



PRACTICAL GUIDE

Buying Property in an SMSF

Limited recourse borrowing, related-party rules, single-acquirable-asset, and the costs that erode SMSF property returns.

How it works

- Self-Managed Super Fund borrows via Limited Recourse Borrowing Arrangement.
- Property is held by a bare trust; SMSF beneficially owns it.
- Loan-to-value ratio capped at 70% to 80% with most lenders.
- All rental income paid to SMSF; concessional tax rate of 15% applies.

Suitability

- Generally requires \$200k+ in SMSF before buying makes sense.
- Diversification rule: SMSF should not be over-concentrated in one asset.
- Personal use prohibited; cannot live in the property or lease to family.

Costs that surprise

- Setup of bare trust and corporate trustee: \$3k to \$6k.
- Specialist SMSF lending interest rates 100 to 200 bps higher.
- Annual SMSF audit and tax compliance: \$2k to \$5k.

Risks

- Liquidity: if SMSF members near retirement, property is hard to sell quickly.
- Compliance breaches carry severe penalties.
- Get advice from licensed SMSF specialist, not generic accountant.

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