So You Want To Buy Property In Your SMSF?

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Many Australians love owning property and almost as many love being able to buy and own property with their Super. In order to do this you must first setup and maintain a SMSF (Self-Managed Super Fund). The investments owned and held within a SMSF are limited to and guided by the Trust Deed established for your SMSF. So the first question you must ask is “Does the fund trust deed allow for direct property investment?” … and this should be closely followed by the most important second question: “Does the fund trust deed allow for borrowing to purchase property within the SMSF?”

SMSF investments that are authorised under the trust deed of the fund typically include cash (in a bank account), term deposits, equities (commonly known as shares) and managed funds as well as direct property in certain circumstances. No surprises as to which investment opportunity seems to excite many Australians and certainly draws significant interest … the ability to purchase direct property.

For those of you who do already have a SMSF established, if you are in a position where the existing trust deed does not allow for direct property investment or borrowing to purchase direct property within the fund, then you will need to consult your Financial Adviser to arrange with the SMSF Accountant for an amendment to the trust deed and investment strategy to be made accordingly.

Let’s assume your Self-Managed Super Fund trust deed does allow for direct property purchase and borrowing to assist with the purchase. Being able to do this gives you “Investment Flexibility” and when it comes to Australians and our love of property, **Flexibility is King**!

So what does this actually mean for you if you do have a SMSF? Within your SMSF, you can use the funds you’ve already accumulated in your super to invest directly in residential or commercial property, giving your fund additional diversification across your portfolio.

The rules for buying residential property within a SMSF are quite different to those for commercial property. What’s more, buying a commercial property through a SMSF can include an office or other commercial dwelling that can be used for business or by “your” business (if you own one).

Purchasing an investment property through your SMSF can also be quite a tax efficient strategy – you will generally pay less capital gains tax in a SMSF than you would if you owned an investment property in your personal name. It’s always best to seek the advice of your tax agent or accountant in this respect.

If you do have sufficient funds within your SMSF to purchase a property outright, it may not necessarily be the best decision to do so. Why? … Because it’s the old adage … it’s best to spread your asset investments across a number of areas/sectors and “not have all your eggs in one basket” i.e. are you reducing your risks by diversifying or spreading your investments appropriately?

So how do you purchase an investment property with your SMSF and avoid putting all your eggs in one basket?

Find out today … Call us on (07) 3162 9344 or email us at admin.iwp@hillross.com.au to find more about how to buy property using SMSF funds, and if limited recourse borrowing is right for your SMSF.