



Self Managed Super Fund (SMSF) Property Loan

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.

The Macquarie SMSF Property Loan provides self managed super funds the flexibility to borrow in order to purchase residential investment property, giving direct exposure to real property assets.

Features

- **Purchase residential investment property** – SMSFs can use borrowed monies to assist in purchasing a residential investment property within the super fund. The property must be held in trust for the SMSF until the loan is repaid.
- **Security of a limited recourse loan** – if the loan goes into default the lender's rights of recovery against the SMSF Trustee are limited to the secured property and the additional security provided by Guarantors. All other assets held in the SMSF are protected.
- **Potential gearing benefits** – it may be possible to claim the interest paid on the loan and expenses as deductions against rental income for tax purposes.
- **Rental income can be used to demonstrate serviceability** – rental income from the investment property can be used to demonstrate serviceability and can be used to repay the loan. Income from other SMSF investments and super contributions can also be used to service the loan.
- **Integrates easily with existing SMSFs** – the loan structure is designed to easily integrate with most SMSFs.

SMSF Property Loan

Who is eligible?

- Australian residents with an existing SMSF or currently in the process of establishing an SMSF.
- SMSFs that have an existing residential investment property loan and wish to refinance from another lender.

What type of property can be purchased with the loan?

Macquarie's SMSF Property Loan can be used to help purchase a single residential investment property or refinance an existing SMSF residential investment property loan. Funds cannot be used to purchase commercial real estate, vacant land or owner-occupied residential property¹. All transactions must be at arm's length and conducted at market rates.

Experience the Macquarie difference

Our credit team is experienced in dealing with complex loan structures.

You will have direct access to credit specialists to support you in submitting a loan application for your client.

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.

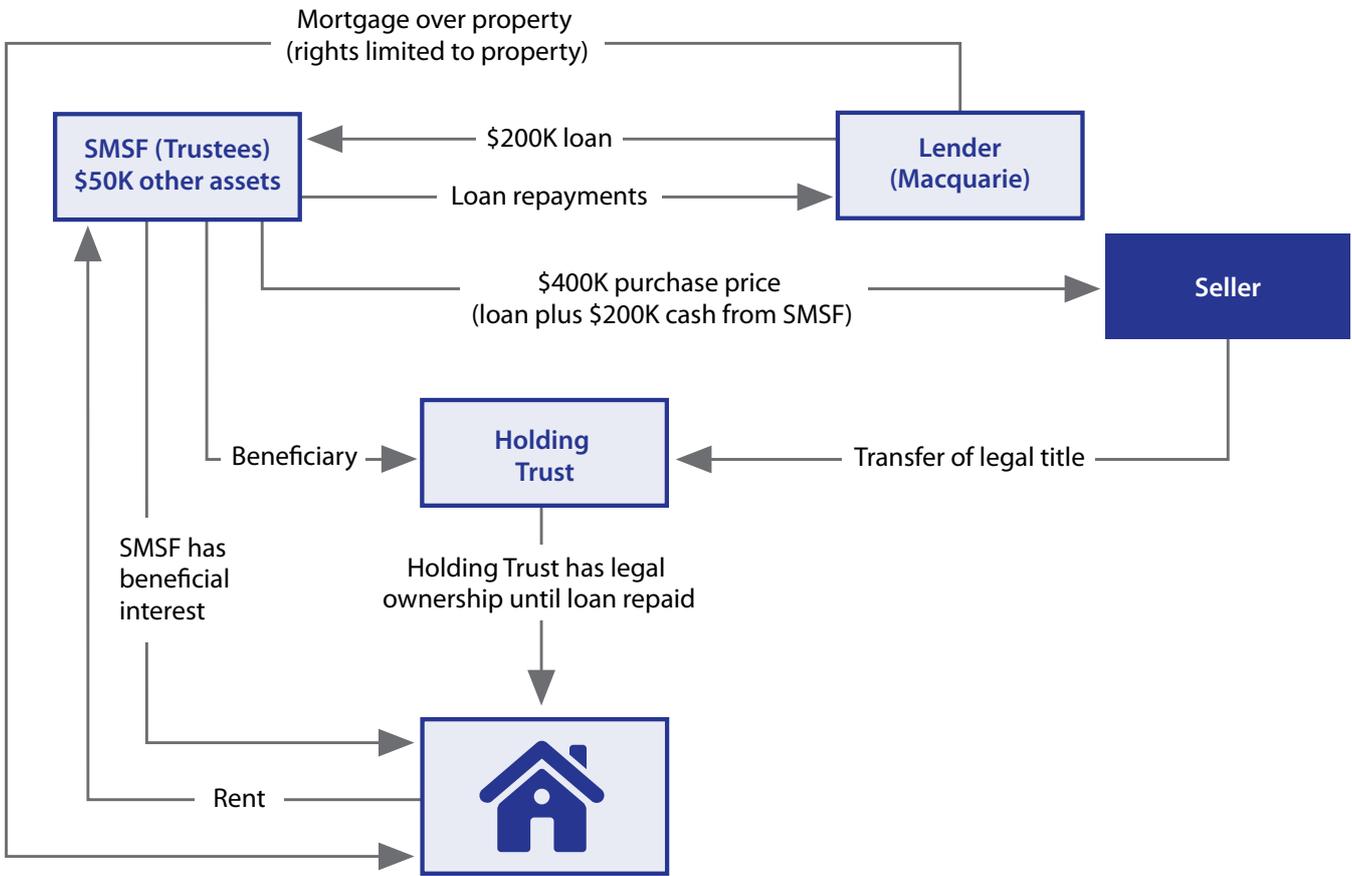
The Holding Trust becomes the legal owner of the property, while the SMSF, is the beneficial owner and receives the rental income. The rent (and/or other income from the SMSF such as investment income and super contributions) can be used by the SMSF Trustee to make the loan repayments.

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 provided including all names and details is a fictitious example only 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 your clients obtain independent financial, legal and taxation advice before making any financial investment decision. For more information, please refer to the Mortgage Reference Manual.

¹ Refer to Mortgage Memorandum for a complete list of acceptable loan purposes and security types.



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

SMSF Property Loan

SMSF Property Loan	
Features	
Accounts	Maximum of 2
Principal and interest	✓
Interest only	✓
Option to fix (terms 1 to 5 years)	✓
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	✗
Offset account	✗
Fees	
Application fee	\$1500
Settlement fee	\$0
Monthly fees	\$15 per month
Lending guidelines	
Security	1 st 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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