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SMSF PROPERTY GUIDE

A Professional Handbook for Self-Managed Superannuation Fund Trustees

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CHAPTER 1

SMSF Basics & Eligibility

Before you think about buying property through super, it's critical to understand what an SMSF actually is, who it works for, and the responsibility that comes with it.

This chapter gives you the foundations you need to decide whether an SMSF is right for you.

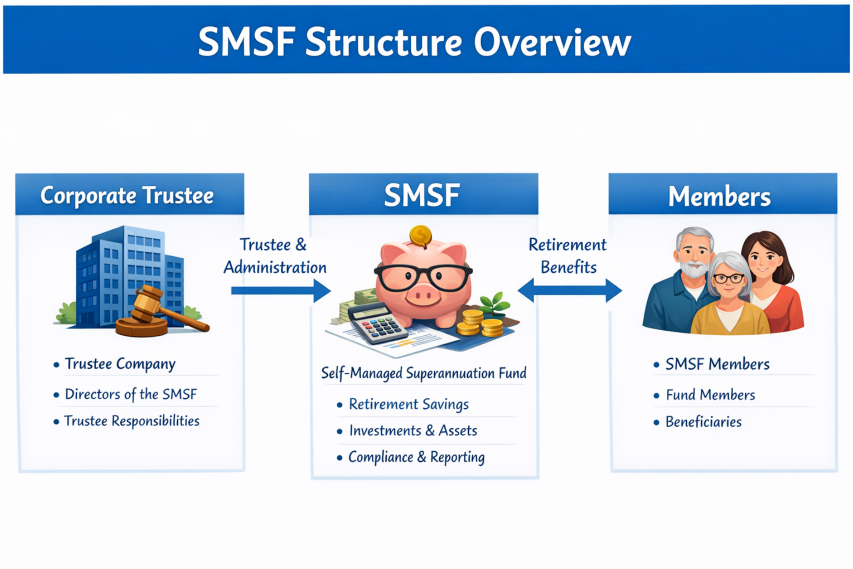

Figure 1: SMSF Structure Overview

What Is an SMSF? (Plain English)

An SMSF (Self-Managed Super Fund) is a super fund that you control yourself, rather than one run by a large retail or industry fund.

With an SMSF:

- You are the trustee (or director of the trustee company)
- You make the investment decisions
- You are responsible for compliance and record-keeping
- The fund exists solely to provide retirement benefits

Think of an SMSF like your own private super vehicle. You choose how it's invested — shares, cash, ETFs, and, in some cases, property.

Key Principle:
An SMSF is about control and responsibility — not shortcuts.

Who an SMSF Is Suitable For

An SMSF tends to suit people who:

- Are comfortable making long-term decisions
- Are organised and willing to stay engaged
- Want to understand why they're investing, not just what
- See super as a 30–40 year strategy, not a quick win

Common Suitable Profiles:

- Individuals / Couples with $250,000+ combined super
- Small business owners wanting to own premises through super
- PAYG professionals with consistent contributions
- Investors focused on tax efficiency and retirement planning

Who an SMSF Is Not Suitable For

An SMSF may not be right if you:

- Don't want responsibility or involvement
- Prefer someone else to make decisions
- Have very low super balances
- Are chasing quick returns or "loopholes"
- Are unwilling to follow rules consistently

An SMSF rewards discipline, not shortcuts.

Trustee Responsibilities (Simply Explained)

When you run an SMSF, you are legally responsible for:

- Making decisions in members' best interests
- Keeping accurate records
- Ensuring investments follow super rules
- Organising annual audits and tax returns
- Ensuring the fund exists only for retirement purposes

This does not mean you must do everything yourself. But you are accountable — even when using professionals.

Eligibility Checklist

Before considering an SMSF, ask yourself:

☐ Do I have at least $200,000 in super (alone or combined)?

☐ Can I continue contributing regularly?

☐ Am I comfortable with long-term planning?

☐ Am I willing to review the fund annually?

☐ Can I follow rules consistently?

If several answers are "no," an SMSF may not be the right structure — yet.

Key Takeaway

An SMSF is not better than other super funds — it's different.

It works best for people who value:

- Control
- Structure
- Long-term clarity
- Accountability

If that sounds like you, the next step is understanding what you can and can't invest in — especially when it comes to property.

CHAPTER 2

What Property You Can and Can't Buy with an SMSF

Before looking at numbers or borrowing capacity, you must understand what an SMSF is legally allowed to buy.

Most SMSF property mistakes are not investment mistakes — they are compliance mistakes.

This chapter simplifies the rules so you can filter properties confidently before wasting time or risking a breach.

