



# Flexibility and control: A Self Managed Super Fund (SMSF) Property Loan

Macquarie Bank Mortgage Solutions

A key reason people elect to manage their own superannuation is the flexibility to choose where their money is invested. Superannuation law allows SMSFs to borrow money to help purchase residential investment property.

## Use an SMSF Property Loan to:

- purchase a single residential investment property
- refinance an existing SMSF residential investment property loan.

## Who is eligible to apply?

Australian residents:

- with an existing SMSF
- in the process of establishing an SMSF
- looking to refinance an existing SMSF residential investment property loan.

## Features

**Purchase residential investment property** – borrow through your SMSF to buy property to be held in trust for the duration of the loan.

**Protect your fund's other assets** – if the loan goes into default, rights of recovery are limited to the secured property (and any additional security provided by the guarantors).

**Potential gearing benefits** – it may be possible to claim expenses and interest paid on the loan as deductions against rental income for tax purposes.

**Repay with rental income, SMSF investments or contributions** – income from rent, other SMSF investments and super contributions can all be used to demonstrate serviceability and repay the loan.

**Integrate with your existing SMSF** – the loan structure is designed to easily integrate with most SMSFs.

## Why choose us?

- our credit team is well equipped to deal with complex loan structures
- you will have direct access to support from experienced credit specialists during your loan application.

# Case study

William and Jane Barker have an SMSF with \$200,000 in cash and \$50,000 in other assets. They would like to buy an investment property within their SMSF. The property, however, is worth \$400,000 which means the SMSF doesn't have enough money to cover the full cost of the purchase.

In this instance, the SMSF trustees can apply for an SMSF Property Loan.

## How does it work?

The Barkers seek independent financial and legal advice to ensure it is appropriate for their SMSF to borrow money and purchase an investment property.

Once they have received this advice they begin establishing the trust structures required for the loan, ensuring they comply with the relevant superannuation laws. The loan would then need to be taken out by the SMSF trustee.

The Barkers will also need to set up a separate holding trust, which will be the legal owner of the property. To purchase the property, the SMSF can use the \$200,000 it has available in cash and borrow the remaining funds plus other associated costs, using the investment property as security for the loan.

The holding trust becomes the legal owner of the property, while the SMSF is the beneficial owner and receives the rental income. The rent (and/or other income from the SMSF, such as investment income and super contributions) can be used by the SMSF trustee to make the loan repayments.

