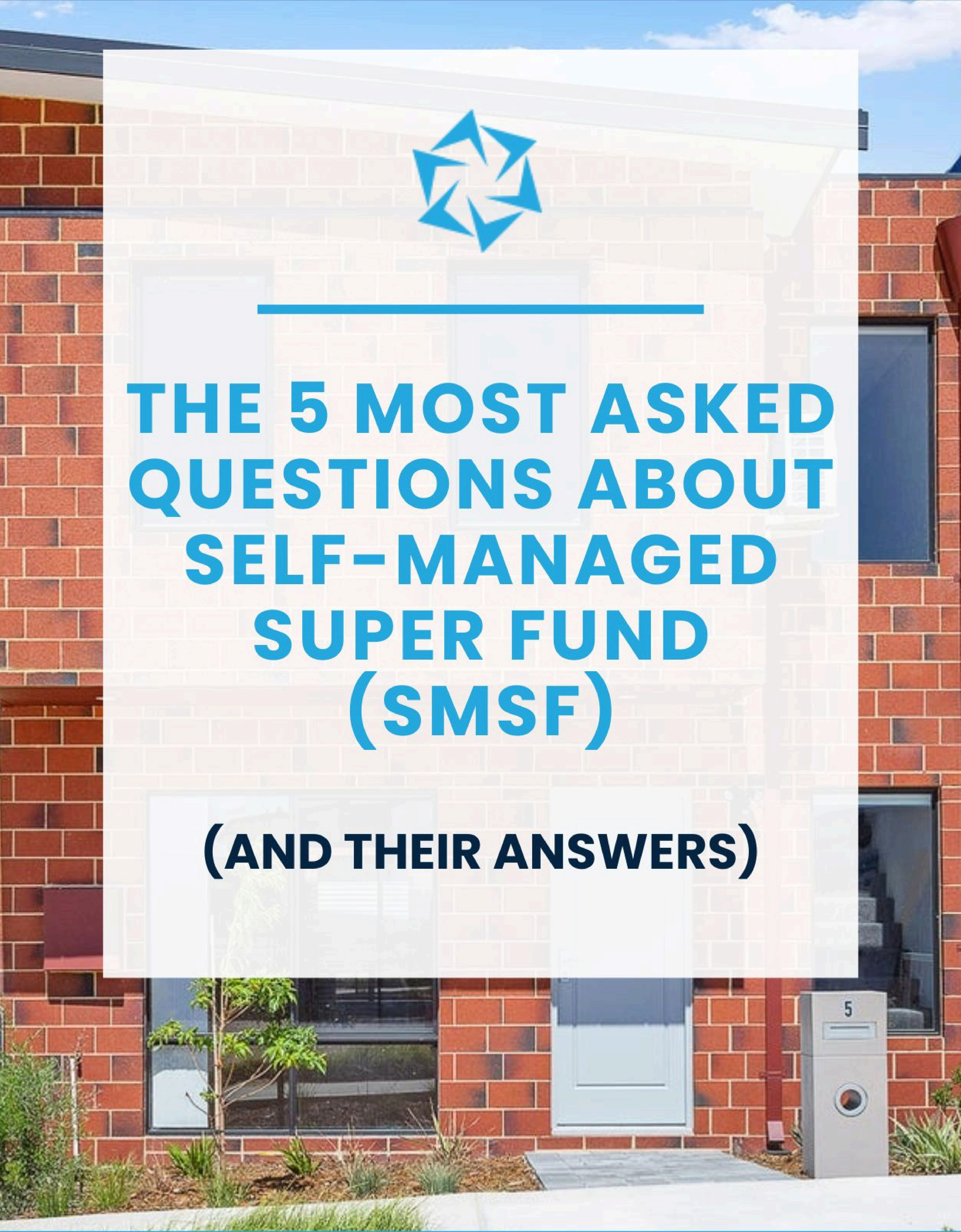