The Sole Purpose Test (What It Really Means)

Every SMSF investment must pass one core rule:

It must exist solely to provide retirement benefits.

In practical terms:

- The property must be held only for your future retirement
- You cannot receive any personal benefit today
- Convenience, enjoyment, or indirect access all count as benefit

If you or a related party benefit now — even slightly — the investment fails the test.

Simple filter question: **"Would this still make sense if I never personally used or accessed it?"**

If the answer is no, stop.

Compliance Reminder:
Even temporary use breaches the rules. There is no "just this once" inside super.

Residential Property Rules

SMSFs can buy residential property — but with strict limits.

What Is Allowed:

- Buying from an unrelated third party
- Renting to unrelated tenants
- Holding purely as a long-term investment

What Is Not Allowed:

- Living in the property
- Letting family or friends live in it
- Buying it from yourself
- Using it as a holiday home

Even one night of personal use breaks the rules.

Commercial Property Rules (Why They're Different)

Commercial property provides more flexibility.

What Is Allowed:

- Buying commercial property
- Leasing it to a related business (including your own)
- Using it for business operations

Conditions:

- Rent must be market rate
- A formal lease must exist
- Payments must be documented and on time

This is why SMSFs commonly purchase:

- Warehouses
- Offices
- Medical suites
- Retail premises
- Industrial sites

Commercial property works when structured properly.

Related Party Rules (Simplified)

A related party includes:

- You
- Other SMSF members
- Your spouse
- Close family members
- Companies or trusts you control

Residential Property:

- ❌ Cannot buy from a related party
- ❌ Cannot rent to a related party
- ❌ Cannot use personally

Commercial Property:

- ✅ Can buy from related party
- ✅ Can lease to related party business (only on commercial terms)

Documentation is critical.

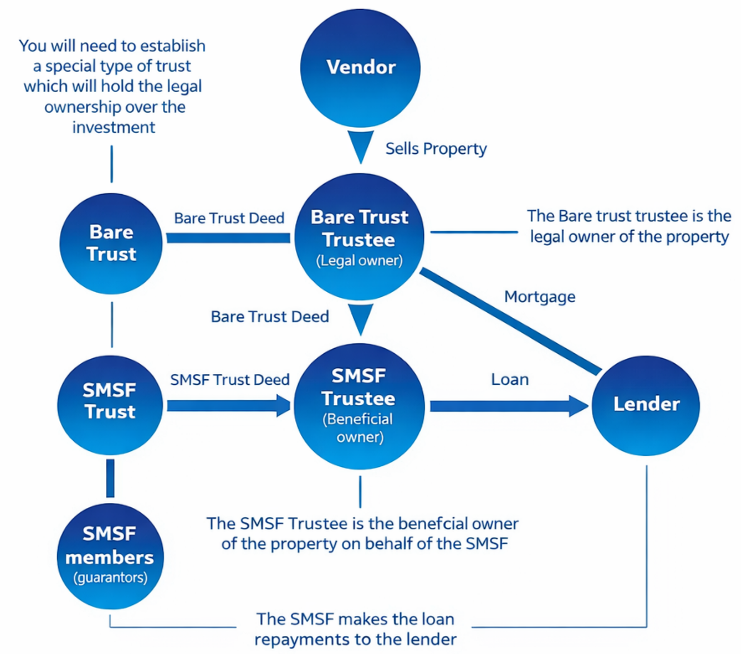

Figure 2: LRBA Structure Overview

Why You Can't Live In the Property

This rule protects the integrity of superannuation.

Super exists for retirement. Not convenience.

Common misunderstandings:

- "I'll move in later"
- "It's only temporary"

- "It's between tenants"
- "It's just a holiday weekend"

All breaches.

The rule is absolute: **No present-day personal benefit.**

Allowed vs Not Allowed (Quick Reference)

Scenario	Allowed?
Buy residential from developer	✅ Yes
Rent residential to unrelated tenant	✅ Yes
Buy residential from yourself	❌ No
Live in property later	❌ No
Buy commercial property	✅ Yes
Lease commercial to your business	✅ Yes (market terms)
Holiday in SMSF property	❌ No
Let family rent property	❌ No

Real-World Examples

Compliant Example

A couple's SMSF buys a new apartment from a developer. It is rented to unrelated tenants at market rent. They never use the property.

Result: Compliant.

Non-Compliant Example

An SMSF buys a house with the intention of moving in later.

Result: Non-compliant from day one.

Commercial Example

An SMSF buys a warehouse and leases it to the member's plumbing business at market rent under a formal lease.

Result: Compliant.

Property Sanity-Check

Before proceeding, ask:

☐ Will I benefit personally?

