RESOURCE / GUIDE

A Guide to SMSF Property Borrowing

Buying property through a self-managed super fund (SMSF) involves a series of steps: setting up the fund and its trustee structures, preparing the fund's bank account and rollovers, then contracting and financing the purchase.

This guide sets out those steps as Smith Finance Brokers works through them with clients, so you know what to prepare and when to involve us.

TYPE	FOR	RELATED SERVICE	FORMAT
Guide	**SMSF trustees and prospective trustees**	**SMSF Commercial Property Finance**	**PDF guide · also online**

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WHAT THIS GUIDE COVERS

01 **Establishing the SMSF**
Who to speak to first, and who prepares the documents.

02 **Corporate trustee**
Setting up the SMSF and its corporate trustee.

03 **Bare trust & custodian trustee**
The second trust and trustee to put in place.

04 **SMSF bank account**
Opening the account the deposit will be paid from.

05 **Rollover preparation**
Rolling over your super, and keeping any insurances you want.

06 **Preparing for the property purchase**
When to involve us before you make an offer.

07 **Contract considerations**
Who the purchaser is, and the settlement period.

08 **Deposit**
How much, when it is paid, and from which account.

09 **Finance preparation**
Getting the contract to us so finance can be prepared.

10 **General SMSF property borrowing considerations**
What an SMSF can buy, lenders, tax and contribution caps.

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WHO IT'S FOR

SMSF trustees — and people considering setting up an SMSF — who are thinking about buying a commercial property or a residential investment property through their fund.

It is general information only. Your accountant, solicitor and/or financial adviser should advise on whether an SMSF, and borrowing through one, suits your circumstances.

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THE GUIDE

SETTING UP YOUR SMSF

01	**Establishing the SMSF**	Speak to your accountant first. They can assist with the legal documents, or refer you to a solicitor to prepare them.
02	**Corporate trustee**	Set up the SMSF and its corporate trustee. Your accountant can assist with this.
03	**Bare trust & custodian trustee**	Set up a bare trust and a custodian trustee. Again, your accountant can assist.
04	**SMSF bank account**	Once the SMSF is established, open a bank account in the name of the SMSF. The deposit on the property will need to be paid from this account.
05	**Rollover preparation**	Contact your external super fund to arrange the rollover of your super into the SMSF bank account. External super funds usually offer life and total and permanent disability (TPD) insurance. If you would like to keep those insurances, make sure you keep your external super fund open.

MAKING THE PROPERTY PURCHASE

06	**Preparing for the property purchase**	Involve us before you commit. If you would like to make an offer that is unconditional on finance, or to buy at auction, please speak with us beforehand.
07	**Contract considerations**	On the contract, the purchaser will be the corporate trustee as trustee for (ATF) the SMSF. Alternatively, the purchaser can be shown with “and/or nominees”, and we can assist with confirming the correct purchaser at a later stage. Allow a settlement period of at least 60 days.
08	**Deposit**	A deposit of 5% is usually acceptable when negotiating the contract. This is the deposit under the contract of sale — how much the SMSF contributes towards the purchase overall is worked through when we prepare the finance. The deposit is usually payable the day after the cooling-off period ends, and it needs to be paid from your SMSF bank account.
09	**Finance preparation**	As soon as the contract is signed — or even while it is still a draft — send it to us so we can start preparing the finance.

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General SMSF property borrowing considerations

- An SMSF can purchase commercial property or residential investment property — but not a property for personal use.
- Super funds are subject to lower tax rates than investing outside your super fund. Your accountant can explain how this applies to you.
- Lenders for SMSF property loans are generally non-bank lenders that specialise in SMSF lending.
- There is an annual cap on super contributions. If you would like to invest through your SMSF, we suggest engaging us or your accountant or financial adviser early to plan how you can maximise your contributions.

IMPORTANT

This guide is general information only. It does not take into account your objectives, financial situation or needs, and it is not financial, legal or tax advice. SMSFs and SMSF borrowing have specific legal and tax requirements — obtain independent advice from your accountant, solicitor and/or financial adviser before setting up an SMSF or buying property through one. Smith Finance Brokers arranges finance and does not provide legal or financial advice.

RELATED SERVICE

SMSF Commercial Property Finance

smithfinancebrokers.com.au/services/smsf-commercial-property-finance/

TALK TO US ABOUT SMSF PROPERTY FINANCE

0438 418 887

smithfinancebrokers.com.au/contact.html · 153 Hutt St, Adelaide SA 5000

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