

SELF-MANAGED SUPER FUND LOANS



PART ONE:

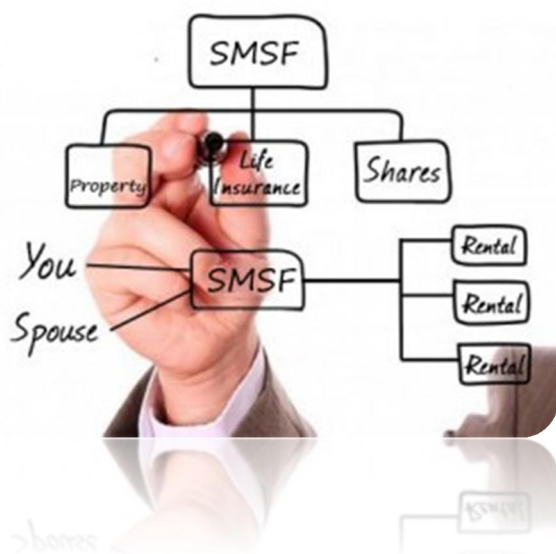
PURCHASING AN EXISTING PROPERTY OR OFF-THE-PLAN APARTMENT USING THE BANK'S MONEY



The Basics:

Super-leveraged property investment is an ideal way for you to grow and accelerate your retirement nest egg. If you have a self-managed super fund or are considering establishing your own super fund, you are now able to use these lending arrangements to help you buy a residential or commercial investment property.

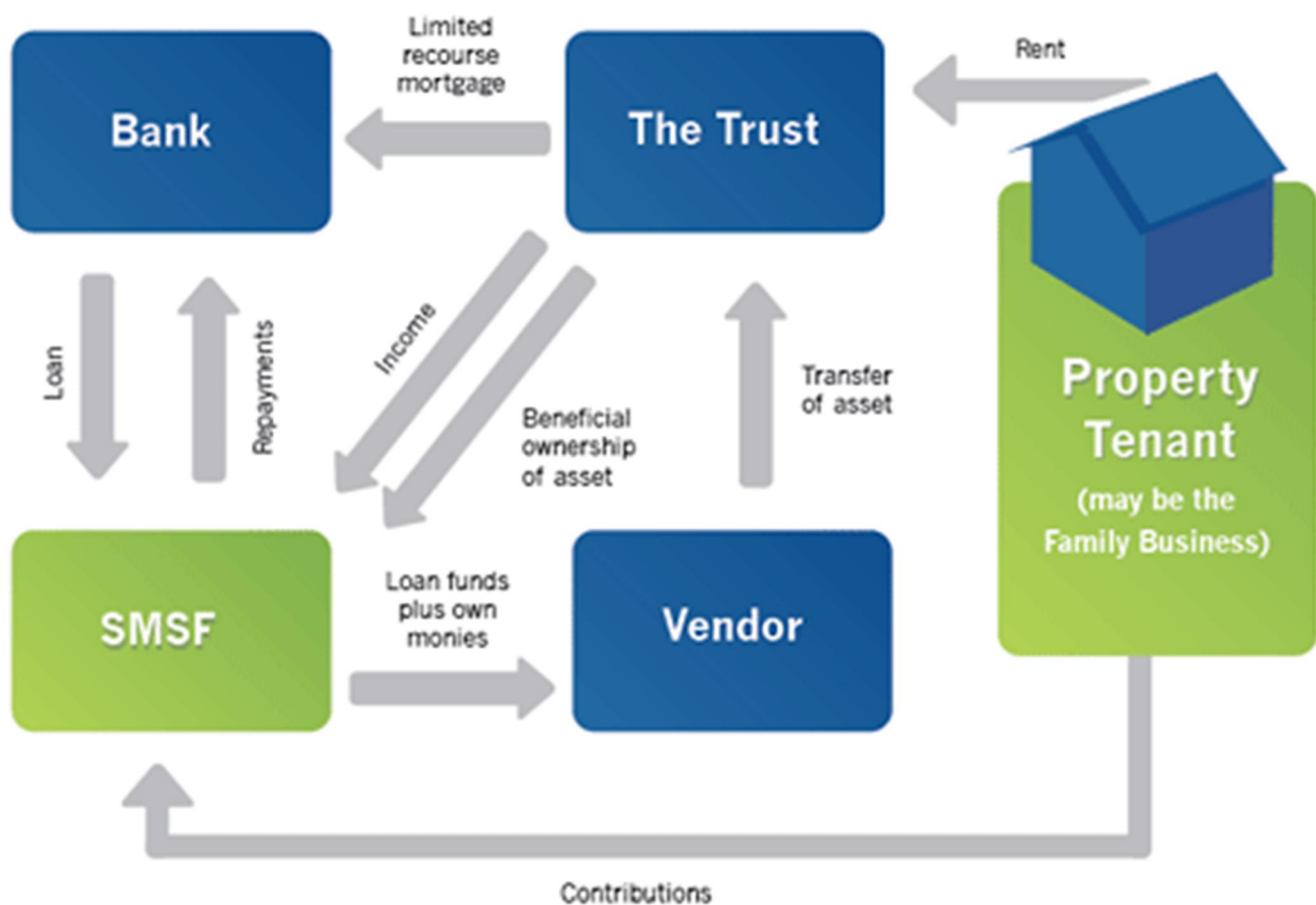
The ability to have up to 4 members of a self-managed super



fund means family members, friends or business partners have the ability to pool funds which allows them to reduce fees and to gain access to larger investments.

HOW DOES AN SMSF LOAN WORK?

Your SMSF wants to buy property (residential or commercial real estate) but does not have enough funds for the full purchase. The SMSF can now make an equity contribution on the property and borrow the remainder of the funds to complete the purchase. The following diagram illustrates how your SMSF can purchase property.