☐ Is the seller related to me?

☐ Will any related party use it?

☐ Does this make sense purely for retirement?

If any answer creates doubt — pause.

Key Takeaway

SMSF property rules are not complicated — but they are strict.

If you understand:

- Who can use the property (no one related)
- Why commercial property is more flexible
- That retirement purpose comes first

You can filter opportunities confidently before risking time or money.

CHAPTER 3

How Much Can Your SMSF Borrow? (DIY Guide)

Before you fall in love with a property, you need clarity on one thing:

Can your SMSF actually afford it — and how much can it realistically borrow?

This chapter explains SMSF borrowing in plain English and gives you a structured DIY framework to estimate your borrowing range before approaching lenders.

1) How SMSF Borrowing Works (LRBA in Plain English)

When an SMSF borrows to buy property, it uses a structure called a **Limited Recourse Borrowing Arrangement (LRBA)**.

In simple terms:

- The SMSF buys a property
- It uses a loan for part of the purchase
- The property is held in a separate holding structure (bare trust)
- If something goes wrong, the lender's recourse is generally limited to that property

This structure protects other SMSF assets.

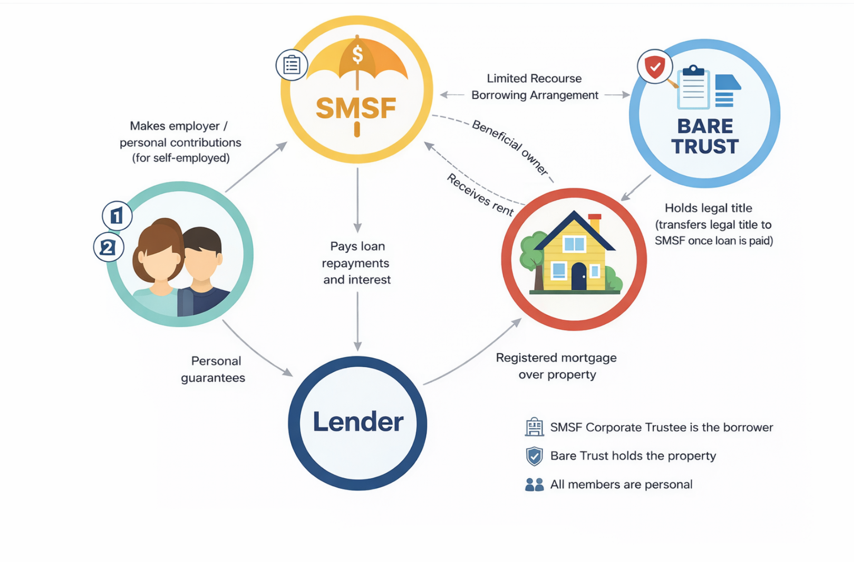

Figure 3: SMSF Borrowing Flow

2) Why SMSF Borrowing Is Different From Personal Borrowing

With a normal home loan, lenders assess:

- Your salary
- Your personal expenses
- Your debts
- Your credit history

With an SMSF loan, lenders assess:

- SMSF income (rent + contributions)
- SMSF expenses
- Liquidity after settlement
- The fund's ability to survive vacancy and rate rises

An SMSF must stand on its own feet. You cannot simply "tighten your belt" personally if the fund runs short.

3) Typical Deposit Requirements (Rule of Thumb)

Residential property: often up to 80% LVR

Commercial property: often up to 70% LVR

On top of the deposit, the SMSF must also cover:

- Stamp duty
- Legal fees
- Loan costs
- Required liquidity buffer

Even if deposit is available, servicing and liquidity often become the real constraint.

4) How Rental Income Is Assessed

Lenders rarely use 100% of rental income. Vacancy, maintenance and management costs are factored in.

Conservative rule: Use 70%–80% of gross rent.

For modelling, use **75%**.

Example:

$900 per week × 52 = $46,800

$46,800 × 75% = $35,100 usable rent

This adjustment alone can materially change borrowing capacity.

5) DIY Borrowing Calculator (Step-by-Step)

Step 1: Estimate Annual SMSF Income

1. Rental Income

Expected weekly rent × 52 × 75%

Example:

$900 × 52 = $46,800
$46,800 × 75% = $35,100 usable rent

2. Member Contributions

Include only consistent, legal contributions:

- Employer super
- Salary sacrifice
- Personal concessional contributions
- Non-concessional contributions (where applicable)

Example:

Total yearly contributions = $30,000

Total SMSF Income:

$35,100 + $30,000 = $65,100

Step 2: Estimate Annual SMSF Expenses (Excluding Loan)

Typical allowances:

- Accounting + audit ($2,000–$3,000)
- Property management
- Insurance
- Rates
- Strata
- Maintenance buffer

Example total expenses: $12,000

Step 3: Funds Available for Loan Repayments

Funds for Repayments = Income − Expenses

$65,100 − $12,000 = $53,100

This is the amount available for repayments.

