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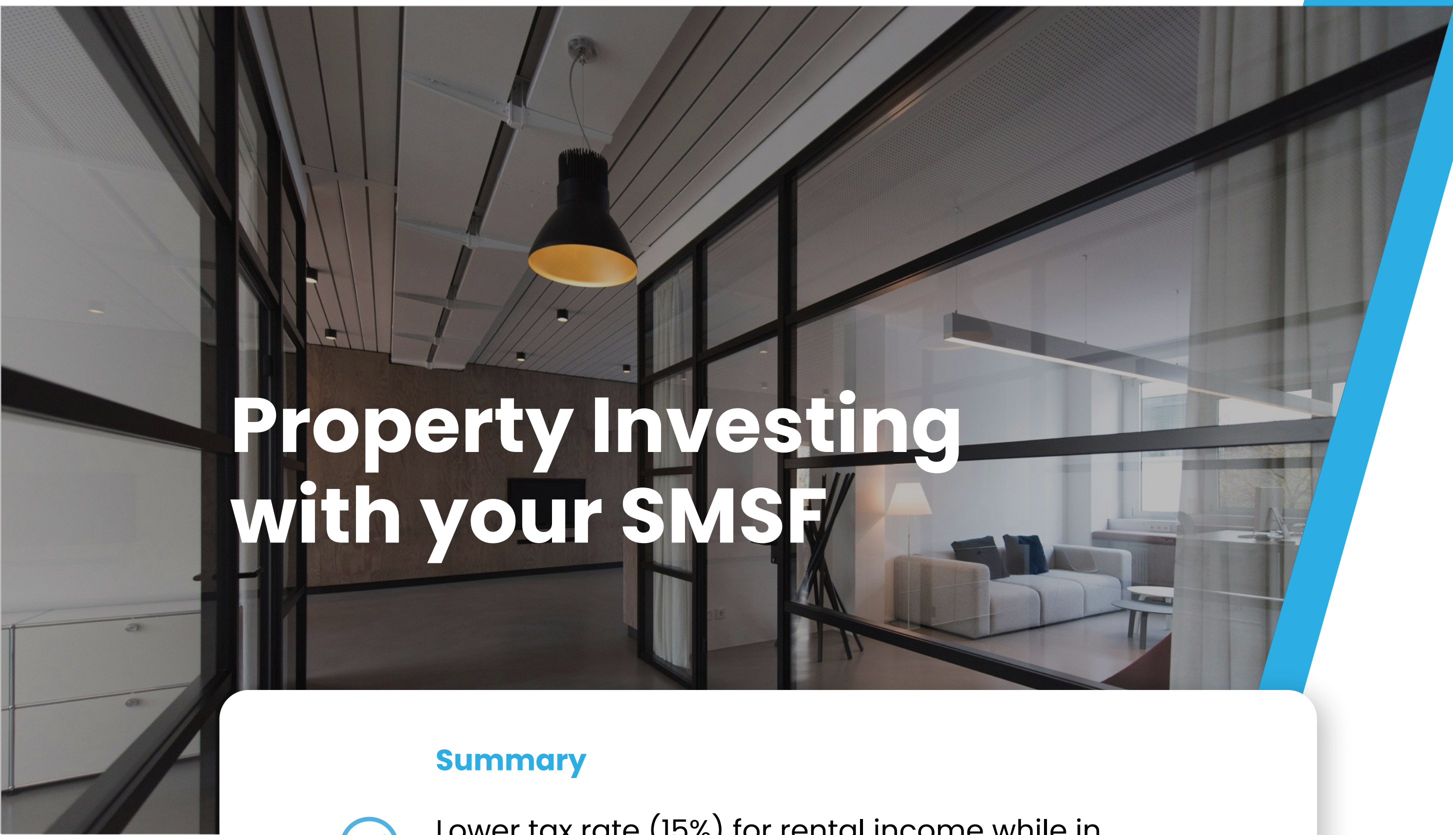
SMSF LOANS



Property Investing with your SMSF

Summary

- Lower tax rate (15%) for rental income while in accumulation mode.
- Tax deductions for loan repayments
- Investment-related expenses such as insurance & property management generally tax deductible
- Exempt from capital gains tax or rental income tax once the fund member(s) retire (pension mode)

Property Investing with your SMSF

Self-Managed Superannuation Funds (SMSFs) have become increasingly popular among Australians who want more control over their retirement savings.

One of the investment options available within an SMSF is investing in property. This allows individuals to leverage their superannuation to acquire real estate assets.

Diversification

Diversify your investment portfolio beyond traditional assets like stocks and bonds. By adding property to your investment mix, you spread the risk and may achieve more stable returns over time.

Tax advantages

SMSFs benefit from certain tax advantages. Rental income received from the property is generally taxed at a concessional rate of 15% during the accumulation phase and can be tax-free once the SMSF enters the pension phase. Capital gains made on the property can be taxed at a discounted rate of 10% if held for longer than 12 months and are typically tax-free once the SMSF enters pension phase.

Investment Choice

You can choose the specific property you want to invest in, negotiate the terms, and even manage the property directly. This level of control allows you to tailor your investment strategy to your preferences and objectives.

Seek professional advice

It is crucial to consult with your accountant or financial advisor or an SMSF specialist who can guide you through the complexities of SMSF property investment. They can help you understand the risks involved, ensure compliance with regulations, and evaluate the suitability of property investment within your overall retirement strategy.

What to watch out for

Property acquisition costs, such as stamp duty, legal fees, and property management expenses can all add up. Property investments are illiquid, meaning it can be challenging to access funds quickly if needed.

Investing a significant portion of your retirement savings in a single asset class carries some risks. If the property market experiences a downturn or if the property you invested in underperforms, it could impact your overall retirement savings.

Managing an SMSF requires compliance with various rules and regulations set by the Australian Taxation Office (ATO). There are strict guidelines that must be followed, including restrictions on related-party transactions, property use, and borrowing arrangements. Failure to comply with these regulations can result in penalties or loss of tax concessions.