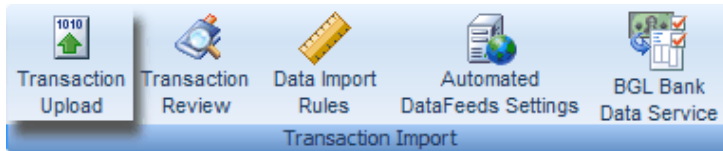
Reference number: *EXCEL*

Instructions

Enter the reference number

From the **Ribbon Toolbar**:

On the **Data In/Out** tab, in the **Transaction Import** group, click **Transaction Upload**



Select the **Account/Reference List** tab

Select Data Source Select **BGL Import** from the drop down list

Enter Reference Input **EXCEL** and click **Add To List**

Upload Source	Reference
BGL Import	EXCEL

Click **Save**

NOTE : The reference code is found in the XML file, to retrieve the code, open the file in either notepad or Internet Explorer. The code is found in between the **"ENTITY CODE"** tag.

Open the *pension transaction upload.xml* found in the SFUND\DATAIN folder.

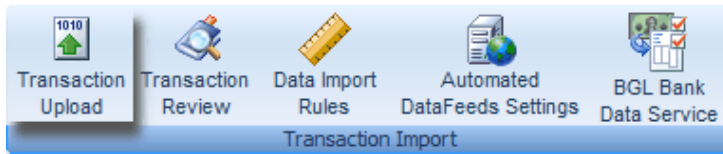
The following will open :

```
<?xml version="1.0" encoding="ISO-8859-1" ?>
- <BGL_Import_Export>
- <Entity_Details>
  <Entity_Code>Excel</Entity_Code>
- <Transactions>
  - <transaction>
    <transaction_type>Other Transaction</transaction_type>
```

Upload the transactions from the XML file into Simple Fund

From the **Ribbon Toolbar**

On the **Data In/Out** tab, in the **Transaction Import** group, click **Transaction Upload**



Click the '**Transaction Upload**' tab.

Step 1. Select the source of the Transaction file

Data Source Click on drop down and select **BGL IMPORT**

Step 2. Select the file on your server or computer

File Name Click **Folder** and browse to c:\SFUND\DATAIN and select the file: *pension transaction upload.xml*

Step 3. Review the Advanced Upload Options below

NOTE : Depending on the **Data Source** selected in **Step 1**, **Simple Fund** will select the options in **Transaction Options**, **Chart of Accounts Options** and **Reporting Options** that apply for this data source.

Transaction Options

Transaction Type Select **Bank Statements**

Check ☒ **Process disposals automatically**

Simple Fund will automatically post all disposal entries to the relevant investment account, capital gains account, income accounts , 491 account and the bank account.

Leave **Do not load 998 entries with the same amount?** ☒ checked

Chart of Accounts Options

Balance Account Leave this as **998 Data Upload Clearing Account**

Leave **Add new accounts in proper case?** ☒ checked

Reporting Options

Period Leave this as **From: 01/07/2014 To: 30/06/2015**

Leave **Prepare Data In report?** ☒ checked

Leave **Use Transaction Upload Validation screen?** ☒ checked

Transaction Upload Automated DataFeeds Upload Mapping Account/Reference List

Step 1. Select the source of the Transaction file

Data Source: BGL Import    *If you would like to create a new upload source e.g. From a CSV or XLS file, click on the "Upload Mapping" tab*