Step 4: Convert to Loan Estimate

Conservative rule:

Annual loan repayments ≈ 10% of loan balance

Estimated Loan ≈ Annual Funds ÷ 10%

$53,100 ÷ 10% = **$530,000**

This gives you a practical borrowing estimate.

6) Worked Example

Property price: $900,000

Estimated loan: $530,000

Required cash: $370,000

Plus stamp duty, legal fees and buffer.

Realistically, fund may need: **$400,000–$470,000+ available capital.**

Constraint is often servicing — not LVR.

Important Reality Checks

Lenders also assess:

1. Liquidity requirements (10–20% retained)
2. Contribution history
3. Buffered assessment rates
4. Commercial vs residential differences

This tool is conservative by design.

Strategic Insight

- If you can borrow far less than 80% LVR → **Servicing constraint**
- If you can service 80% but lack deposit → **Capital constraint**
- If servicing works but liquidity tight → **Structure constraint**

Understanding the constraint is where strategy begins.

Inputs Checklist

Before calculating:

☐ Current SMSF balance

☐ Annual contributions

☐ Existing SMSF expenses

☐ Expected rent (conservative)

☐ Property costs

☐ Post-settlement buffer

The Reality Rule: If the SMSF does not have breathing room after settlement — the deal is too tight.

Key Takeaway

SMSF borrowing is not about maximising leverage.

It is about:

- Sustainable repayments
- Preserving liquidity
- Protecting the fund
- Aligning with retirement strategy

Clarity before commitment reduces 90% of wasted time.

CHAPTER 4

Step-by-Step SMSF Property Process

Buying property through an SMSF is not difficult. But it must be done in the correct order.

Most problems arise when steps are skipped, rushed, or completed out of sequence.

This chapter walks through the process clearly so you know exactly what happens — and when.

Stage 1: SMSF Setup

What Happens:

- SMSF is legally established
- Corporate trustee appointed
- ABN and TFN issued
- Bank account opened
- Super rolled into fund

Who Is Involved:

- Accountant / SMSF administrator
- You (as trustee)
- ATO

What Can Go Wrong:

- Incorrect trustee structure
- Incomplete documentation
- Rushing without clarity

Decisions That Matter:

- Corporate trustee vs individual
- Correct member setup
- Ensuring fund exists before proceeding

Stage 2: Strategy Confirmation

What Happens:

- Investment strategy reviewed
- Property formally considered

- Liquidity and risk assessed

What Can Go Wrong:

- Strategy not updated
- Ignoring cash flow
- Treating strategy as a formality

Decisions That Matter:

- Why property fits the fund
- How rent and contributions support repayments
- Whether the fund can handle vacancy

Stage 3: Loan Pre-Approval

What Happens:

- Borrowing capacity assessed
- Indicative loan amount confirmed

Who Is Involved:

- SMSF lender or broker
- You
- Accountant

What Can Go Wrong:

- Assuming borrowing capacity
- Using optimistic rent
- Ignoring expenses

Decisions That Matter:

- Borrow within range — not maximum
- Preserve post-settlement liquidity

Stage 4: Property Selection

What Happens:

- Property assessed for compliance
- Rental estimates verified
- Cash flow tested

What Can Go Wrong:

- Choosing non-compliant property

- Emotional decision-making
- Underestimating costs

Decisions That Matter:

- Compliance first
- Realistic rental assumptions
- Long-term suitability

Stage 5: Contract & Bare Trust Setup

This is where many SMSF transactions fail.

What Happens:

- Bare trust established
- Contract prepared in correct name
- Legal review completed

What Can Go Wrong:

- Signing in wrong entity name
- Setting up bare trust too late
- Trying to fix errors post-exchange

Critical Rule: Bare trust must exist before contract exchange. Order matters.

Stage 6: Formal Loan Approval

What Happens:

- Valuation completed
- Loan terms issued
- SMSF documents reviewed

What Can Go Wrong:

- Valuation shortfall
- Cash gap discovered late
- Missing documentation

Decision Point: Proceed only if:

- Numbers still work
- Buffer remains intact
- Terms are understood

Stage 7: Settlement

What Happens:

- Loan drawn
- Property settles into bare trust
- Insurance confirmed
- Property leased

What Can Go Wrong:

- Insurance not active
- Funding shortfall
- Poor coordination

Final Checks:

☐ Insurance active

☐ Post-settlement buffer preserved

☐ Records saved

The Most Important Rule

Order matters.