SMSF LOAN EXAMPLE

Suppose your SMSF has \$150,000 in the cash account. As the SMSF trustee, you want to buy an investment property worth \$500,000. A trustee buys the property on behalf of your SMSF under an instalment arrangement. Your super funds pays a \$50,000 deposit (10%) and you (your SMSF) obtains a loan (representing 80% of the property value) for \$400,000 using a limited recourse SMSF loan. The remaining funds are used to complete the purchase of approx.

\$50,000 plus transaction costs (stamp duty etc.) and are paid from the funds reserves at settlement.



The trustee arranges for the property to be leased to an unrelated party and the rent, together with other SMSF income and/or member contributions are used to make loan repayments. Once the loan is paid off, the legal ownership of the property can be transferred to the SMSF.

SMSF LOAN FEATURES

- Up to 80% loans are available for residential property
- 100% Offset Accounts are available with some lenders
- 30 year loans are available with most lenders
- Interest only periods of up to 10 years are available with some lenders
- Some interest rates are lower than the lender's standard variable rates



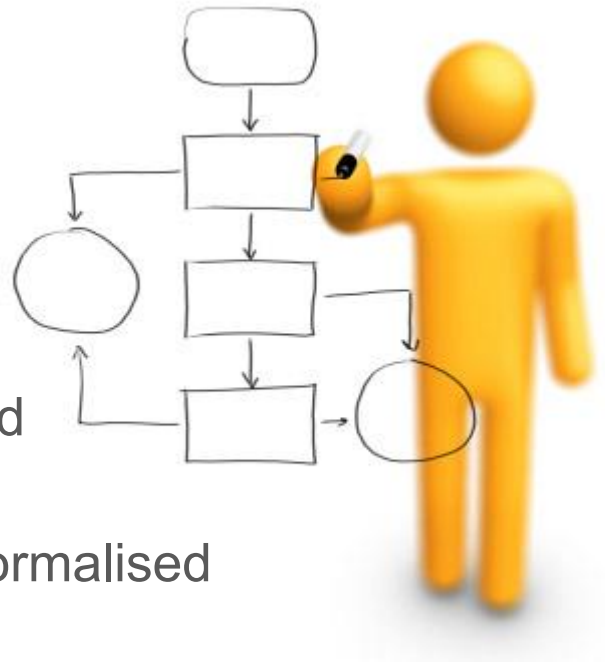
SMSF LOAN BENEFITS

There are tremendous benefits in using a Self-Managed Super Funds (SMSF) to purchase Real Estate;

- Your SMSF can acquire property worth more than its available funds through the benefits of gearing
- Your SMSF assets are secure as the lender does not have recourse to your SMSF's other assets in the event of default
- Your SMSF receives all income and capital growth even if the property has not been paid off. Your SMSF can use income from the property to help pay off the loan
- Interest expense may be claimed as tax deductions by the SMSF and potentially reduce your SMSF's tax liability
- Owning property in a SMSF may also allow you to defer any capital gains until retirement, at which stage they may become **TAX FREE**

SMSF LOAN APPROVAL PROCESS

1. Get professional advice
2. Establish your SMSF
3. Obtain loan approval
4. Establish the bare trust deed
5. Purchase contract can be formalised
6. Valuation ordered & formal loan approval
7. The lender's solicitors prepare & issue mortgage documents
8. Settlement



APPROVED

COMMON MISTAKES

- Failing to seek professional advice before forming an SMSF
- Haven't rolled over funds from existing super accounts into the SMSF, before loan application and that the super fund must have cash to pay its share of the purchase price i.e. deposit
- Properties purchased with or on multiple titles may need a separate bare trust for each property or title e.g. purchasing both units in a strata titled duplex
- The Bare Trust and Trustee must be the purchaser on the real estate contract
- Failing to apply for a pre-approval BEFORE signing a purchase contract
- Properties purchased using an LRBA cannot be significantly changed e.g. major renovations etc.
 - **THIS IS WHY NEW PROPERTY IS OFTEN SUITED TO THIS STRATEGY**



SMSF LOAN FAQs

Am I required to obtain financial or legal advice in order to obtain the SMSF loan?

Depending on lender requirements most SMSF loans generally require the funds members to sign a certificate of independent financial & legal advice in relation to the proposed loan.

I have heard that SMSF loans are expensive – is this true?

Although there may be some initial set-up costs for the trust deeds and legal expenses, the loan pricing is very similar to standard lending.



I have heard that the loan lengths are shorter than normal. Is this true?

No. Loans for residential property in SMSF can go for up to 30 years in duration.

SMSF LOAN FAQs

Am I able to have a 100% offset account?

Yes. Certain lenders do offer this – just like a standard home loan

Can I occupy the property?

No. If a member of the SMSF occupies the property the "in-house asset rule" would be breached. However, the SMSF can buy a property that the investor intends to live in after retirement. **THIS IS POSSIBLE IF YOU TRANSFER THE PROPERTY FROM YOUR SUPER FUND TO YOURSELF AFTER YOU RETIRE.**

Can I pool my SMSF with a friend/family member to buy an investment property?

Absolutely. This is a very common strategy and allows members to access larger investments. As long as the purpose of the transaction is for the benefit of the member's retirement, then this is absolutely allowable.



INTERESTED IN A SELF-MANAGED SUPER FUND OR A LOAN WITHIN YOUR SMSF?

Meet with the professionals.



Edge (AUST) Lending Solutions



Founded in 2012 by Scott Butler, Edge (AUST) Lending Solutions believes in providing a holistic and transparent service to families and individuals who need help in articulating and achieving their financial objectives.

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(07) 4633 9888

info@edge.net.au

Scott Butler

Edge (AUST) Lending Solutions