Step 2. Select the file on your server or computer

 D:\BGLAPPS\SFUND\DATA\IN\Pension_transaction_upload.xml

Step 3. Review the Advanced Upload Options below

Transaction Options

Transaction Type: Bank Statements 

Calculate and post transaction balancing amount daily? ☐

Upload future period transactions? ☐

Process disposals automatically? ☒

Do not load 998 entries with the same amount? ☒

Auto calculate franked amounts on dividend transactions? ☒

Assume 100% franked if no dividend data in Securities screen? ☒

Exclude CGT entries? ☐

Chart of Accounts Options

Bank Account: 604  

Balance Account: 998   Data Upload Clearing Account

Add new accounts in proper case? ☒

Automatically create Bank Accounts? ☐

Reporting Options

Period: From: 01/07/2014  To: 30/06/2015 

Prepare Data in report? ☒

Use Transaction Upload Validation screen? ☒

Data Import Rules Category

 Category Selected: 0

Step 4. Upload Transactions

 Upload  Previous Uploads

Click



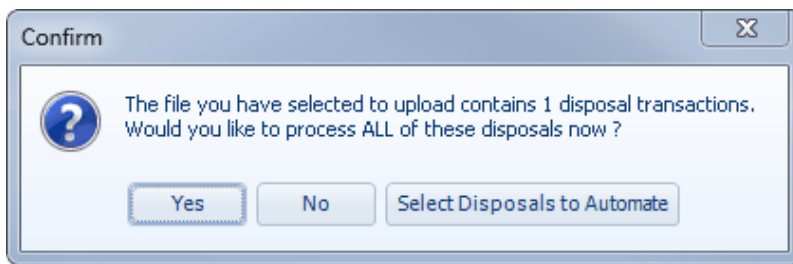
The transaction upload validation screen will appear.

	Error Description	Date ▲	Transaction Type	Code	Details	Units	Amount
✓	Valid Transaction	02/07/2014	Asset Income		RENT - UNIT 7	0.0000	-11,000.00
✓	Valid Transaction	02/07/2014	Other Transaction	604	RENT - UNIT 7	0.0000	11,000.00
✓	Valid Transaction	03/07/2014	Asset Income		DISTRIBUTION - GPT	0.0000	-2,000.00
✓	Valid Transaction	03/07/2014	Other Transaction	604	DISTRIBUTION - GPT	0.0000	2,000.00
✓	Valid Transaction	04/07/2014	Other Transaction	250/003	INTEREST - ANZ	0.0000	-1,000.00
✓	Valid Transaction	04/07/2014	Other Transaction	605	INTEREST - ANZ	0.0000	1,000.00
✓	Valid Transaction	05/07/2014	Asset Income		DIVIDEND - BHP	0.0000	-3,500.00
✓	Valid Transaction	05/07/2014	Other Transaction	605	DIVIDEND - BHP	0.0000	3,500.00
✓	Valid Transaction	06/07/2014	Other Transaction	301	ACCOUNTING FEES	0.0000	2,000.00
✓	Valid Transaction	06/07/2014	Other Transaction	604	ACCOUNTING FEES	0.0000	-2,000.00
✓	Valid Transaction	07/07/2014	Other Transaction	302	ADMINISTRATION	0.0000	1,000.00
✓	Valid Transaction	07/07/2014	Other Transaction	604	ADMINISTRATION	0.0000	-1,000.00
✓	Valid Transaction	08/07/2014	Automated Disposal	491	DISPOSAL OF 500 BHP	-500.0000	-20,000.00
✓	Valid Transaction	08/07/2014	Other Transaction	605	PROCEED FOR	0.0000	20,000.00

Click



You will receive the following message to confirm the disposal transaction :



Click **Yes**.

Simple Fund will now process all transactions including the disposal journals.

Click  **Exit**.

Review your transaction screen to view the transactions that you have just uploaded

The following transactions should appear:

02/07/2014	020714	280/002	B			11000.00	☒	RENT - UNIT 7
02/07/2014	020714	604	B		11000.00			RENT - UNIT 7
03/07/2014	030714	604	B		2000.00			DISTRIBUTION - GPT
03/07/2014	030714	238/001	B			2000.00	☒	DISTRIBUTION - GPT
04/07/2014	040714	250/003	B			1000.00	☒	INTEREST - ANZ
04/07/2014	040714	605	B		1000.00		☒	INTEREST - ANZ
05/07/2014	050714	605	B		3500.00		☒	DIVIDEND - BHP
05/07/2014	050714	239/001	B			3500.00	☒	DIVIDEND - BHP
06/07/2014	060714	301	B		2000.00		☒	ACCOUNTING FEES
06/07/2014	060714	604	B			2000.00		ACCOUNTING FEES
07/07/2014	070714	604	B			1000.00		ADMINISTRATION COSTS
07/07/2014	070714	302	B		1000.00		☒	ADMINISTRATION COSTS
08/07/2014	080714	605	B		20000.00		☒	PROCEED FOR DISPOSAL OF 500 BHP SHARES
08/07/2014	080714	491	B			20000.00	☒	DISPOSAL OF 500 BHP SHARES
08/07/2014	776001	491	J		20000.00			Disposal of 500.0000 unit(s) in Bhp Billiton Limit...
08/07/2014	776001	776/001	J	-500.0...		5970.00		Disposal of 500.0000 unit(s) purchased on 17/0...
08/07/2014	776001	235/001	J			9353.33		Disposal of 500.0000 unit(s) in Bhp Billiton Limit...
08/07/2014	776001	236/001	J			4676.67		Disposal of 500.0000 unit(s) in Bhp Billiton Limit...

