

# Media Release



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## SPAA and Australian Artists Association release best practice guideline for SMSF art investments

### **Bodies unite to call for ongoing government support for SMSF investments in collectables**

**30 June 2010** – The Self Managed Super Funds Professionals Association (SPAA) and the Australian Artists Association (AAA) have today released best practice artwork investing guidelines for SMSF advisers and auditors for SMSFs investing in artworks.

The guideline will be submitted to the Federal Government in response to an early Cooper Panel (review into the governance, efficiency, structure and operation of the super system) recommendation that SMSFs be banned from investing in these assets as well as other collectables. The Cooper Panel is set to deliver its final report to the Government on 30 June.

The guideline, drafted by the Australian Artists Association with the assistance of SPAA, will form part of the curriculum for the SPAA Specialist Adviser (SSA) and SPAA Specialist Auditor (SSAud) accreditation, which promotes high professional standards across the SMSF sector.

“Artwork is a viable investment option for many SMSF trustees, therefore SPAA urges caution on proposed Cooper Panel measures which seek to restrict how self-managed super fund assets can be invested,” said Andrea Slattery, CEO of SPAA.

“The practical reality is very few SMSFs hold artworks or other collectables and those that do normally have some expertise in relation to that particular investment class.”

SMSFs have been able to invest in artworks and other collectables provided they fell within the investment strategy set by fund trustees and met the superannuation sole purpose test and in-house asset rules.

“SPAA believes that strengthening guidelines on how the assets are kept, rather than preventing SMSFs from holding artworks and other collectables, is the best way forward. SPAA was very pleased to work with the Australian Artists Association on a best practice guideline which covers matters such as the storage, valuation and documentation of works of art, to be used by SMSF advisers,” Ms Slattery said.

Tom Lowenstein, Executive Director of The Australian Artists Association, said the AAA was pleased to work with SPAA on the guidelines and hoped the joint arts and superannuation industry initiative would support the case for keeping artworks as a permitted investment for superannuation funds.

“There are established norms in the art world for how works of art should be treated for market purposes, which can and should be extended to works of art held in SMSFs. We believe SMSF investors should be able to continue owning works of art in their self managed superannuation fund to benefit from them in retirement, whilst also benefiting Australian artists,” Mr Lowenstein said.

The guideline will be modified to apply across all collectables, not just artworks.

## The proposed SPAA/Australian Artists Association guideline for SMSF artwork covers:

### 1) PURCHASE:

- a) The art purchase must be timely, according to SMSF rules. That is, the art must have been planned and prepared for as a purchase for an SMSF in order to be a permitted investment.

### 2) LOCATION:

- a) Documented storage or exhibition details.

### 3) EXISTENCE:

- a) Didactics: The name of the artist, a correct description, its key features, the year it was completed etc. This information should be maintained in the same format art professionals are required to report commercial resales to comply with the *Resale Royalty Right for Visual Artists Act 2009*.
- b) Documentation: This should include a photograph of the back and front of the work, and details needed to correctly identify the work.
- c) Provenance: This should include the origin, source or history of a work with supporting documentation.
- d) Verification: The auditor should verify that the physical work has been sighted.

### 4) MAINTENANCE:

- a) Condition: This would include a condition report on the work, for example, in excellent condition or discolouration evident.
- b) Valuation: This should be annual to be consistent with the reporting requirements of other asset classes such as property and equities.

### 5) ADVICE:

- a) The valuer should be appropriately qualified and be an art adviser registered with Copyright Agency Limited (the administrator of the *Resale Royalty Right for Visual Artists Act 2009*).
- b) The adviser/auditor overseeing advice on the SMSF should be licensed to provide superannuation advice.

### 6) RISK/RETURN:

- a) Revenue: Income from rent/lease arrangements as well as sales of artworks.
- b) Arrangements: Storage and/or exhibition terms and insurance to cover risk.
- c) Return: Income and capital returns on artwork portfolio should be calculated.
- d) Review: Whether a review of the art portfolio is warranted for the SMSF investment strategy.

End.

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