You cannot fix structural mistakes later by working harder.

Most SMSF problems happen because:

- Contracts are signed too early
- Trusts are created too late
- Assumptions replace verification

Slow down. Check each stage. Confirm before proceeding.

Key Takeaway

If you:

- Follow stages in order
- Confirm structure before commitment
- Protect liquidity
- Treat compliance as non-negotiable

You dramatically reduce risk and stress.

CHAPTER 5

Common SMSF Property Mistakes

Most SMSF property mistakes are not caused by carelessness.

They happen because of:

- Incorrect order
- Structural misunderstandings
- Overconfidence
- Assumptions replacing verification

This chapter highlights the most common and costly errors — so you can recognise them early.

⚠ Mistake 1: Buying the Wrong Property Type

What People Do: They find a property they like and assume it must be acceptable inside super.

Why It Happens:

- SMSF rules misunderstood
- Personal property logic applied to super
- Compliance checked too late

The Real Cost:

- Non-compliant asset
- Forced sale
- Penalties and tax consequences

How to Avoid It:

- Apply the sole purpose test first
- Confirm related-party rules
- Check compliance before emotional commitment

⚠ Mistake 2: Setting Up the Trust Incorrectly

What People Do: They create the bare trust too late — or assume it can be corrected after signing.

Why It Happens:

- Structure feels administrative
- Strict sequencing underestimated
- Advice sought too late

The Real Cost:

- Contract collapse
- Loan rejection
- Property lost

How to Avoid It:

- Establish bare trust before exchange
- Confirm correct entity name on contract
- Review documentation early

⚠ Mistake 3: Signing Contracts Too Early

What People Do: They sign "subject to finance" before structure is fully prepared.

Why It Happens:

- Fear of missing out
- Agent pressure
- Misunderstanding finance clauses

The Real Cost:

- Deposit at risk
- Legal stress
- Transaction failure

How to Avoid It: Never sign until:

- SMSF exists
- Bare trust established
- Loan pathway confirmed

Contract signing is a final step — not a starting point.

⚠ Mistake 4: Overestimating Borrowing Capacity

What People Do: They assume rent and contributions will cover everything comfortably.

Why It Happens:

- Optimistic modelling

- Ignoring rental shading
- Borrowing at maximum LVR

The Real Cost:

- Loan declined
- Cash shortfall
- Ongoing pressure

How to Avoid It:

- Use conservative rent assumptions
- Stress-test rate increases
- Borrow below maximum capacity

⚠ Mistake 5: Ignoring Liquidity and Cash Flow

What People Do: They drain the SMSF to complete the purchase.

Why It Happens:

- Deposit focus instead of sustainability
- Underestimating ongoing costs
- Overconfidence

The Real Cost:

- No buffer for vacancy
- Contribution pressure
- Forced asset sale

How to Avoid It:

- Retain meaningful cash buffer
- Plan for 3–6 months vacancy
- Model repair scenarios

Simple rule: If the SMSF feels tight at settlement — it is.

⚠ Mistake 6: Poor Advice vs No Advice

What People Do: They rely on:

- Generic property advice
- Friends or online forums
- Professionals outside SMSF specialty

Why It Happens:

- Desire to reduce fees
- Conflicting information
- Overconfidence

The Real Cost:

- Structural errors
- Compliance breaches
- Expensive corrections

How to Avoid It:

- Seek SMSF-specific guidance
- Ask professionals to explain the "why"
- Combine self-education with targeted advice

The Pattern Behind Most Mistakes

Nearly every SMSF property failure comes down to:

- Doing things out of order
- Assuming flexibility where none exists
- Treating SMSF property like personal property

If you slow down and verify each stage, most risk disappears.

Mistake-Prevention Checklist

Before proceeding, confirm:

☐ Property type compliant

☐ Trust structure correct

☐ Contract timing correct

☐ Borrowing assumptions conservative

☐ Liquidity buffer preserved

☐ Advice SMSF-specific

If any box remains unticked — pause.

Key Takeaway

SMSF property success is not about being clever. It is about being methodical.

When you:

- Respect the structure
- Follow the correct order
- Plan conservatively

You avoid the mistakes that cost others tens of thousands.

CHAPTER 6

Real SMSF Property Case Studies

The best way to understand SMSF property investing is to see how it works in real life.

The following examples reflect common SMSF scenarios. Names are changed, but the numbers and strategic decisions mirror real-world trustee experiences.