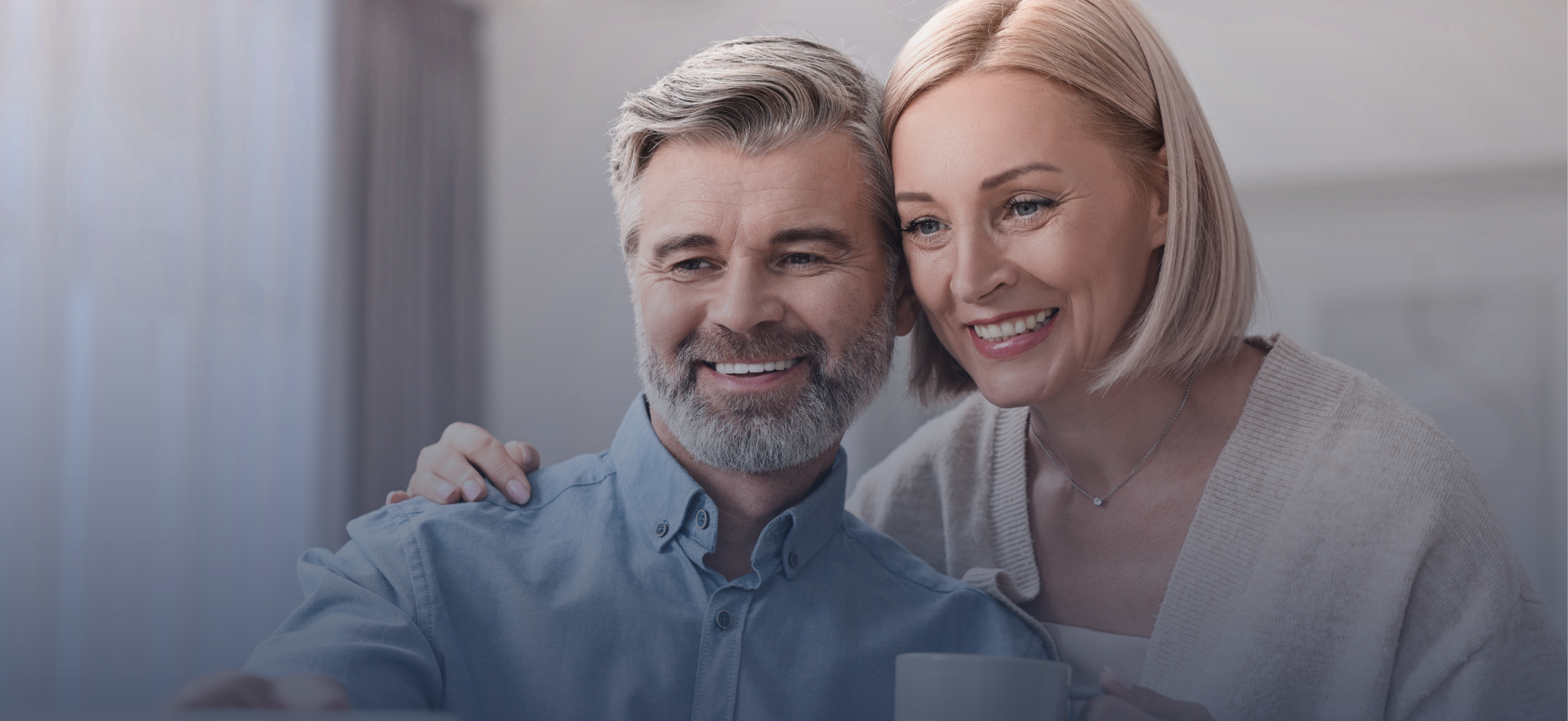


