

# HOW TO INVEST IN PROPERTY THROUGH YOUR SUPER

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A GUIDE TO SMSF-DRIVEN RESIDENTIAL  
PROPERTY INVESTMENTS



BY REVENTON INVESTMENTS



# INTRODUCTION

Welcome to the realm of strategic property investment through Self-Managed Super Funds (SMSFs). This eBook aims to unravel the complexities of leveraging your SMSF for property investment, offering a unique blend of flexibility and potential for substantial growth in your retirement planning.

Our goal is to demystify the process of using your SMSF to invest in real estate, making it accessible and comprehensible, especially for those venturing into this territory for the first time or those navigating the intricacies of SMSF regulations and property markets. Our team of experts are dedicated to providing you with the insights and strategies needed to effectively use your SMSF, transforming it into a powerful vehicle for property investment.

This guide is designed to serve as an essential resource, equipping you with the knowledge and tools to make informed decisions and optimize your SMSF's investment potential. By delving into the pathways to unlocking the opportunities within the property market, you'll be steered towards achieving financial independence and security.

# DISCLAIMER

This eBook is intended for educational purposes only and does not constitute financial advice. The information contained within is based on general advice and does not take into account your personal circumstances.

Before making any investment decisions, we strongly recommend consulting with a licensed financial advisor or professional who can provide advice tailored to your specific situation.

Join us as we explore the vast landscape of SMSF property investment, laying the foundation for your success in building a prosperous future.



# UNDERSTANDING SMSFS

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Self-Managed Super Funds (SMSFs) represent a significant shift from traditional superannuation funds, offering individuals the autonomy to directly manage their retirement savings. This control extends to a wide range of investment decisions, including the purchase of property. However, with this control comes the responsibility of compliance and strategic planning.

An SMSF can be set up with up to four members, often bringing together family members in a joint financial venture. Each member acts as a trustee, or a director if a corporate trustee structure is chosen, carrying legal obligations for the fund's management. This includes adhering to the Superannuation Industry (Supervision) Act 1993 (SISA) and the Superannuation Industry (Supervision) Regulations 1994 (SISR).

The investment strategy of an SMSF is a critical component, requiring regular review and adjustment to reflect the members' changing risk profiles and retirement objectives. This strategy must consider diversification, liquidity, and the fund's ability to discharge its liabilities. When it comes to property investment, the strategy must ensure that the property aligns with these broader financial goals.

# THE BASICS OF SMSF PROPERTY INVESTMENT

Self-Managed Super Funds (SMSFs) empower individuals to manage their retirement savings, offering the option to directly invest in residential properties. This choice demands diligent adherence to regulations and thoughtful strategic planning.

Many people mistakenly believe that you can't invest in property using your superannuation unless you already have a Self-Managed Super Fund (SMSF). Our team are able to show you the steps to convert your current super from a retail fund, such as HostPlus, to an SMSF, thereby unlocking new possibilities for your investments.

For SMSFs investing in residential property, it's crucial to regularly reassess the investment strategy. This ensures alignment with members' retirement objectives and risk preferences..

Navigating the realm of SMSF property investment also involves understanding the legal and financial nuances specific to residential real estate. This includes recognizing the tax implications, borrowing limitations, and the unique ownership structures permitted under SMSF regulations. Engaging with these elements not only safeguards compliance but also maximizes the potential benefits of property investment within an SMSF framework, laying a solid foundation for achieving long-term financial security.

# COMMON MISCONCEPTIONS

A common misconception is that investing in property with your superannuation funds is not possible without already having a Self-Managed Super Fund (SMSF). Let us guide you on how to transition your existing super from a retail fund, like HostPlus, into an SMSF, opening up new investment opportunities for you.



# PROS AND CONS

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Investing in residential property through an SMSF presents a blend of opportunities and considerations. On the upside, such investments can offer stable rental yields and potential capital growth, contributing significantly to the fund's asset diversification. The tax advantages associated with SMSFs, including reduced capital gains tax for properties held over a long term, further enhance the appeal of residential property investment.

However, the venture into residential real estate within an SMSF is not without its challenges. Market volatility can affect property values and rental incomes, impacting the fund's performance. Additionally, the concentration of funds in a single asset class could limit diversification, increasing risk. The liquidity of property investments also poses a concern, as selling property can be time-consuming, potentially complicating fund liquidity, especially when required to meet retirement distributions.

Understanding these pros and cons is crucial for SMSF trustees, ensuring that any decision to invest in residential property is well-informed and aligned with the fund's overall investment strategy and the members' retirement goals.

# BUYING PROPERTY THROUGH AN SMSF

Purchasing residential property through an SMSF demands careful alignment with the fund's investment strategy and compliance with the sole purpose test. Financing such investments often involves Limited Recourse Borrowing Arrangements (LRBAs), which come with specific conditions, including higher interest rates and fees. Selecting the right property requires evaluating factors like location, rental yield, and growth potential, alongside managing ongoing ownership costs.

It's essential for trustees to ensure transactions are conducted at market value to meet superannuation laws. Leveraging expertise from real estate, legal, and financial professionals can streamline the buying process, ensuring the investment enhances the fund's long-term objectives.



# COMMON MISTAKES

Investing in residential property through an SMSF can be rewarding, yet certain pitfalls can undermine its success. Recognizing and avoiding these common mistakes is crucial for trustees aiming to optimize their investment outcomes.

**Lack of Due Diligence:** Rushing into property purchases without thorough research can lead to overpaying or investing in unfavorable locations. Solution: Conduct comprehensive market analysis and property valuation to make informed decisions.

**Ignoring Compliance Requirements:** Non-adherence to SMSF regulations, especially the sole purpose test and borrowing rules, can result in significant penalties. Solution: Regularly review legislative updates and consult with SMSF experts to ensure ongoing compliance.

**Inadequate Diversification:** Overconcentration in residential property can expose the fund to higher risk if the property market fluctuates. Solution: Balance the SMSF portfolio across different asset classes to mitigate risk and enhance stability.

# COMMON MISTAKES AND HOW TO AVOID THEM (CONTINUED)

## **Neglecting Cash Flow Management:**

Underestimating the costs associated with property investment, including maintenance, taxes, and loan repayments, can strain the fund's liquidity. Solution: Prepare a detailed budget that accounts for all potential expenses and maintains a cash reserve for unforeseen costs.

**Overlooking Property Management:** Effective management is key to sustaining rental income and property value. Solution: Consider engaging a professional property manager to handle tenant relations and maintenance, ensuring the property remains a viable asset.

By being aware of these common mistakes and implementing strategic measures to avoid them, SMSF trustees can better safeguard their investment, ensuring it contributes positively to their retirement goals.

## Schedule Your Complimentary SMSF Property Investment Consultation

### Embark on Your Journey to Financial Freedom

Are you poised to explore the benefits of property investment through your SMSF? We extend an invitation for a complimentary, obligation-free SMSF Property Investment Consultation with our seasoned investment specialists. Seize this chance to uncover how property investment can align with and enhance your financial objectives.

### Why Attend Our Discovery Session?

- **Customized Advice:** Gain insights specifically tailored to your financial circumstances from our investment experts.
- **Expertise at Your Disposal:** Our team, with a wealth of experience in SMSF property investment, is here to guide you.
- **Market Insights:** Receive the latest updates on property market dynamics and how they can work in your favor.
- **Investment Strategy Development:** Discover how to craft investment strategies that optimize tax benefits and growth potential.
- **No Strings Attached:** This consultation is entirely free, with no commitment required on your part.

