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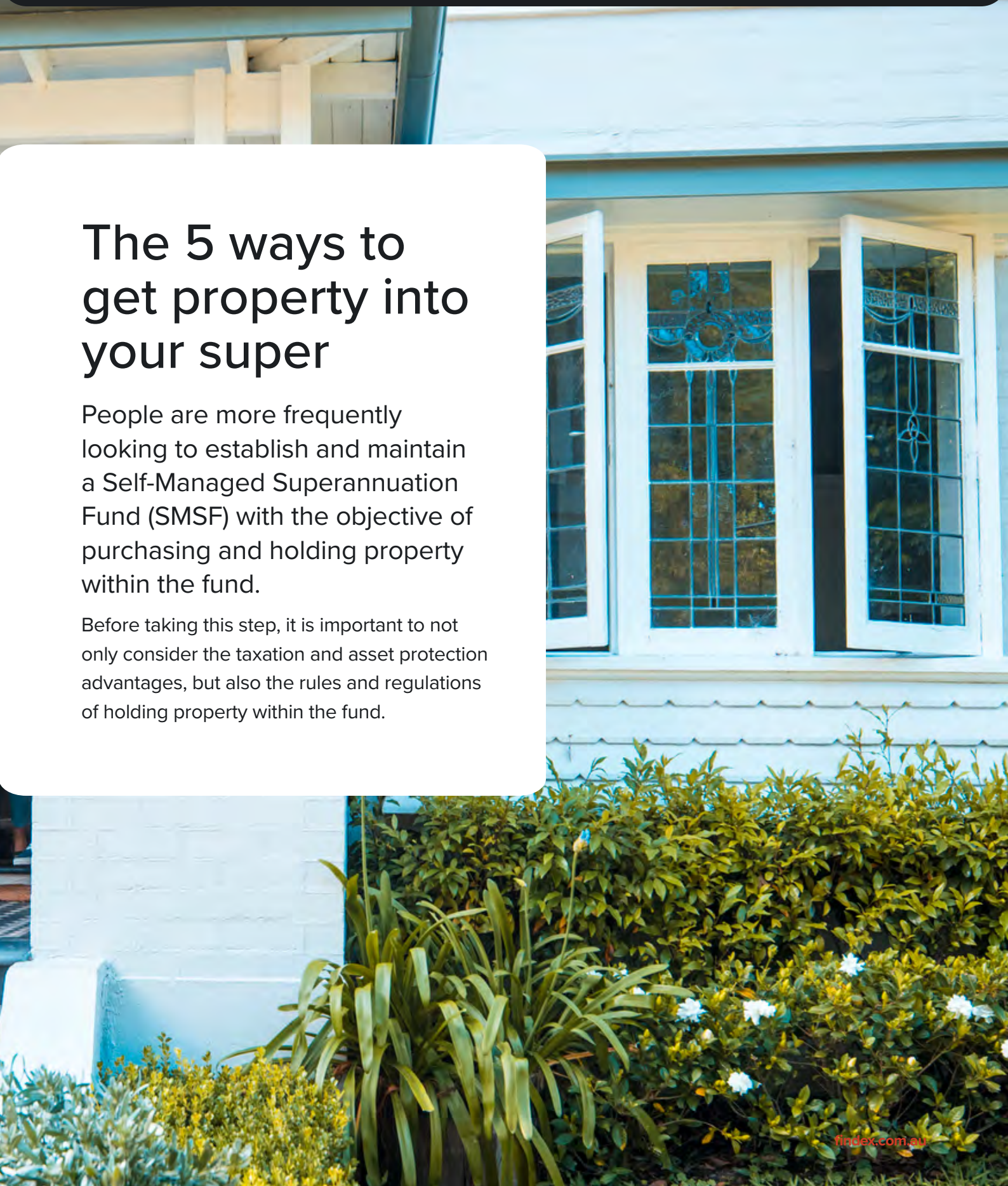


The 5 ways to get property into your super

People are more frequently looking to establish and maintain a Self-Managed Superannuation Fund (SMSF) with the objective of purchasing and holding property within the fund.

Before taking this step, it is important to not only consider the taxation and asset protection advantages, but also the rules and regulations of holding property within the fund.

