



Self-Managed Super Funds for Property Investment

What is an SMSF and who uses them?

A Self-Managed Superannuation Fund is a private retirement fund where members manage their own investments. Each fund can have up to six members, up from a previous maximum of four prior to June 2021.



More than 1.1 million Australians are members of an SMSF, with the vast majority in two-person funds. Along with investing savings, SMSFs can borrow to invest in residential property & commercial property.

The decision to establish an SMSF can be a complex tax and financial decision that you should seek specialist financial product advice on from an Australian Financial Service Licensee, such as a financial planner.



The bonus for business owners with an SMSF who invest in commercial property

While the majority of SMSF funds are held in cash, term deposits, or listed shares, one of the fastest-growing asset classes is commercial property - with good reason. Some benefits of this investment strategy for business owners with an SMSF in particular are:



01.

Commercial property can be purchased by an SMSF, then leased back to a business owned by fund members.

That, in turn, has knock-on benefits. As the property is an investment, the SMSF can claim expenses such as repairs, maintenance, and improvements to the premises. Meanwhile, the business can also claim rent payments as a deductible operating expense.



02.

Commercial property owned before establishing an SMSF can usually be transferred into the fund (although residential property cannot).

This can reduce capital gains tax, as SMSFs are generally taxed at a concessional rate of 15 percent, even if the property is owned for less than 12 months.



03.

Income earned through leasing commercial premises is also taxed at the concessional rate of 15 percent.

Loans available through SMSFs structures include a range of Limited Recourse Borrowing Arrangements (LRBAs) which can effectively quarantine a fund's additional assets in the event of a property loan default. (See your broker for more information on these products.)



The Broker Advantage



To meet growing demand, lenders are bringing out more packages to help SMSFs borrow to buy, but it's still a niche market and can seem daunting.

This is where a broker who understands your business and the lending market can offer a significant advantage. Their experience helping owners like yourself borrow to invest, gives them valuable insight into what can work best for different budgets, industries, and stages of business life.



Your broker is always available to chat in person or online for detailed information about loans and rates to suit your circumstances.

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