THE 5 MOST ASKED QUESTIONS ABOUT SELF-MANAGED SUPER FUND (SMSF)

(AND THEIR ANSWERS)

by Nu Wealth

One of Australia's Leading Wealth Creation Companies



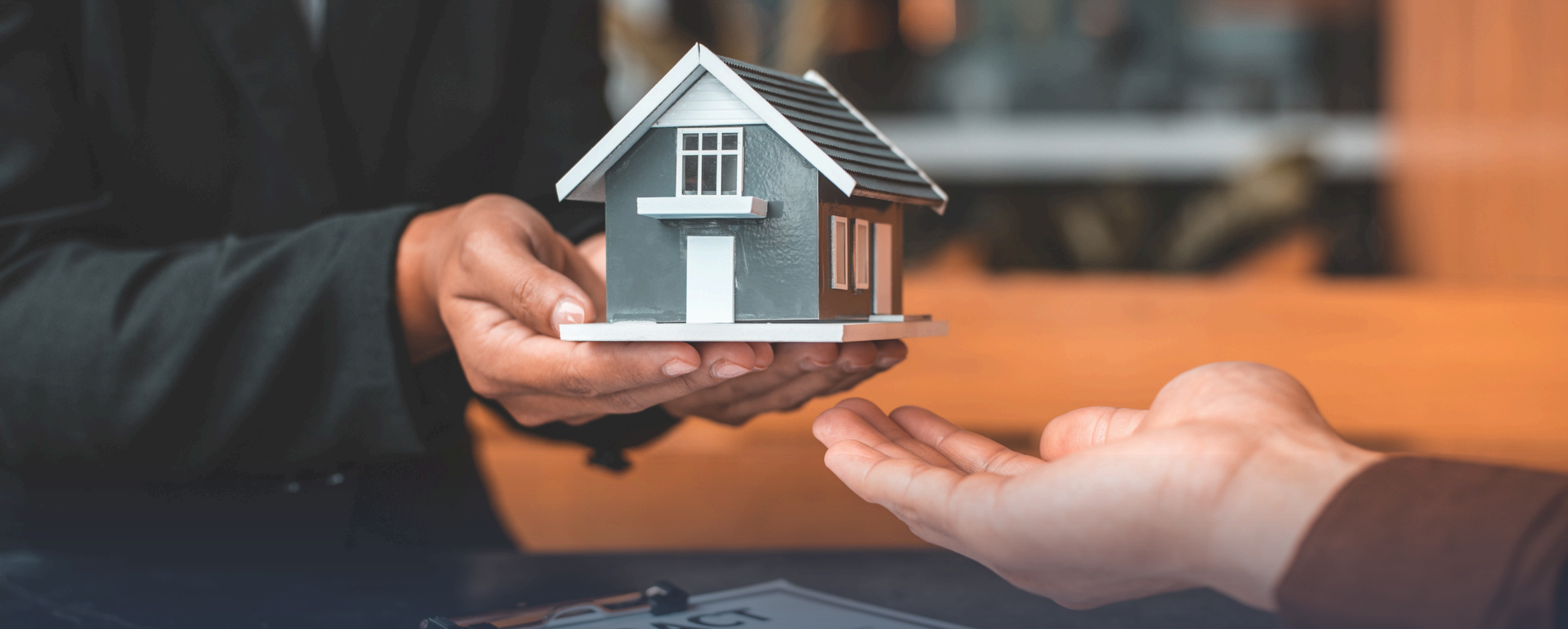
The 5 Most Asked Questions About SMSF (And Their Answers)

Did you know that by 2044, one in five Australians will be over 65? This demographic shift will put even greater pressure on pensions and personal savings yet most Australians aren't financially prepared.

The average super balance sits at $300,000 for men and $220,000 for women, leaving many at risk of falling short of a secure retirement. In fact, nearly 45% of Australians worry their savings won't be enough, with super balances often well below the $650,000 experts recommend for a comfortable retirement.

But here's the good news: your superannuation is your money, and you have the power to make it work harder for you. While many Australians rely solely on their super funds or risky market investments, others are taking control of their financial future by investing in property through **Self-Managed Super Funds (SMSF)**. Did you know that total SMSF assets surpassed $1 trillion as of September 2024?

At Nu Wealth, we believe that **informed decisions lead to better outcomes.** That's why we've created this ebook to answer the **5 most common questions Australians ask about SMSF.** These aren't just theoretical questions, they come directly from the experiences of real Australians who are looking for smarter ways to secure their retirement.



1 Can I use my Super to buy an investment property?

Yes, you can!

By setting up a Self-Managed Super Fund (SMSF), you can use your Superannuation to invest in property. Your SMSF can cover the deposit, while rental income combined with your Super contributions can fund the loan repayments.

