

**Charter Partners Tax & Business Tips**  
**Self Managed Superannuation Fund – Many Ways to Borrow**

*Taken from the Australian Financial Review February 5-6, 2011, article by Debra Cleveland:*

The changes in June 2010 mean DIY super funds can borrow under a limited recourse arrangement. This sparked huge interest in gearing, with a report late last year by research house Investment Trends finding 29,000 DIY funds were borrowing, with a further 40% expected to do so this year.

"Too few DIY fund specialists at the banks mean loans become bogged down and that huge amounts of paperwork are doled out to clients' financial planners, solicitors and accountants" - John Manciameli.

"Unlike dealing with standard home loans, it's important not to focus mostly on costs such as interest rate and annual fees but far more important is the structure of the loan and what sorts of guarantees the lender requires"- Emma Cunningham.

**THE RULES - A GENERAL SNAPSHOT\***

- Self-managed super funds must borrow funds through a limited recourse loan - however banks can still insist on personal guarantees;
- The loan must comply with the SIS Act;
- Trustees can borrow only to purchase a single asset, or number of identical assets that have the same market value (e.g. 1000 shares or the same company, at the same time);
- Borrowed funds cannot be used to upgrade the property, only maintain it;
- Trustees cannot construct a building or new additions using a limited recourse loan;
- Repayments are made through the super fund;
- The purchase must comply with the SMSF's investment strategy;
- Trustees can borrow from anyone, including banks and beneficiaries, as long as it's at arm's length and the rate charged is not above market rate;
- Existing properties within SMSF's cannot be used as security to borrow for another property;
- Trustees are permitted to refinance existing loans.

\*Please consult your advisor for advice on your own specific requirements. This is general advice and does not take into account any individuals financial or other circumstances. For full details on borrowing by SMSF please click [here](#)