## Important notes:

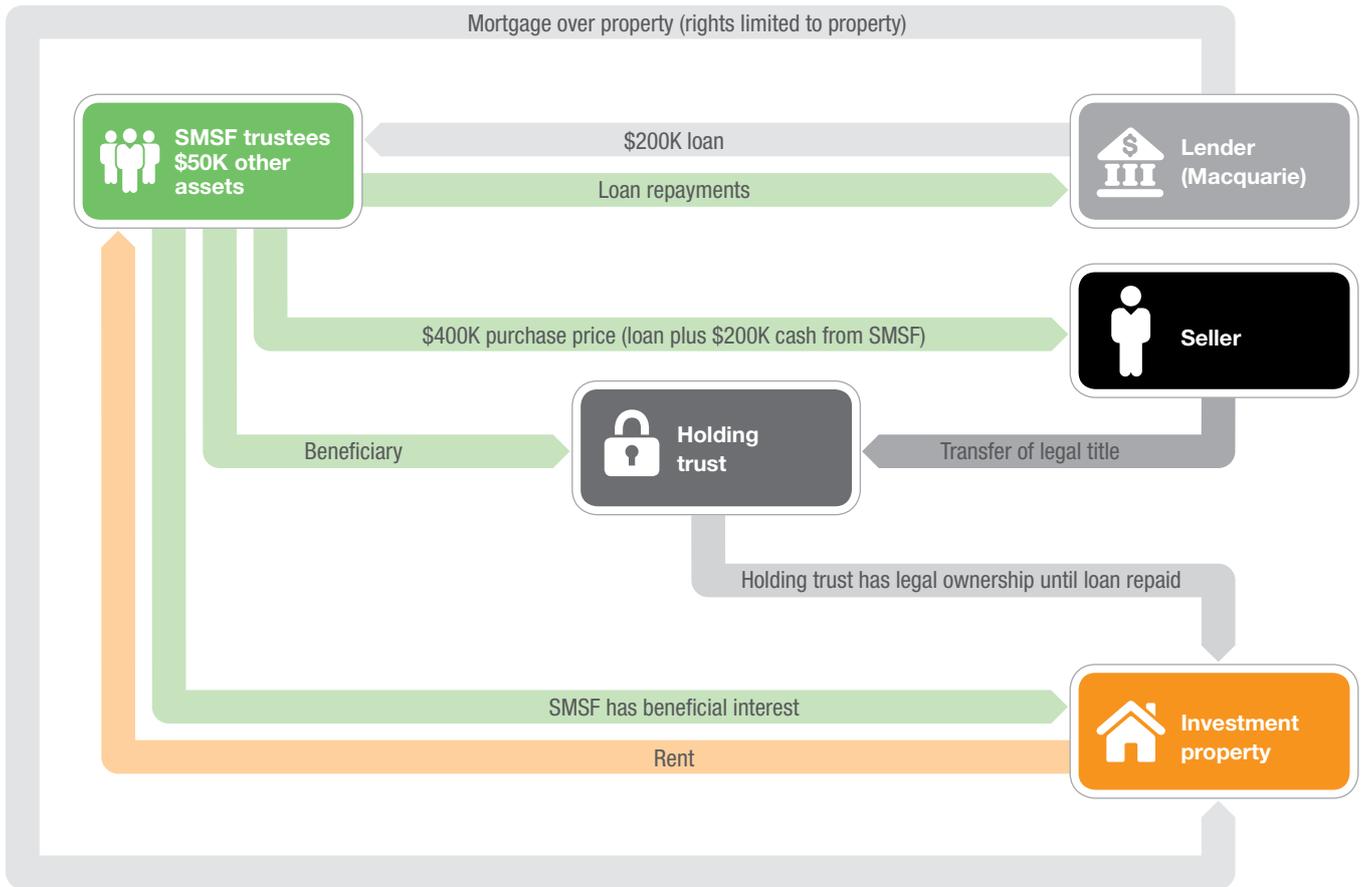
It's important to note that the loan is a limited recourse loan. In the event of a default, the lender has recourse to the property security and any additional security provided by the guarantors. The Lender will not have recourse to any other assets held in the Barkers' SMSF.

Once the loan is repaid the legal ownership of the property can be transferred to the Barkers' SMSF.

This case study, including all names and details, is a fictitious example and is provided for illustrative purposes to demonstrate the basic outline of how the Macquarie SMSF Property Loan can be structured. It should not be relied upon for any reason and provides no determination of the potential tax implications of a Macquarie SMSF Property Loan. We recommend clients obtain independent financial, legal and taxation advice before making any financial investment decision.

For more information, please refer to the Macquarie Mortgage Reference Manual.

## SMSF Property Loan structure



SMSF trustees considering a Macquarie SMSF Property Loan must seek independent financial and legal advice.

# SMSF Property Loan

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SMSF PROPERTY LOAN	
Features	
Accounts	Maximum of 2
Principal and interest	Yes
Interest only	Yes
Option to fix (terms 1-5 years)	Yes
Additional payments on variable loans	Yes. Additional payments must be made by the SMSF.
Additional payments on fixed loans	Up to 5% each year without additional fees. Additional payments must be made by the SMSF.
Redraw	No
Offset account	No
Fees	
Application fee	\$500
Settlement fee	\$0
Monthly fees	\$0
Lending guidelines	
Security	First registered mortgage only
Loan purpose	Investment only
Minimum loan amount	\$150,000
Maximum loan amount	\$500,000
Mortgage insurance	Lender pays
Maximum LVR	80% for all loans

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