Across all successful examples, one theme repeats: **Structure first. Borrow conservatively. Protect liquidity.**

Case Study 1: PAYG Couple – First SMSF Property

Starting Position:

- Age 42 (both)
- Combined super balance: $360,000
- Combined annual contributions: $38,000
- No existing SMSF property

Strategy:

- Long-term growth
- Conservative borrowing
- Preserve buffer post-settlement

Property & Loan:

- Purchase price: $820,000
- Loan: $480,000
- Deposit + costs: $340,000
- Cash buffer after settlement: $55,000

Outcome:

- Property leased quickly
- Loan serviced comfortably
- SMSF remains liquid

Lesson: Borrow below maximum capacity to reduce stress over time.

Case Study 2: Small Business Owner – Buying Own Premises

Starting Position:

- Age 50
- SMSF balance: $680,000
- Self-employed
- Paying high commercial rent

Strategy:

- Buy commercial premises via SMSF
- Lease to own business at market rate
- Redirect rent into retirement savings

Property & Loan:

- Purchase price: $1,100,000
- Loan: $600,000
- Deposit + costs: $500,000
- Formal lease in place

Outcome:

- Business rent now paid into SMSF
- Stable income stream
- Long-term premises control

Lesson: Commercial property works well when structured correctly and documented properly.

Case Study 3: Younger SMSF – Limited Balance Strategy

Starting Position:

- Ages 38 and 40
- SMSF balance: $260,000
- Early accumulation phase

Strategy:

- Avoid over-leveraging
- Focus on affordability
- Rely on steady contributions

Property & Loan:

- Purchase price: $600,000

- Loan: $360,000
- Deposit + costs: $240,000
- Cash buffer: $25,000

Outcome:

- Sustainable repayments
- Stable fund position
- Manageable exposure during rate increases

Lesson: You don't need a large balance — you need the right structure and expectations.

Case Study 4: The Deal That Was Nearly Too Big

Starting Position:

- Mid-40s couple
- SMSF balance: $520,000
- Initially targeted $1.1m property

Strategy Revision:

- Stress-tested cash flow
- Reduced target property
- Increased retained liquidity

Final Structure:

- Final purchase: $880,000
- Loan: $500,000
- Cash buffer: $80,000

Outcome:

- Survived rate increases
- Handled vacancy period
- Avoided forced sale

Lesson: The deal you walk away from can be as important as the one you complete.

Case Study 5: PAYG Professional – Contribution Strength

Starting Position:

- Age 45
- SMSF balance: $420,000
- Annual contributions: $27,500

Strategy:

- Moderate borrowing
- Use contributions to support servicing
- Maintain flexibility

Property & Loan:

- Purchase price: $750,000
- Loan: $440,000
- Deposit + costs: $310,000

Outcome:

- Strong servicing position
- Gradual equity growth
- Liquidity preserved

Lesson: Consistent contributions materially improve borrowing strength.

Structured Comparison Summary

Case	Balance	Loan	Buffer	Core Strategy	Key Lesson
PAYG Couple	$360k	$480k	$55k	Conservative borrowing	Leave breathing room
Business Owner	$680k	$600k	Strong	Commercial lease-back	Structure + documentation
Younger Fund	$260k	$360k	$25k	Affordability focus	Right expectations
Revised Deal	$520k	$500k	$80k	Reduced purchase	Walk away if tight
PAYG Professional	$420k	$440k	Moderate	Contribution strength	Income supports servicing

Patterns Across Successful SMSFs

Across all successful examples:

- Borrowed conservatively
- Preserved liquidity
- Followed correct sequencing
- Avoided emotional decision-making

Funds that struggled typically:

- Borrowed too aggressively
- Ignored cash flow
- Rushed structure

Key Takeaway

There is no "perfect" SMSF property strategy.

Success comes from:

- Understanding your starting position
- Matching strategy to capacity
- Prioritising sustainability over speed

Long-term stability beats short-term excitement.

FINAL CHAPTER

Pulling It All Together

If you've worked through this guide carefully, you now understand something many trustees never fully grasp:

SMSF property investing is not complex — it is structured.

Success comes from respecting that structure, following the correct order, and making decisions based on clarity rather than momentum.

The Core Principles

No matter the balance size or strategy, successful SMSF trustees consistently apply five principles:

1. Purpose Comes First

Every decision must serve retirement. If there is present-day personal benefit — it does not belong in super.

2. Structure Before Speed

Rushing creates risk. Correct sequencing eliminates most stress.

3. Conservative Beats Clever

SMSFs perform best when they:

- Borrow less than maximum
- Keep meaningful cash buffers
- Assume rent interruptions will happen

4. Cash Flow Is King

A property that looks strong on paper fails if:

- Vacancy extends
- Expenses are underestimated
- Contributions reduce

5. Understanding Reduces Risk

When you understand why rules exist, you avoid blind reliance on others and detect issues early.