NOTE: To reverse the transaction upload process and delete transactions imported into **Simple Fund**, click on **Data In/Out | Transaction Upload** and select  **Previous Uploads**.

End of Lesson 9. Proceed to **Lesson 10**.

Lesson 10 - Create Entries Process for Pooled Assets

Objective

In this lesson you will learn how to create entries in a segregated fund.

By the end of this lesson, you will be able to:

- create entries in a segregated fund
- review the exempt pension income in the create entries report
- review the non-deductible expenses for pension funds with segregated assets
- generate member investment reports for pooled assets

Overview

When assets are segregated between members, the Create Entries process ensures the pension member account operates separately from the accumulation accounts. Instead of earnings being distributed on a daily weighted account balance method, investment earnings are instead segregated and directly allocated to the members account and payments. Investment expenses are deducted from the balance of the pension member account. Any unallocated asset earnings are then allocated between members using the weighted account balance method.

Learning Tasks

Task 10.1 - Create Entries process for Pooled Assets

Create Entries for the accounting period 01/07/2014 to 30/06/2015 and prepare the Create Entries Report.

Task 10.2 - Investment Reports for Pooled Assets

Prepare the following Member Segregated Investment Reports for Member John Jones

- Investment Summary Report
- Investment Change Report
- Projected Investment Disposal Profit/(Loss) Report
- Investment Income Report
- Total Investment Return Report

Task 10.1 - Create Entries Process for Pooled Assets

Objective

In this task you will learn how to create entries for a fund with pooled assets.

By the end of this task you will be able to create entries and review the exempt pension income and non-deductible expenses for a segregated fund.

Details



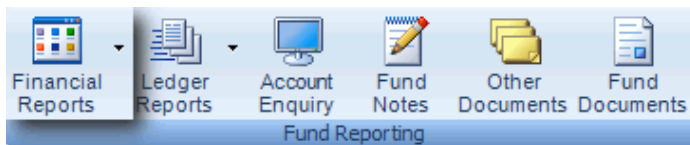
IF YOUR MEMBER IS COMMENCING PENSION PART WAY THROUGH THE YEAR IN A SEGREGATED FUND, YOU MUST STILL CREATE ENTRIES AT LEAST ONE DAY BEFORE THE PENSION COMMENCEMENT DATE

Create Entries for the full year from 01/07/2014 to 30/06/2015 and prepare the Create Entries Report.

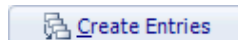
Instructions

From the **Ribbon Toolbar**:

On the **Reports and Documents** tab, in the **Fund Reporting** group, click **Financial Reports**



Click



Period: From Leave this as **01/07/2014**.

Period: To Leave this as **30/06/2015**.

Create Entries

[Create Entries](#)
[Tax Adjustments](#)
[Depreciation](#)

Click help for an explanation of the Create Entries process 

Create Entries Period: From:  To: 

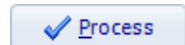
	Tax Losses	Capital Losses	Foreign Tax Offsets	Tax Instalments
Prior Year Carried Forward/Prepaid Amounts	0	0	0	0.00

Allocate income to each members:

[CGT Optimiser](#)

- ☒ Allocate net income to preserved balances (Post 1/7/1999 preservation rules)
- ☒ Reduce members balance used for profit/(loss) allocations by allocated assets
- ☐ Allocate Income Tax Expense to Pension Members
- ☐ Display Member Allocation vWorksheet
- ☒ Run Security Prices check
- ☒ Prepare "Create Entries" report
- ☒ Prepare PDF file of "Create Entries" report

Click



After entries have been created, a full set of financial reports can be prepared.



***REFER TO ARTICLE 425 IF YOU HAVE A NEGATIVE TAXABLE
COMPONENT IN YOUR MEMBERS STATEMENT***

End of Task 10.1. Proceed to **Task 10.2**.