FINDEX



Purchasing and holding property with an SMSF has potential benefits for:

- Business owners who currently have a commercial property outside of super.
- Business owners with a commercial property looking to reduce tax and build retirement savings.
- Business owners looking to purchase a commercial premises.
- Families of up to 6 members looking to pool their money and purchase an investment property.
- People seeking to diversify into the property market.
- Individuals with a high superannuation balance who wish to purchase an investment property.
- Individuals looking to purchase a property using their SMSF, along with funds outside of super.

The advantages and disadvantages

Property investments within a Self-Managed Superannuation Fund (SMSF) present a combination of benefits and limitations and there are distinct advantages and disadvantages that need to be considered before deciding whether to include property within your SMSF portfolio.

Benefits for property investments within an SMSF:	Advantage
Access to reduced tax rate of 15% on rental income and CGT	✓
Allows the clients business to pay rent to the SMSF	✓
Allows property costs to be paid either from the SMSF or business	✓
Facilitates effective estate planning and asset transition to beneficiaries	✓
Can transfer the property out as a lump sum benefit upon retirement	✓
Provides asset protection and separation	✓

Limitations for property investment within an SMSF:	Potential disadvantage
Does not provide a liquid asset in the SMSF	✗
Cannot borrow funds to make property improvements	✗
Residential property cannot be leased from a member or related party	✗

5 different ways to purchase property in your SMSF

1. Cash purchase

Cash is the simplest way of purchasing property in your SMSF. The cash is simply transferred to the seller as part of a contract to acquire the property.

Steps to purchase property in your SMSF with cash:

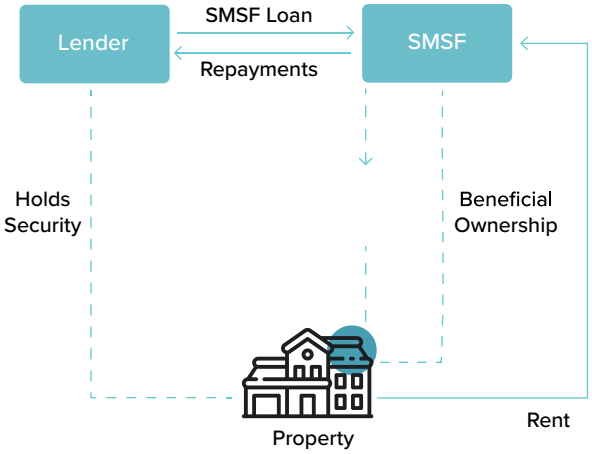
- Establish a corporate trustee.
- Rollover funds into SMSF.
- Make contributions.
- Consider the need for diversification.
- Purchase the property in the name of the corporate trustee.

2. Limited recourse borrowing arrangement (LRBA)

An LRBA requires pre-approval from a bank to borrow up to 70% of the value of the property. This arrangement requires the SMSF to demonstrate their ability to service the loan. An LRBA must be recommended by a licensed adviser, such as those at Findex, and can provide a method to finance some of the purchase of a property.

Steps to purchase property in your SMSF with an LRBA:

- Establish a corporate trustee.
- Rollover your existing superannuation.
- Obtain pre-approval for a loan (generally can borrow up to 70% LVR).
- Establish a bare trustee company.
- Purchase the property under the bare trust.
- Make repayments on the loan.





FINDEX



3. Tenants in common

The tenant in common method allows two or more parties to purchase a designated portion of the property. This method only allows the SMSF to borrow against the property. Administration generally consists of a joint bank account with profits and expenses split per the proportion of each party.

Steps to purchase property in your SMSF using the tenant in common method:

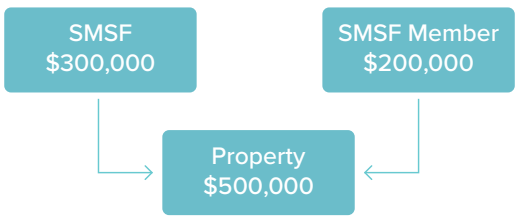
- Establish a corporate trustee.
- Rollover your existing superannuation.
- Make contributions.
- Decide if the SMSF will pay all cash or needs preapproval for borrowing.
- If borrowing, follow steps of LRBA (only the SMSF can borrow against the property).
- Purchase the property in the name of the corporate trustee (for the SMSF portion).