Choosing Your Path

There is no single "right" approach.

Option 1 – Fully DIY: Best for trustees who enjoy research, have straightforward structures, and prefer coordination control.

Option 2 – Hybrid (Most Common): Best for trustees who understand the process, want expert input at critical points, and value verification.

Option 3 – Guided Advice: Best for trustees who are time-poor, have complex structures, and want coordinated execution.

Final Thought

You do not need to rush. You do not need to chase perfection. You do not need to copy someone else's strategy.

You need to:

- Understand the rules
- Respect the structure
- Plan conservatively

SMSF property is powerful when used wisely.

SMSF PROPERTY READINESS MASTER CHECKLIST

Use this checklist before committing to any SMSF property purchase.

1️⃣ SMSF FOUNDATION

☐ SMSF correctly established

☐ Corporate trustee properly appointed

☐ Investment strategy allows property

☐ Trustees understand responsibilities

2️⃣ FINANCIAL POSITION

☐ Sufficient balance for deposit + costs

☐ Contributions are realistic and sustainable

☐ Liquidity buffer retained after settlement

☐ Cash flow stress-tested for vacancy

3️⃣ PROPERTY COMPLIANCE

☐ Passes sole purpose test

☐ No related-party personal use

☐ Residential/commercial rules confirmed

☐ Seller relationship verified

4️⃣ BORROWING REALITY

☐ Conservative borrowing estimate used

☐ Rental income shaded realistically

☐ Assessment rate stress-tested

☐ Lender liquidity requirements satisfied

5️⃣ PROCESS DISCIPLINE

☐ Bare trust established before contract

☐ Correct entity name on contract

☐ Loan pathway confirmed

☐ Insurance arranged before settlement

FINAL SELF-CHECK

☐ Would I still proceed if rent stopped for 6 months?

☐ Would I still proceed if rates increased?

☐ Can I clearly explain this structure to someone else?

☐ Am I comfortable with this decision in 10–15 years?

If any item is unchecked — pause before proceeding.

APPENDIX

Appendix A – SMSF Refinance Checklist

Use this checklist when refinancing an existing SMSF property loan. This is not lender-specific — it is a preparation guide so you know what to gather before speaking to a broker or lender.

Identification

☐ 100 points of ID (Driver's licence + Passport)

☐ Trustee details (corporate trustee directors confirmed)

SMSF Documents

☐ Full SMSF trust deed (including amendments)

☐ Bare / Security trust deed

☐ Most recent SMSF financial statements (2 years, audited)

☐ Most recent SMSF tax returns (2 years)

☐ SMSF listed on superfundlookup.gov.au

Loan & Property Documents

☐ 6 months loan statements (current lender)

☐ Most recent council rates notice

☐ 3 months rental income evidence (bank statements or managing agent statements)

☐ Current lease agreement (if applicable)

Financial Position

☐ Current contribution details (PAYG or self-employed)

☐ Super guarantee confirmation (if PAYG)

☐ 4 recent payslips OR latest personal tax return

☐ Summary of other SMSF liquid assets (shares, term deposits, managed funds)

Self-Check Before Refinancing

☐ Is refinancing improving cash flow?

☐ Is liquidity preserved after refinance costs?

☐ Are loan terms clearly understood?

☐ Is there a clear strategic reason for refinancing?

If the answer to the last question is unclear, pause before proceeding.

Appendix B – SMSF Property Purchase Checklist

Use this checklist before submitting a purchase loan application.

Identification

☐ 100 points of ID (Driver's licence + Passport)

☐ Corporate trustee details confirmed

SMSF Structure

☐ SMSF trust deed (full, signed copy)

☐ Security / Bare trust deed established

☐ Investment strategy allows property

☐ SMSF registered and active

Property Documents

☐ Contract of sale

☐ Rental appraisal from managing agent

☐ Estimated ongoing property expenses

☐ Insurance quote (building and landlord)

SMSF Financial Position

☐ 2 years SMSF financials (if established)

☐ Recent retail super statements (if newly established SMSF)

☐ Summary of liquid assets

☐ Net asset position confirmed

Income & Contributions

☐ Employer super confirmation (if PAYG)

☐ 4 most recent payslips OR

☐ Personal tax return (if self-employed)

☐ Contribution strategy documented

Pre-Commitment Self-Check

☐ Borrowing estimate confirmed conservatively

☐ Liquidity buffer retained after settlement

☐ Property compliant under SMSF rules

☐ Bare trust established before exchange

☐ Insurance arranged before settlement

If any item remains unchecked, resolve it before signing contracts.