Task 10.2 - Investment Reports for Pooled Assets

Objective

In this task you will learn how to prepare Member Investment Reports for pension members with pooled assets.

By the end of this task you will be able to prepare various member specific investment reports for both pooled assets and directly allocated assets.

Details

When you allocate/segregate assets to a member it is possible to display a wider range of Investment Reports. The Member Reports screen allows you to select which investment reports are prepared on a member-by-member basis. These reports will show the allocation of segregated investments between members.

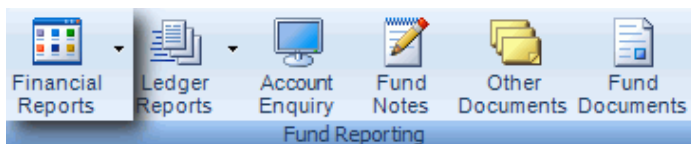
Prepare the following Member Investment Reports:

- Investment Summary Report
- Investment Change Report
- Projected Investment Disposal Profit/(Loss) Report
- Investment Income Report
- Total Investment Return Report

Instructions

From the **Ribbon Toolbar**:

On the **Reports and Documents** tab, in the **Fund Reporting** group, click **Financial Reports**



Click the **Member Reports** tab.

Click  **Clear** to clear the number of copies to **0**.

Click  **Pooled Investments**

1 Trustee Minute/Resolution

1 Members Statements ☐ Consolidate Member Accounts ☐ Select Members ☐ Display TFN

Report Type Rate of Return

1 Members Summary Report ☐ Consolidate Member Accounts

1 Member Contribution Caps Report

1 Pensions Summary Report

0 Members Rate of Return Report

0 Pooled Members Statement of Financial Position

0 Pooled Members Operating Statement

Member Investment Reports ☐ Allocated Investments ☐ Pooled Investments

0 Investment Summary Report (with yields)

0 Investment Summary Report

0 Investment Change Report

0 Projected Investment Disposal Profit/(Loss) Report ☐ Detailed

0 Investment Income Report ☐ Detailed

0 Total Investment Return Report

Click  **Preview** to the left of these reports to view them on the screen.

Click  **Print** if you wish to print the selected member reports.

End of Lesson 10.

Appendix 1 - Exempt Pension Income

Exempt pension income can be reconciled using the Create Entries Report under the section *Calculation of Exempt Pension Income*.

For segregated funds, Simple Fund applies the allocated asset percentage to any taxable income posted after pension commencement. Any income recorded before pension commencement will be taxed at the fund's tax rate.

For example, if a distribution is recorded to 238/xxx for \$5000 - with \$200 tax free, \$300 tax deferred and \$300 discounted gains, Simple Fund will only display the exempt portion of the taxable income in the Exempt pension Income heading in the Create entries report.

Type	Bank Statements		Transaction Balance:		
Bank	604	Cash at Bank	Bank Balance:		0.00
Account	General Prop. Trust		Account Balance:		0.00
Date	01/01/2008	Reference	0	Account	238
				Units	001
				Amount	-5000
					Div Residual
Note					
CGT Date				Member Component	N/A
Franked Div		Unfranked Div		Tax Free	200
		Imputed Credits		Tax Exempt	
				Tax Deferred	300
				TFN Credits	
				Expenses	
Foreign Income		Foreign Credits		Indexed Gains	
		For CG Credits		Disc Gains	300
				Other Gains	
				Disc For CG	
				Other For CG	

Simple Fund will display 60% of \$4400.

This will be made up of the following amounts:

60% of \$4200 = \$2,520 of exempt pension income for John Jones

60% of \$200 = \$120 of exempt capital gains

Calculation of Exempt Pension Income				
Jones, John				
30/06/2008		Exempt Capital Gains		13,992.00
30/06/2008	250/001	Cash at Bank	60.000	18,000.00
30/06/2008	280/001	Unit 7, 270 Grange Road, Toorak	60.000	7,200.00
30/06/2008	238/001	General Property Trust	60.000	2,520.00
Member Total Amount				41,712.00

The remaining balance will display under calculation of permanent/timing difference and calculation of capital gains on the Create Entries Report.