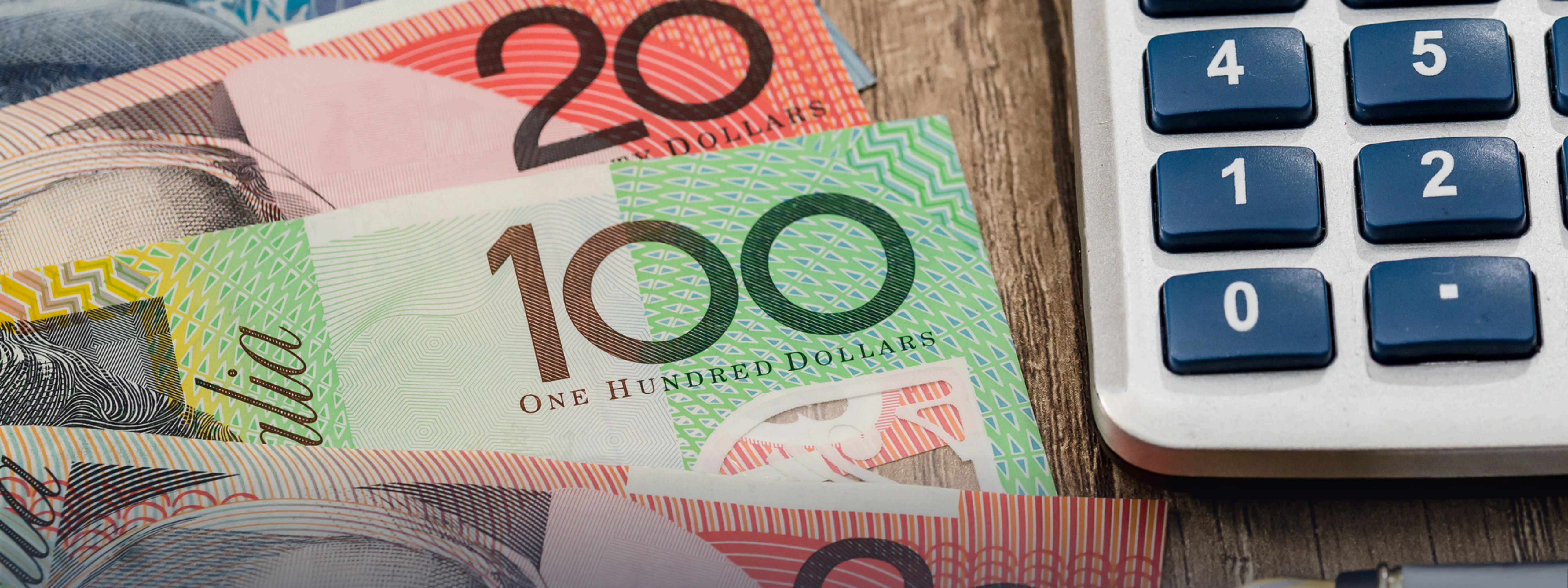
This approach allows you to grow your wealth while also boosting your retirement savings through property investment. Imagine owning an asset that not only generates income today but also contributes to your long-term financial security.

Key Things to Know:

- The property must meet the **sole purpose test**, meaning it's used solely to provide retirement benefits to fund members (no personal use allowed).
- You can't buy property from or rent it to a related party (like family members).
- If your SMSF needs additional funds, you can use a **Limited Recourse Borrowing Arrangement (LRBA)** to borrow money, with the loan secured only against the property.

With the right guidance, the process can be straightforward—and highly rewarding.

*Disclaimer: *The information on this page is of a general nature only and does not take into account your individual objectives, financial situation or needs. It should not be used, relied upon, or treated as a substitute for specific professional advice. For this reason, it is strongly advised that investors considering borrowing through an SMSF should obtain professional guidance before they establish their own super fund, as well as during its ongoing management.*



2 How much money do I need in my Super to set up an SMSF?

There's **no legal minimum** required to set up an SMSF, but experts recommend having at least **$150,000–$200,000 in superannuation assets** to make it financially viable. This amount helps ensure that your fund can cover both the property purchase and ongoing operational costs like compliance, auditing, and accounting. As of the latest reports, the average assets per SMSF member are approximately $780,254.

Did you know? Many Australians pool their Super balances with a partner or family member to increase their purchasing power.

Here's an example to demonstrate the potential:

- **Super Balance:** $350,000 (combined with a partner's balance)
- **Property Purchase Price:** $600,000
- **Rental Income:** $30,000/year
- **Super Contributions:** $30,000/year
- **Outcome:** Loan repaid in **6–7 years**, property value estimated at **$900,000 by Year 7.**
- **Long-Term Potential:** With **5% annual growth**, the property could be worth **$1.5M by Year 20+.**

Tip: Always weigh the costs and benefits of setting up an SMSF and consult with a professional advisor to ensure it's the right option for your circumstances.