GLOSSARY

SMSF Glossary & Key Regulatory References

This glossary explains commonly used SMSF terms in plain language, with selected references to key provisions of the Superannuation Industry (Supervision) Act 1993 (SIS Act). It is not a substitute for legal advice, but a practical reference.

ABN (Australian Business Number)

A unique number issued by the ATO when an SMSF is registered. Required for compliance, tax reporting, and super rollovers.

Accumulation Phase

The phase where contributions are made and investment earnings are taxed (generally up to 15%).

Audit Requirement

SMSFs must be audited annually by an independent, approved SMSF auditor. Failure to complete annual audits can result in compliance breaches.

Bare Trust (Holding Trust)

A separate trust that temporarily holds legal title to a property purchased under a Limited Recourse Borrowing Arrangement (LRBA). The SMSF retains beneficial ownership.

Borrowing Restrictions – SIS Act Section 67

Under Section 67 of the SIS Act, SMSFs are generally prohibited from borrowing money.

Exception: Limited Recourse Borrowing Arrangements (LRBAs) allow borrowing under strict structural rules. If borrowing falls outside permitted LRBA conditions, it is a breach.

Corporate Trustee

A company that acts as trustee of the SMSF. All members must be directors of the corporate trustee.

Often preferred for:

- Asset protection
- Administrative continuity
- Cleaner ownership records

In-House Asset Rules

SMSFs are restricted from investing more than 5% of total assets in "in-house assets." In-house assets generally include loans to, or investments in, related parties. Breaching the 5% rule requires rectification.

Investment Strategy Requirement

Trustees must formulate and regularly review a written investment strategy.

The strategy must consider:

- Risk
- Diversification
- Liquidity
- Insurance
- Ability to discharge liabilities

Failure to maintain a compliant investment strategy can result in regulatory action.

LRBA (Limited Recourse Borrowing Arrangement)

A permitted borrowing structure allowing SMSFs to purchase certain assets (typically property).

Key characteristics:

- Loan limited to specific asset
- Asset held in separate bare trust
- SMSF retains beneficial ownership
- Strict compliance requirements

Pension Phase

The stage where retirement benefits begin to be paid to members. Investment earnings may become tax-free (subject to transfer balance cap limits).

Related Party

Includes:

- SMSF members
- Their spouse
- Close relatives
- Companies or trusts they control

Residential property cannot be rented to related parties. Commercial property may be leased to related parties on market terms.

Sole Purpose Test – SIS Act Section 62

Under Section 62 of the SIS Act, an SMSF must be maintained solely for the purpose of providing retirement benefits to members or their dependents.

Trustees must avoid:

- Personal use of SMSF assets
- Providing financial assistance to members
- Any present-day personal benefit

Breaching the Sole Purpose Test is one of the most serious compliance failures.

Trustee Covenants – SIS Act Section 52

Section 52 outlines statutory trustee duties, including:

- Acting honestly
- Exercising care and diligence
- Acting in the best interests of members
- Keeping assets separate from personal assets
- Formulating and giving effect to an investment strategy

These obligations apply regardless of trustee experience.

Superannuation Industry (Supervision) Act 1993 (SIS Act)

The primary legislation governing SMSFs in Australia.

It sets out:

- Trustee responsibilities
- Investment restrictions
- Borrowing limitations
- Compliance requirements
- Penalty framework

Compliance & Penalties

Non-compliance can result in:

- Administrative penalties (personally payable by trustees)
- Rectification directions
- Disqualification as trustee
- Loss of SMSF complying status
- Loss of concessional tax treatment

The ATO treats SMSF compliance seriously.

Transfer Balance Cap

Limits the amount that can be transferred into pension phase with tax-free earnings.

Final Compliance Reminder

SMSF trustees are not expected to memorise legislation.

But they are expected to:

- Understand the principles
- Act in good faith
- Maintain documentation
- Seek specialist advice when necessary

An SMSF rewards informed, disciplined trustees.

Disclaimer

The information provided is general information only and is intended for educational purposes. It does not constitute financial advice, credit advice, legal advice, tax advice, or accounting advice.

None of this information takes into account your personal objectives, financial situation, or needs. You should not rely on any information presented here as a substitute for obtaining tailored professional advice.

Before making any decision in relation to superannuation, SMSF establishment, borrowing arrangements, property investment, or credit products, you should seek independent advice from appropriately licensed and qualified professionals, including:

- A licensed financial adviser
- A registered tax agent or accountant
- A qualified legal practitioner
- A licensed credit representative

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