Calculation of timing differences

30/06/2008	238/001	General Property Trust		300.00
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Calculation of permanent differences

01/01/2008	238/001	General Property Trust - Cap Dist		200.00
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Calculation of Net Capital GainsDiscounted Gains

25/04/2008	235/002	Onesteel Limited (Discounted method)	23,120.00	23,120.00
25/04/2008	236/002	Onesteel Limited (Discounted method)	11,560.00	11,560.00
01/01/2008	238/001	General Property Trust (Discounted method)	300.00	300.00

Exempt Pension Income and Capital Gains for Unsegregated Funds

For unsegregated funds, Simple Fund applies the actuary's percentage to any taxable income received during the year.

Any capital gains incurred in an unsegregated fund are treated as normal assessable income and will be included in the calculation of exempt pension income. Simple Fund works out how much of the capital gains is exempt from tax using the fund's actuary percentage and includes it in the total balance of the exempt pension income (see example below).

From the example below, total net capital gain is \$23 320. Simple fund will apply the actuary percentage of 60% to this amount, calculating exempt capital gains of \$ 13 992. This amount is then included in the exempt pension income.

Calculation of Exempt Pension Income**Jones, John**

30/06/2008		Exempt Capital Gains		13,992.00
30/06/2008	250/001	Cash at Bank	60.000	18,000.00
30/06/2008	280/001	Unit 7, 270 Grange Road, Toorak	60.000	7,200.00
30/06/2008	238/001	General Property Trust	60.000	2,520.00
Member Total Amount				41,712.00
Total Amount				41,712.00

Calculation of Net Capital GainsDiscounted Gains

25/04/2008	235/002	Onesteel Limited (Discounted method)	23,120.00	23,120.00
25/04/2008	236/002	Onesteel Limited (Discounted method)	11,560.00	11,560.00
01/01/2008	238/001	General Property Trust (Discounted method)	300.00	300.00
Total Amount - Discounted Gains				34,980.00

Other Items

30/06/2008		Capital Gains Discount		(11,660.00)
Total Amount - Other Items				(11,660.00)

Total Net Capital Gain (Assessable) **23,320.00**

01/10/2007	501	Jones, John	23,320.00	13,992.00
		- Pension Members Percent: 60.000%		
Total Amount - Exempt Capital Gains				13,992.00

However on your SMSF Annual Return, the total net capital gains will display on Section 10 A. The non taxable amount will then be included in the exempt pension income Section 11 K.

Section B : Income Net capital gains A 23320	Section C : Deductions Exempt current pension income K 41712
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For more information on exempt pension income, please refer to <https://www.ato.gov.au/Super/Self-managed-super-funds/In-detail/SMSF-resources/SMSF-technical/Self-managed-super-funds/>

Appendix 2 - Hybrid Fund

What is a Hybrid Segregation Fund ?

A Hybrid Segregation Fund (or partial segregation fund) is where a pension fund has a mixture of segregated and unsegregated assets. The unsegregated assets will require an Actuarial Certificate.

What do I need to do in Simple Fund ?

In Simple Fund, an actuarial percentage will still need to be entered into the new Pension Policy screen once it has been obtained from an Actuary for the Unsegregated Assets.

Segregated assets will need to be allocated in the Chart of Accounts using either the direct percentage method or by setting up investment pools.

A Pension Expenses Percentages will need to be entered into the Pension Policy screen which caters for expenses incurred for the entire fund.

How will Exempt Pension Income be calculated ?

Income from assets that are unsegregated will be treated as exempt based on the actuarial percentage entered into the Fund Details (pension Policy) / Member's Screen.

Income from assets which are segregated will be treated as exempt based on the percentage of the assets which has been allocated to pension members (Direct Percentage) or treated as completely exempt if allocated to a Pension pool. The Actuary Percentage in Fund Details (Pension Policy tab) will not be applied to Segregated Assets.

Calculation of Exempt Pension Income				
Jones, John				
30/06/2008		Exempt Capital Gains		1,520.00
30/06/2008	250/001	Cash at Bank (Pooled)	100.000	30,000.00
30/06/2008	280/001	Unit 7, 270 Grange Road, Toorak	40.000	4,800.00
		Member Total Amount		36,320.00
		Total Amount		36,320.00
Calculation of Net Capital Gains				
Discounted Gains				
25/04/2008	235/002	Onesteel Limited (Discounted method)	23,120.00	
		- Pension Members Percent: 100.000%		
25/06/2008	235/004	General Property Trust (Discounted method)	3,800.00	3,800.00
25/04/2008	236/002	Onesteel Limited (Discounted method)	11,560.00	
		- Pension Members Percent: 100.000%		
25/06/2008	236/004	General Property Trust (Discounted method)	1,900.00	1,900.00
		Total Amount - Discounted Gains		5,700.00
Other Items				
30/06/2008		Capital Gains Discount		(1,900.00)
		Total Amount - Other Items		(1,900.00)
		Total Net Capital Gain (Assessable)		3,800.00
01/07/2007	501	Jones, John	3,800.00	1,520.00
		- Pension Members Percent: 40.000%		
		Total Amount - Exempt Capital Gains		1,520.00

