

I LOVE REAL ESTATE PROFESSIONAL SERIES

THE SMSF & ADVANCED STRUCTURE ONLINE TRAINING EVENT 2020



*How Smart, Savvy Real Estate Investors Use SMSF And
Advanced Asset Protection And Structure Techniques
To Maximise Their Portfolios*



1. SELF-MANAGED SUPERANNUATION – CLINT DUCAT

Self-Managed Superannuation



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Thinking of setting up a SMSF?

- Have you got enough?
- What options do you have if you haven't got enough?
- What will be the time commitment?
- Do you have adequate experience/knowledge?
- What's the process?
- How long does it take?
- Individual verses Corporate Trustee
- How much does it cost to both set up and to operate?

Note - Always seek specialist advice before setting up a SMSF



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+ Advantages

Greater control

Wide investment choice

Estate planning flexibility

Can borrow to invest (gearing) subject to limits

- Drawbacks

Significant trustee and compliance obligations

Time/costs of administration

Investment management

\$400,000 - \$500,000
Generally require at least this amount to be cost effective

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WHAT ARE TRUSTEES RESPONSIBLE FOR?

Trustee duties

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SMSF Set up Process

- Advice (Personal Statement of Advice)
- Set up Corporate trustee (Special Purpose Company)
- Set up the Self Managed Superannuation Fund
- Apply for the ABN and TFN for the SMSF
- Sign Trustee Declaration with 21 days of becoming a Trustee
- Create the funds written investment strategy
- Set up funds main operating bank account
- Completion of full or partial rollovers from existing funds (Ensure no loss of insurances)
- Replace Life/TPD Insurance if appropriate
- Purchase investments in line with investment strategy

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Sole Purpose Test

It is to ensure that SMSF's are maintained for the purpose of providing benefits to members upon their retirement, or their dependents in the case of a member's death before retirement.



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What can a SMSF invest in?

SMSFs have wider investment choices than other funds including:

- Cash, term deposits, fixed interest securities
- Direct shares (Australian and International)
- Direct property (Residential and Commercial)
- Listed and unlisted property trusts
- Managed discretionary accounts
- ETF's and LIC's
- Mortgage Funds



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What can a SMSF invest in?

SMSFs have wider investment choices than other funds including:

- Managed Funds
- Government or corporate bonds
- Precious Metals / Commodities
- Derivatives
- Art work
- Collectibles



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Appetite for risk

- All investment carries risk and can suffer losses
- Risk versus Return trade-off
- What is your Risk Profile, are you a;
 - Conservative Investor
 - Moderate Investor
 - Balanced Investor
 - Growth Investor
 - Aggressive Investor



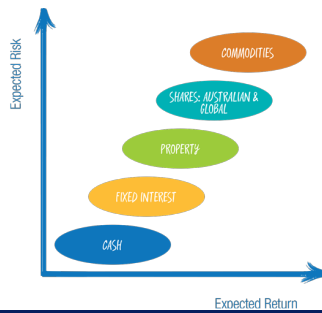
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Asset Allocation/Diversification

What % of the following asset classes would you be comfortable with?

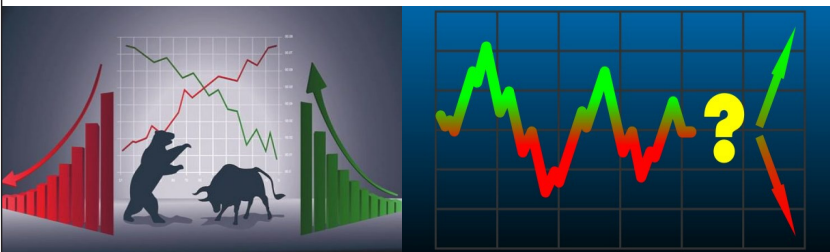
- Cash
- Fixed Interest
- Property
- Australian Shares
- International Shares
- Other? Mortgage Funds?



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We can't control the market?

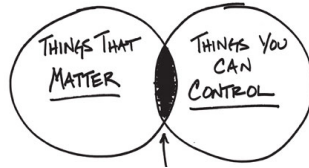


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Focus on what you can actually control:

- Strategy
- Ownership structure
- Tax/Cost
- Asset allocation/managing risk
- When we buy and when to sell (time in the market)
- Financial education and communication with your professional team as it drives better decisions



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Tax in Super



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Accumulation Account

Contributions Tax

- 15% < \$249,999 total income
- 30% > \$250,000 total income

Income Tax

- 15% on investment earnings

Capital Gains (>12mths)

- 10% effectively (15% but only 2/3 assessable)



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Pension Account

Limited by Transfer Balance Cap (Currently \$1.6m)

Income

- Income in the Pension Account is Tax Free

Capital Gains (>12mths)

- Capital Gains on sale of assets in Pension Phase are Tax Free



Accumulation verses Pension Phase

Member 1	Member 2	Member 3
Accumulation \$250,000	Accumulation	Accumulation \$50,000
Pension	Pension \$300,000	Pension \$450,000

Total Superannuation Balance (TSB)

Your total superannuation balance is relevant for determining your eligibility for:

- Unused concessional contributions cap carry-forward
- Non-concessional contributions cap and eligibility for the 2yr bring forward rule
- Government co-contributions
- The tax offset for spousal contributions

Total superannuation balance is generally calculated on the 30th June each year and is calculated as the sum of all your accumulation and pension account values.

