

The new rules for SMSF Borrowings

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Tuesday, 21 October 2008
Last Updated Tuesday, 21 October 2008

Traditionally, Self Managed Super Funds (SMSFs) have been unable to borrow money for investment property purposes. However, recent changes to the legislation have opened the door for superannuation funds to borrow money provided that certain requirements are satisfied.

The prospect of borrowing within an SMSF has sparked significant interest. The significant power of gearing is recognized by many advisors and investors alike, so the ability to leverage the growth of an individual's retirement savings is naturally appealing.

The ATO has recently released guidance regarding application of the new rules. The guidance has provided certainty in relation to a number of matters, however the ATO has flagged a number of issues that are still under consideration. Before launching into these arrangements, it is important that people understand the basic concept underlying the borrowing structure.

While the new SMSF borrowing rules have opened up a world of possibilities for owners, it is important that people are fully aware of the terms and conditions of the borrowing arrangement before they sign on the dotted line.

It is also critical that people ensure that their SMSFs investment strategy, allow for the fund to enter into this type of borrowing arrangement.

Finally, people contemplating strategies involving limited resource borrowing should speak to a qualified advisor to ensure that the strategy is appropriate for their particular circumstances, and any proposed structure complies with the new laws. Once this has been determined we can then help you start looking for your investment property.