For further information on calculation of exempt pension income in **Simple Fund**, refer to **Appendix 3 - Exempt Pension Income**.

You can also refer to the ATO's website:

<https://www.ato.gov.au/Super/Self-managed-super-funds/In-detail/SMSF-resources/SMSF-technical/Self-managed-super-funds/>

Appendix 3A - New Tax Free Proportioning Rule

Objective

To demonstrate how the Tax Free component is calculated for superannuation income streams from 1 July 2007.

Details

Post 30 June 2007 proportioning rule to calculate the Tax Free pension amount

When a benefit is paid from a superannuation fund, the benefit will include both **tax-free** and **taxable** components. These amounts are calculated using the tax-free proportion of the member.

Example 1 Applying the proportioning rule when paying a benefit

Mary is 58 and her superannuation income stream started on 1 August 2007. When Mary's income stream began, the total value of her superannuation balance was \$400,000. The interest includes a tax-free component of \$100,000 made up solely from the crystallised segment, and a taxable component of \$300,000.

Mary receives a superannuation income stream benefit of \$2,000 on 1 September 2007.

Step 1:

Calculate the tax-free and taxable proportions of Mary's superannuation interest when the income stream began:

Tax free component = \$100,000 = 25%

Value of the interest \$400,000

The taxable percentage of Mary's superannuation interest would therefore be 75%

Step 2:

Apply that proportion to calculate to calculate the tax free component of Mary's benefit as follows:

$\$2,000 \times 25\% = \500 .

The taxable component of this super income stream is \$1,500 (\$2,000 - \$500).

Appendix 3B - Converting a Deductible Amount to Tax Free Amount

Objective

To demonstrate how the 'deductible' proportion of an existing superannuation income stream converts to a 'Tax Free' component from 1 July 2007. This occurs automatically where the member is 60 at 1 July 2007, or will occur at any point after 1 July 2007 where the member turns 60, passes away or commutes the income stream.

Details

Converting the Deductible Amount to a Tax Free amount for Pensions commenced prior to 1 July 2007

If a pension commenced prior to 1 July 2007, and the member is 60, or turns 60 after 1 July 2007, the 'deductible amount' needs to be converted to a 'Tax Free' component.

The steps involved in this process are as follows.

1. Calculate the member's pension account balance just before the trigger event (turning 60, or at 1 July 2007 if the member has already turned 60).
2. Work out the unused undeducted purchase price (UPP) of the income stream.
3. Work out the pre-July 1983 component of the superannuation interest.

Tax-free component = total of steps 2 and 3.

Taxable component = member's balance less the tax-free component.

The tax-free and taxable components of the income stream benefit are in the same proportions as they are within the superannuation interest from which the benefit is paid.

Example:

John is 67 and has an allocated pension which started before 1 July 2007. The account balance of John's pension was \$230,000 at 1 July 2007. John's undeducted purchase price (UPP) is \$100,000.

The annual deductible amount applying to John's income stream immediately prior to 1 July 2007 is \$5,000. Between the start of John's income stream and 30 June 2007, John has been entitled to claim \$18,000 as an annual deductible amount in relation to his income stream.

The start date of John's eligible service period is 1 July 1970.

Step 1

John's account balance at 1 July 2007 is \$230,000

Step 2

Calculate the unused undeducted purchase price (UPP) just prior to 1 July 2007.

For John's income stream the unused UPP is \$82,000 (ie \$100,000 - \$18,000).

Step 3

Calculate the pre-July 1983 component of his account balance. In the calculation the last date for John's service period would be 30 June 2007.

