

Investing in property through your **Self Managed Super Fund**

Your Self Managed Super Fund (SMSF) can borrow to invest in real estate. Over the last few years more Australians are realising the benefits of managing their own super and in particular, investing in property through their super fund.

Thinking about purchasing an investment property within your SMSF?

With a number of lenders now offering products for SMSF leveraged property investments, your Loan Market broker can help you navigate the options available.

The benefits:

Dreaming of spending your retirement on a golf course, or sailing the Greek Islands on a yacht? Aren't we all. Well, with a smart investment strategy in place anything's possible. The main benefit of investing in property with your SMSF is that it can be an effective way to increase the value of your retirement savings.

The SMSF experts would also tell you that this approach allows you to:

- ▶ **Diversify your investment portfolio** - to include property without impacting on your personal asset position
- ▶ **Protect your other super fund assets** - because the lender's recourse to recover the loan is limited to the property itself.
- ▶ Make **additional repayments via salary crediting** to pay off the loan sooner (although the loan is usually self servicing from rental income)
- ▶ Enjoy **flexibility** – the SMSF can choose many kinds of property including residential and commercial.
- ▶ Obtain **gearing benefits** – the trust can help offset the loan costs and expenses against the rental income (resulting in potential tax deductions for the fund)

Top tip:

Top tip - purchasing property with your SMSF does have tight restrictions and the penalties for breaching these can be severe. To make it more complex the legislation changes, so do obtain advice from an expert that's specific to your situation if you're considering this investment approach.

Contact a Loan Market broker

A number of lenders offer products in this space, and a Loan Market broker, with SMSF experience, can help you to find the product that meets your needs.

The steps involved

Step 1: Your SMSF finds a property to purchase.

Step 2: Your SMSF appoints a Property Trustee to purchase the property on its behalf.

Step 3: Your SMSF pays the deposit on the property, and then applies for the SMSF loan.

Step 4: On loan approval the Security Custodian takes a mortgage with the lender to complete the purchase. A lawyer/conveyancer is instructed to act on the purchase.

Step 5: Once the loan settles the SMSF collects the rent and pays the usual property outgoings on the property along with the required loan repayments.

Step 6: The property is held in trust and once the loan is repaid the legal title can be transferred to the SMSF or the property may be sold.

The structure involved

- ▶ The legal owner of the real estate is the Property Trustee and the beneficial owner is the SMSF
- ▶ The loans are personally guaranteed by the member(s) of the SMSF (subject to credit approval)
- ▶ The SMSF can deal freely with the property (subject to the loan terms) in the same ways investors can deal with investment properties (eg lease, repair or sell).
- ▶ Loan repayments are made from the SMSF and all rents are paid direct to the SMSF
- ▶ The SMSF can pay out or reduce the mortgage at any time (subject to the terms of the loan in place)