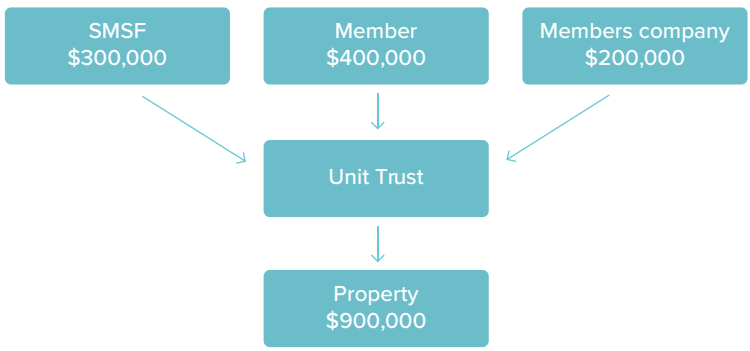
4. Ungeared unit trust (Related)

The use of an ungeared unit trust allows for members with wealth inside and outside of super to pool their money into the trust through the purchase of units to acquire a property. While this method has additional setup and accounting costs for the unit trust, the proportion of the property owned by each party can be varied through the issue, purchase, or sale of units between the SMSF and the other entities.

Steps to purchase property in your SMSF using an ungeared unit trust:

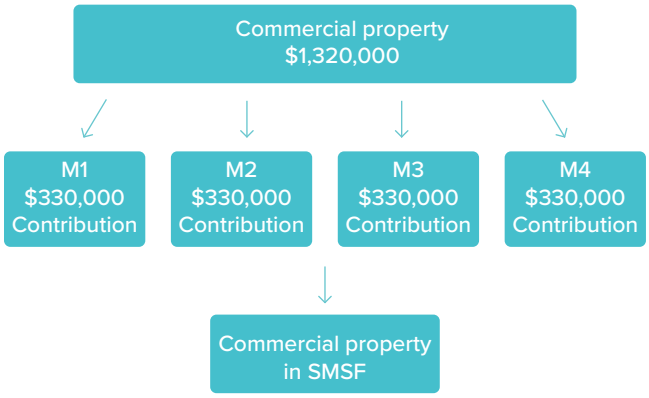
- Establish a corporate trustee.
- Rollover your existing superannuation.
- Setup the property trust and trustee company.
- Issue units in the property trust.
- Purchase the property under the property trust (no borrowings allowed in the trust).





5. In-specie transfer

This method allows the fund members to transfer the property into their SMSF through using the available contribution caps of all members. The property must be transferred using the current market value obtained through a valuation. This method can be used in conjunction with other methods such as part cash purchase.



Steps to purchase property in your SMSF using In-specie transfer:

- Establish a corporate trustee.
- Obtain a valuation.
- Check any capital gains resulting from the transfer of the property.
- Check any applicable stamp duty payable.
- Check enough contribution cap space is available.
- Transfer the property into the name of the corporate trustee.

SMSF related party rules

SMSFs have related party rules that apply to purchasing and owning a property in an SMSF.

Description	Yes / No
Purchase a residential, commercial and industrial property	✓
Purchase a commercial property from your business or relative	✓
Purchase a residential property from yourself or a related party	✗
Lease a residential property to yourself or a related party from the SMSF	✗
Lease a commercial premises back to your business	✓
Receive personal use from any property in an SMSF	✗



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Get started on your next property purchase within your SMSF

1. Contact our SMSF specialists and book an appointment.
2. Review your options available and preferred purchasing method.
3. Implement your property purchase strategy including applying for any finance.
4. Be the proud owner of a new property within your SMSF.

For advice on establishing an SMSF or moving property into an existing SMSF, contact our team of SMSF specialists who can help guide you through the process, and get you on track to purchasing your new property.

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With more than 100 offices throughout Australasia, Findex combines local insight with global reach to provide integrated finance and advisory solutions that enrich the lives of our clients and the communities they live in.

As one of the largest privately-owned providers of integrated financial advisory and accounting services in Australia and New Zealand, our vast footprint enables us to connect people and ideas throughout regional, rural and metropolitan communities, building solutions and solving problems so they are better for having known us.

Next steps with Findex

We welcome the opportunity to help you find solutions to your challenges, explore opportunities to maximise your profitability and minimise any of your financial concerns.