John's pre-July 1983 component is the lesser of:

$$\$230,000 \times 4,748 \text{ days} / 13,514 = \$80,808$$

and

$$\$230,000 - \$82,000 = \$148,000$$

Step 4

The tax-free component of the superannuation interest is the total of the amounts calculated in Step 2 and Step 3.

$$\$82,000 + \$80,808 = \$162,808$$

The taxable component of the superannuation interest is the amount remaining after subtracting the tax-free component from the superannuation interest.

$$\$230,000 - \$162,808 = \$67,192$$

Step 5

The tax-free and taxable proportions of the superannuation interest are calculated as follows:

Tax-free proportion of John's income stream

$$\$162,808 / \$230,000 \times 100 = 70.79\%$$

Taxable proportion of John's superannuation income stream

$$100\% - 70.79\% = 29.21\%$$

Appendix 4 - Pension Fund Showing Taxable Income

As a quick troubleshooting guide to the above problem, check:

1. Check the Actuary Percentages / Allocations

Where the assets are SEGREGATED, ensure in the Chart of Accounts that all assets have been allocated to a member or pool.

2. Check the Linked Income accounts

Simple Fund only includes linked income accounts in the calculation of exempt pension income. The income account must be linked to an investment account that the fund holds at least one unit during the year.

In version 11.2, the Create Entries Review will display any amounts posted to accounts 235, 236, 239, 238, 250, 265 and 280 which are not linked to an Investment account.

YOU CHECK WHETHER ALL INCOME ACCOUNTS ARE LINKED BY DOING THE FOLLOWING RECONCILIATION

- i. Print the Create Entries Report
- ii. Print the Trial Balance
- iii. Compare the **Calculation of Exempt Pension Income** section on the Create Entries Report against your **Income on your Trial Balance**.

If an income account (dividend, distribution, interest, rental or other income) does not appear in the Calculation of Exempt Pension Income section, but does appear on the Trial Balance, then the most likely cause is that a link has not been created between the Investment and the Income account.

Please Note: The only circumstance where this would not occur is if a distribution is a write back of tax deferred or consists entirely of a non taxable component such as Tax Deferred. To check the linked accounts for an Investment, you can either:

- a. from the Chart of Accounts, edit the Investment and click , or
- b. from the Simple Fund Explorer, click **Account Enquiry** and select the Investment account

If you have income that has no related investment, such as ATO Interest, therefore the income account has no link from an investment account, you can:

- a. Create a dummy investment account, under 'Other Investments' and link the income account to this, or;
- b. Through the Chart of Accounts, change the 'Tax Return' label in this income account, to 'Not applicable - permanent difference'. This will exclude the account from tax.

3. Incorrect Tax Return and Regulatory Return labels

If your income account does not have the correct selection for the Tax Return or Regulatory Return label, this may not be included in Exempt Pension Income.

4. Dividends with tax components

Ensure no Distribution tax information such as *tax free* or *tax deferred* amounts have been posted to dividend accounts (239) or accounts with the Tax Return Label set to "Income - gross dividends". Also check to ensure no capital gains (discounted, etc) are recorded to these accounts. These amounts should only be posted to distribution accounts (238), or accounts with the Tax Return Label set to "Income - Gross Trust Distributions".

In version 11.2, the Create Entries Review screen will display any transactions which have tax information for a distribution and the Tax Return label is not set to "Income - Gross Trust Distributions".

5. Write Backs of Tax Deferred

If there has been a Write Back of Tax Deferred to a non-distribution account you will need to change the Tax Return label of that account to "Income - Income from trusts" prior to creating entries.

6. Taxable Contributions

Assessable Contributions are not derived from pension assets and therefore do not receive an exemption from income tax.

Conclusion and Summary

Thank you for investing your time to complete this **Simple Fund Pension Training Manual**. Your efforts will be reflected in improved productivity and the efficient use of your **Simple Fund** software.

You will now be able to:

- understand the different taxation rules for members below or above 60
- commence minimum account-based pensions and transition to retirement pensions in **Simple Fund**
- record superannuation rollins
- record concessional and non-concessional contributions, and record government co-contributions
- writeback any deferred tax liabilities for pension members
- transfer members balances to unrestricted non preserved
- record pension payment journals
- calculate the tax free percentage for a members balance
- prepare PAYG summaries
- input actuary percentages and non-deductible expense percentages
- create additional member accounts for members who have commenced pensions but still make contributions
- commute a minimum account-based pension
- segregate assets between members
- upload data from external sources using the Transaction Upload function