



# S.K. ACCOUNTING & BUSINESS SERVICES

CERTIFIED PRACTISING ACCOUNTANT & TAX AGENT

*“to regard client service as all important”*

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SATENDRA KUMAR BCom CPA FTIA JP  
Principal

“Control your  
Super **TODAY** and  
use your Super to  
buy **Property**”



## 5 Benefits of a Self-Managed Super Funds

1. *Control and flexibility* — You can choose where to invest your Super Benefit, whether it be property, shares, cash, term deposits and much more!
2. *Lower Fees* — Most large Super Fund companies charge fees as the fund grows. In your own super fund the fee will not increase as your investment grows. The more cost effective SMSF's are those with a greater account balance.
3. *Taxation Benefits* — SMSF's are only taxed at 15%! Capital gains tax won't be paid if your SMSF purchases an investment property and sells it when fund members are in 'pension phase'. This could potentially save hundreds of thousands of dollars in tax.
4. *Nominating beneficiaries* — The fund can have up to 4 beneficiaries so that in the unfortunate case of you passing away, your funds would be distributed to those beneficiaries.
5. *Small Business Owners* — Small businesses can own their business' real property to assist with cash flow.

## Top 5 Reasons You Should Choose Us

1. *Ongoing low Annual Fee* — On average administration fee to run your own SMSF is between \$2,000 and \$7,000 p.a. however we keep our fees so low that you'll say "it's too good to be true".
2. *All your SMSF Annual Compliance Obligations* — We attend to the annual compliance requirements for your SMSF including the Financial Statements, Tax Return and Audit.
3. *No minimum balance required* — it is only a myth that you should have \$200,000 in Super Benefits prior to establishing a SMSF. There is actually no legal minimum balance to establish a SMSF. We will help you establish a SMSF with any amount.
4. *Pension Service* — Once you turn 55 you are permitted to commence a Pension Income Stream for your SMSF, which requires maintaining a range of additional compliances. We will attend to this for you.
5. *Extensive and Free on-going advise* — we will educate you about establishing and running your own SMSF. We will keep you updated on everything and attend to all your queries.

‘Liability limited by a scheme approved under Professional Standards Legislation’  
S.K. Accounting & Business Services is a CPA Practise



# Borrowing to purchase property in SMSF

We specialise in helping those with a **SMSF** purchase of an investment property using finance from the bank. This is done through the use of a Bare Trust structure with a Corporate Trustee. The typical structure is set out in the next page.

## Bare Trust Structure

The SMSF can invest in commercial or residential property, but this *can't be your residence*. You can't have any dealings with a related party when investing in residential property. So you can't live in the property, use the property as a holiday house or have a family member live in it. It should be for the sole purpose of **investment** of your **SMSF**.

**Some important points regarding the use of a SMSF for property investment are as follows:**

- To invest in property, it is important to set up the SMSF first, including the structure below. A SMSF itself can't borrow money, and therefore a Bare Trust structure is put in place to facilitate the loans
- The only purpose of the Bare Trust (also referred to as a Property Trust) is to keep title over the **investment property** until the loan is paid off
- All property related costs can be paid by the SMSF
- The SMSF receive rental income and pay for all operating expenses and loan repayments
- Only one property can be added into a structure like this
- The property will revert back to the SMSF when the loan is repaid
- Funds can be borrowed from the Trustees or the bank, or a combination of yourself and the bank
- The loan type a bank would give the SMSF is a limited recourse loan, meaning the bank does not have a recourse on the SMSF should the loan default
- For this reason banks usually ask for a personal guarantee over the property from Trustees
- The maximum Loan to Valuation Ratios (LVR) is usually around 80% with residential property and 70% with commercial property when members guarantee the loans
- When there's a bank loan and a 60% LVR, the bank might not require guarantees from Trustees
- The lender to the SMSF can be the Trustees as well, so you don't have to use a bank
- Trustees can borrow from the bank and then on-lend to the SMSF – this option might make the administration easier
- The Bare Trust and Corporate Trustee are merely legal entities for holding the property and all transactions take place in the SMSF
- Superannuation Warehouse charges a once-off fee to set up these entities but there is no fee payable to Superannuation Warehouse for the maintenance of these entities (included in your monthly fixed fee)

A SMSF can normally not incur any loans. To purchase a property, a SMSF can use a **Limited Recourse Borrowing Arrangement**. This is where the Trustees would provide a guarantee to the bank for the loan. You might want to use a mortgage broker to help you find the best suitable loan for your circumstances from a panel of lenders.

When we set up a **Limited Recourse Borrowing Arrangement** for a SMSF, we issue a new Bare Trust Deeds. These Trust Deeds are regarded as the best in the industry as it is generally accepted by all the banks for **SMSF property** loans. This will make the loan approval process at the bank a smooth process.

## STRUCTURE – Bank is the lender

