

SELF MANAGED SUPER FUNDS

Have you thought of using your Self Managed Superannuation Fund (SMSF) to purchase an investment property at The-Wexford? Through appropriate structuring, property can contribute to your overall wealth creation strategy.

When markets are uncertain, investors may consider property as an attractive option. Investing in property through a SMSF, rather than in your own name, can be tax efficient and increase the assets available to fund your retirement.

Why buy property with your SMSF?

- Benefit from rental income and potential long-term growth
- Benefit from the concessional superannuation tax rate of 15 per cent while accumulating your SMSF, and potentially nil tax once you start a pension*
- Sell the property at any time and realise the capital gains at an effective tax rate of 10 percent if it has been held for at least 12 months, or zero per cent if held as a pension asset*
- For complying superannuation funds – please check these details with your accountant or financial adviser.



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CASE STUDY

John and Emma have \$100,000 cash in their SMSF. The SMSF trustee wants to borrow \$300,000 to acquire a \$375,000 property. Banks are offering to lend to the SMSF trustee at 6% per annum.

The rental income + 9% SGC (their combined income \$140,000) and some additional salary sacrifice will service the loan.

The main benefits of purchasing a property through a SMSF are:

Concessional Tax Treatment

Within the super environment, income is taxed at 15% and capital gains tax 10% (if held longer than 12 months). If you sell the asset at the age of 60 and are retired or are over the age of 65, all income and capital gains are tax free. Within the super environment, you have ability to hold assets until you are in the pension phase when there is no income or capital gains tax.

Diversification

This warrant structure allows you to diversify your investments within the super environment away from the more traditional super assets such as shares, cash and fixed interest.

Leverage

This is the ability to use borrowed money to purchase a larger asset base. This is one of the

most effective wealth creation strategies and most commonly used with Direct Property.

Estate Planning

An SMSF has significant Estate Planning benefits due to its flexibility.

Borrowing Capacity

When you purchase a property within an SMSF, it is the SMSF that is assessed for the servicing capacity not the individual. This means, if you have reached your borrowing capacity threshold outside of super, you can continue to leverage within your SMSF. This will allow you to continue to increase your asset base.

Asset Protection

Generally, assets within an SMSF are protected from bankruptcy proceedings. Specialist advice must be sought within this area.

Find out how you can benefit

KWS has the expertise to support you through the process of acquiring property through superannuation. Your Relationship Manager can work with your accountant, financial adviser and lawyer to apply our comprehensive understanding of general gearing options available to suit your circumstances.