

## SELF MANAGED SUPERANNUATION FUND (“SMSF”)

### GEARING GUIDELINES

Recent changes to the SIS Act now permit superannuation funds to invest in assets on a geared basis, thereby substantially improving the borrowing capacity of your SMSF.

#### How do the Gearing Arrangements work?

1. The Lender must lend money to the SMSF
2. The SMSF must have an appropriate investment strategy to allow the investment in the Property
3. The borrowed funds in addition to the SMSF’s own money are used to purchase the Property with the legal ownership residing with the Security Trustee or Custodian Trustee on behalf of a Bare Trust (all of which are ultimately “controlled” by the members of the SMSF)
4. The Bare Trustee must purchase the Property and appear on the contract to purchase the Property
5. In most cases the Property must be income producing and in the case of real estate a properly executed lease noting the Bare Trustee as the lessor must be in place
6. The SMSF itself receives rent from the Property and together with any other sources of funds must in turn make loan repayments in order to pay interest and repay the loan in accordance with the terms and conditions issued by the Lender
7. Upon repayment of the loan the Property is transferred from the Bare Trustee to the SMSF

#### Is there anything else I need to know?

- The loan must be in writing and must be a “Limited Recourse” loan, that is, the Lender’s rights to recover the loan are limited to security against the Property and no other guarantee or document giving the Lender to offend the no recourse or limited recourse nature of the loan must be given to the Lender

#### How can we help?

In conjunction with one of our specialist consulting service providers, Carollo & Co provides a full SMSF Gearing Service which will navigate your SMSF purchase from exchange of contracts through to finance approval and settlement.

#### **WHAT YOU SHOULD DO**

**If you are interested in our SMSF Gearing Services please contact us at Carollo & Co to discuss the matter further.**