Talk to us

Call us for free on **1300 856 065 (AU)** or **0800 494 569 (NZ).** This number will transfer you to your closest office, where we will be happy to connect you with the best person to assist you.

Visit our website

We have a range of tools and ideas to help businesses, as well as specific information about our services and people.

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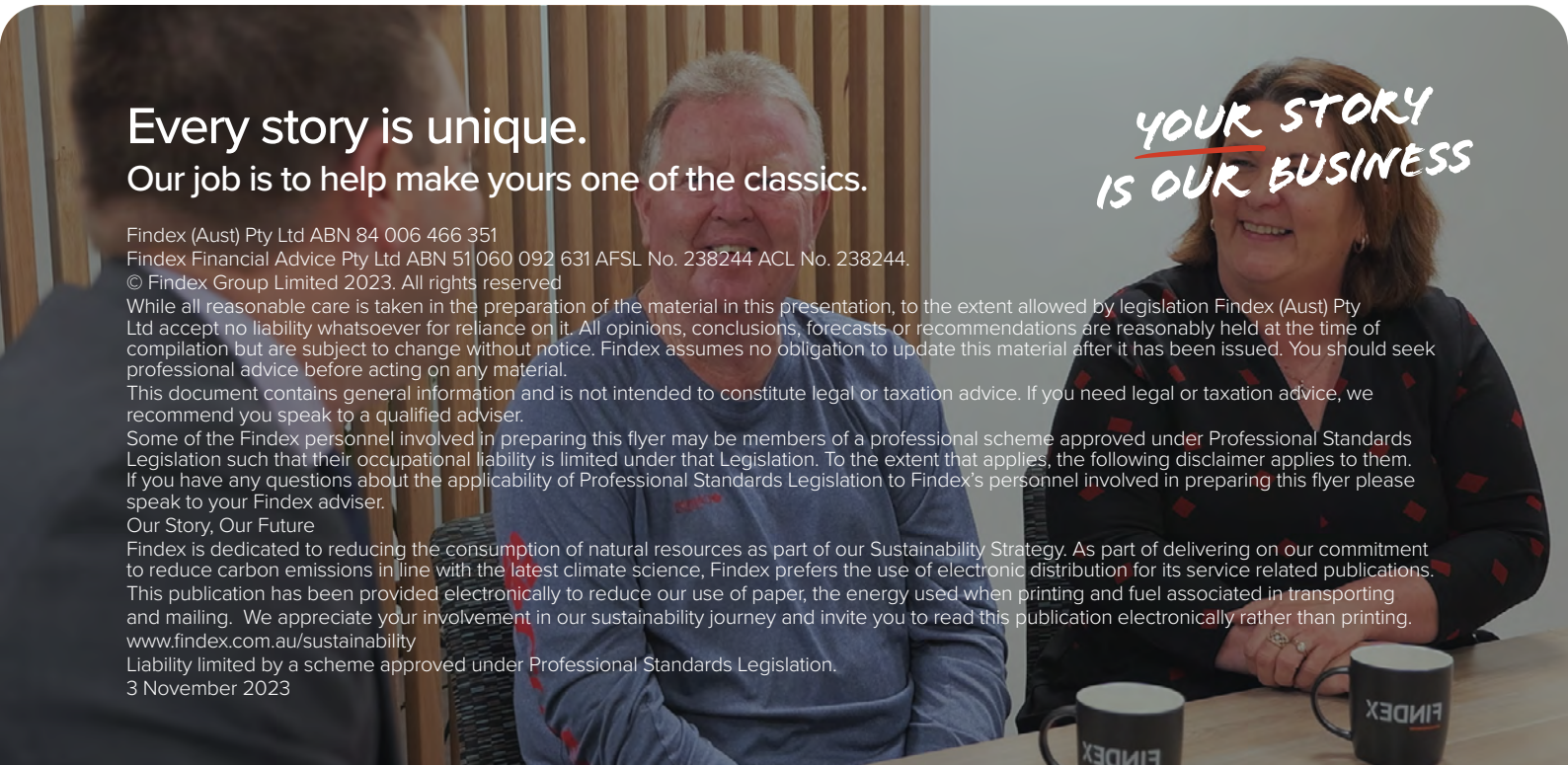

Every story is unique.

Our job is to help make yours one of the classics.

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