

Collectables to go from super

Sally Patten

Self-managed superannuation funds are expected to offload artworks because of onerous regulations governing collectable assets.

Draft regulations published by the federal government stipulate that art, jewellery, antiques, wine and other collectables will no longer be able to be stored in the home of the trustee.

Under the rules, trustees must record their reasons for storing the asset in a particular place, and must keep that record for at least 10 years.

Trustees will be required to insure the item within a week of acquisition, and the fund will not be allowed to lease the asset to a related party. If the asset is transferred to a related party, a market valuation must be used.

Pitcher Partners' Brad Twentyman said most self-managed super investors would not satisfy the rules.

He argued that many trustees were mainly motivated by their desire to have a painting on their wall. "This will force a lot of people to review their current circumstances. Only professional-type investors will continue to be active," Mr Twentyman said.

Tom Lowenstein, of Lowensteins Arts Management, said many trustees would sell. "Quite a few will sell because of the very onerous requirement to store works off the premises," he said, adding it was an overreaction to prevent investors from gaining enjoyment from their art investments.

The Australian Financial Review
Friday 20 May 2011 • www.afr.com

"Provided they have bought the assets according to investment guidelines and with proper advice, this should be sufficient to be regarded as an investment," Mr Lowenstein said.

The regulations are due to start in July and DIY schemes will be given a five-year transition period. By July 2016, they must either adhere to the new rules or sell the assets.

The proposed changes are part of the overhaul of the \$1.3 trillion industry prompted by the Cooper Review.

Jeremy Cooper, chairman of retirement incomes at Challenger Financial Services and author of the review, recommended self-managed funds be banned from investing in exotic assets. But the government bowed to industry pressure and retained the ability for trustees to make such investments provided they adhered to strict rules.

The SMSF Professionals' Association welcomed the draft regulations but said clarification was needed on the placement of artworks.

The regulations dictate that collectable items must not be stored in the private residence of a trustee, but will allow them to be stored on other premises owned by a related party. The rules do not specify if items can be placed on the wall in a trustee's office or work place, and a list of items described as those that "must not be used" by a related party includes jewellery, cars, boats and club memberships, but does not include artworks.

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