This includes a defined benefit income stream at its commencement value. LRBA's entered into after 1st July 2018 are also added to your TSB.

What type of property is best for your SMSF?

Dependent on your timeframe and goals to hold or liquidate in retirement.

- Age 20-40
- Age 40-50
- Age 50-60
- Age 60 and over



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What ways can a SMSF invest in property?

Direct

- Buy outright
- Limited Recourse Borrowing Arrangement (LRBA)

In-Direct

- Listed Property Trusts (A-REIT's)
- Unlisted Property Trusts
- Ungeared Unit Trust 13.22 (Related Party)
- Geared Unit Trust (Unrelated Parties)



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SMSF and Asset Protection

An SMSF is subject to the same risks from its assets as any other structure. If the asset is the source of the risk, other assets are at risk.



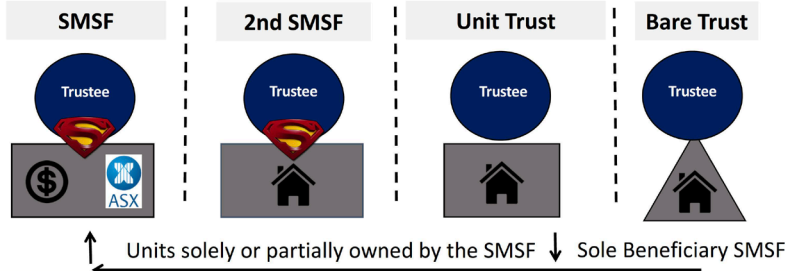
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SMSF and Asset Protection

Separate legal entities can be used to quarantine assets.
This will result in additional set up and admin costs.



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Buy outright

Ownership options:

1. Tenants in Common (not very common)
2. Directly on Title;
 - ✓ Think about the trustee structure, Trustee ATF Super Fund.
 - ✓ May consider a standalone Fund or using a 13.22c Unit Trust.



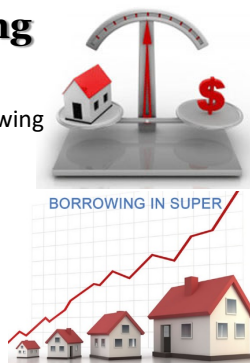
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Limited Recourse Borrowing Arrangement (LRBA)

Generally SMSF's trustees are prohibited from borrowing money, one exception is Section 67A (SIS Act);

- ✓ Must be Limited Recourse
- ✓ Must be held on trust (special holding trust)
- ✓ Must be a single acquirable asset
- ✓ Rights of the lender or any other person is limited to the single acquirable asset



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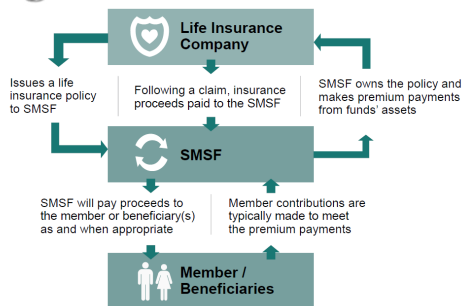
The Devil is in the detail!



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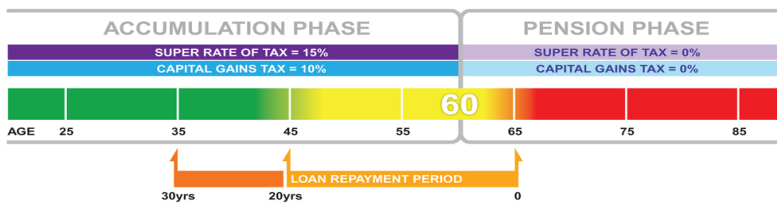
Mitigating Risk with Personal Insurance



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Reducing Leverage by Retirement



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LRBA Tips and Traps

- Always seek professional financial advice in advance
- Lenders will most likely require a “Financial Advice Certificate”
- Be “market ready”
- Make sure the structure is right and correct name on contract
- Remember the Single Acquirable Asset Rule
- Beware of “off the plan” and “house and land”
- Must maintain the integrity of the original asset
- Need to appropriately document the transaction to avoid “double duty”
- Trustee needs to consider risk insurance needs of the members

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