

SMSFs and Property Investment – Your Way



Like many would be investors, you have worked hard to pay down the mortgage on one property (say, your principle place of residence) which has left you with little ready cash to fund building a property portfolio. It's easy to feel like your hands are tied when you don't want to sell your valuable key asset, but know you need to plan for the future through property investment.

Another avenue of investment remains open to you – property investment via a self-managed super fund (popularly referred to as a SMSF). Although not an undertaking made lightly (or without consulting your accountant), savvy Australian property investors are increasingly taking control of their superannuation and using it to build property portfolios. A SMSF may suit your circumstances if you're feeling frustrated by a lack of results from your superannuation fund, and you're ready to take a more active role in managing your future prosperity. Australian investors choose to set up self-managed super funds to gain greater control over their superannuation assets and benefit from the tax concessions associated with SMSF structures. Investment in property via a SMSF needn't impact upon your personal cash flow if the rental income from your property and the compulsory superannuation guarantee covers its expenses.

A note of warning before you rush out and buy an investment property with your SMSF; setting up a self-managed super fund takes time, effort and resources. In addition to the initial set-up costs for the creation of the SMSF, you'll need to budget for its ongoing maintenance (including record-keeping, tax lodgements and audits) and borrowing costs. There is no minimum amounts of funds required for an SMSF – but if you're setting up your SMSF to purchase property you must ensure you have sufficient funds to cover the deposit and purchase costs of the property along with ongoing SMSF maintenance. Restrictions apply to the kind of purchase you make within your SMSF – for example, you cannot sell a residential property you already own to your SMSF, nor can you borrow money through your SMSF to build or renovate. With so many set-up costs, make sure you obtain finance pre-approval for the amount you'll need before going to the effort and expense of setting up an SMSF.

Building wealth via property through a SMSF offers a great sense of control to many Australian investors. If this avenue of investment sounds appealing to you, get the right advise from the get-go as there are significant penalties and tax implications if you do not comply with ATO legislation.