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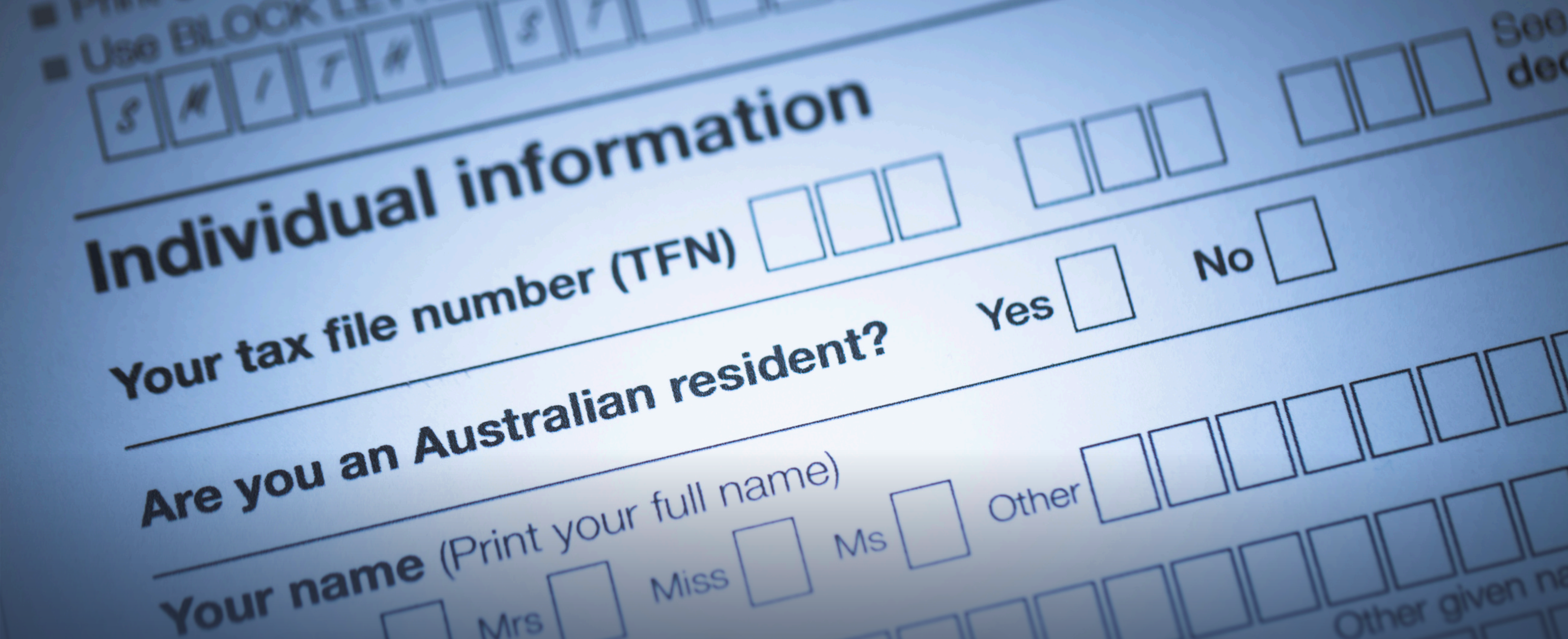

3 What are the tax benefits of investing through an SMSF?

Investing through an SMSF comes with powerful tax advantages that can significantly boost your wealth-building potential:

- **Lower tax rates:** Rental income, dividends, or interest earned within the fund is taxed at a concessional rate of just **15%** - much lower than most personal income tax rates.
- **Capital Gains Tax (CGT) discount:** If your SMSF holds an asset for more than 12 months before selling, the CGT rate drops to **10%.**
- **Tax-free income in retirement:** Once your SMSF moves into the pension phase, all investment income (including rental income and capital gains) can become **completely tax-free** —provided you stay within the **transfer balance cap of $1.9 million per member.**

These benefits can make a real difference, especially when investing in property. With the right strategy, you can enjoy both short-term tax savings and long-term financial security.

4 What are the risks of managing my own Super?

While SMSF provide control and flexibility, it’s important to understand the responsibilities involved. The good news? Many of these risks can be managed with careful planning and professional advice.

Here’s what you should keep in mind:

- **Compliance responsibilities:** As an SMSF trustee, you’re responsible for ensuring the fund complies with ATO rules. For example, breaching the sole purpose test or other regulations can result in penalties, so staying informed is essential.
- **Investment decisions:** Your SMSF’s performance depends on your investment choices. Diversifying your portfolio can help minimise risks while still aiming for growth.
- **Costs:** Running an SMSF involves ongoing fees, such as for audits, accounting, and administration. For smaller funds, these costs may outweigh the benefits.

When managed effectively, an SMSF can be a powerful tool—but it’s not a “set and forget” option. If you’re prepared to take an active role, the rewards can be well worth the effort.

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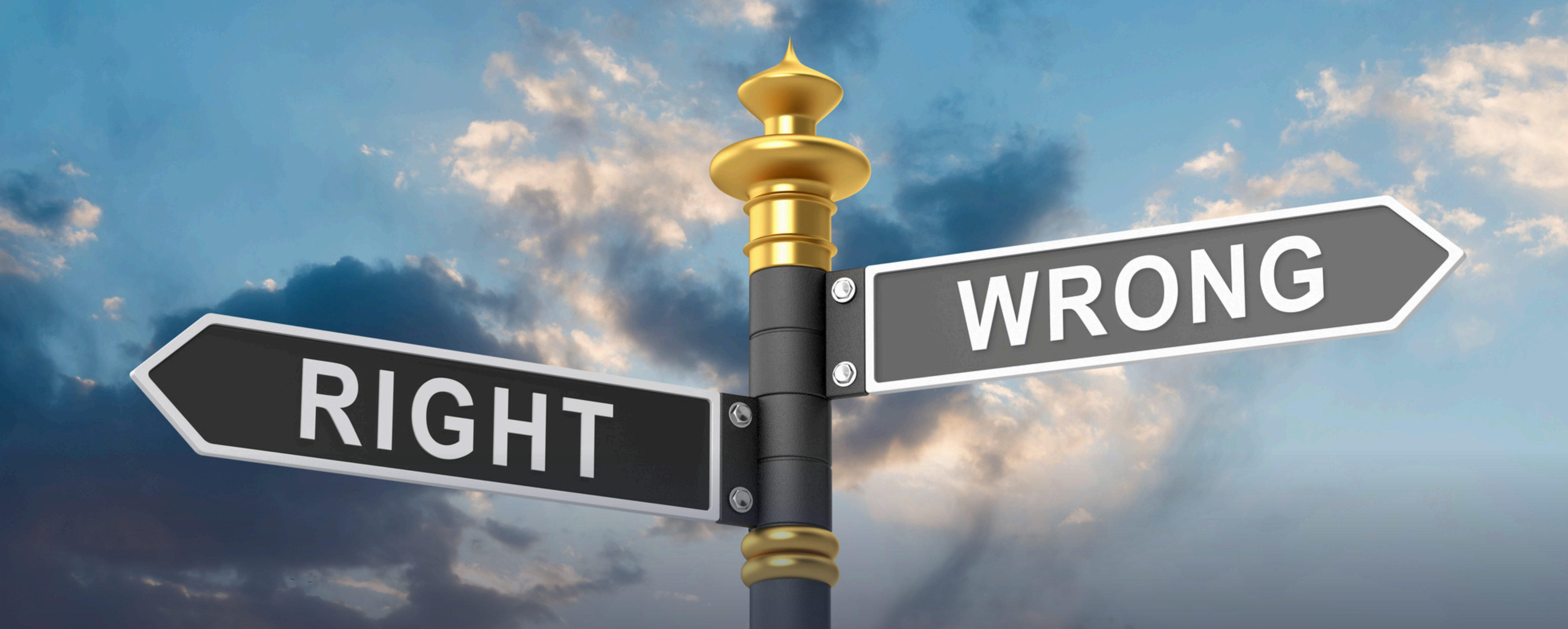

5 How do I know if an SMSF is the right choice for me?

Here are three key questions to ask yourself:

1 **Do I want greater control over my Super investments?**
An SMSF lets you decide how and where your money is invested, including opportunities like direct property ownership.

2 **Do I have enough Super to justify the costs?**
For most people, a starting balance of at least $200,000 ensures the fund is cost-effective.

3 **Am I ready to take an active role in managing my retirement savings?**
SMSF require ongoing attention, but for those willing to invest their time, the benefits can be significant.

If you answered "yes" to these questions, an SMSF might be a great fit for your retirement strategy.

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The next step?
Turning knowledge into action.

At Nu Wealth, we've spent over 20 years helping Australian residents take control of wealth through property investment. Whether you're an investor, downsizer, owner-occupier, or first-time buyer, our 5-star Google-rated team is here to support you every step of the way.

Here's what you can do next:

Schedule a no-cost consultation with one of our SMSF specialists to discuss your financial goals and how property investment fits into your retirement strategy.

BOOK A CONSULTATION

Don't wait until it's too late. Act today.
Your future self will thank you.

Nu Wealth

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