

# How to Buy Property With Your Super

A Short, Simple Australian SMSF Property Investing Guide (updated for the 2026 reforms)

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## Why read this book?

Because the stakes are too high to wing it.

Get self-managed super fund (SMSF) property right and you could build serious wealth for retirement, with tax advantages that simply don't exist outside super.

Get it wrong and you're looking at ATO penalties, forced asset sales, and in the worst cases losing nearly half your super to a non-compliance tax bill.

The problem is, understanding this stuff is genuinely hard.

The legislation is dense. The rules are technical. And the people who should be helping you often aren't.

Free property seminars? Usually sales pitches in disguise.

Your regular accountant? Probably doesn't specialise in SMSFs.

Piecing it together yourself from internet forums? A recipe for expensive mistakes.

This book won't make you an expert. You'll still need professionals. But it will make you the kind of client who asks good questions, who doesn't get talked into things they don't understand, and who knows when something's not right.

That's worth a lot.

It might save you from buying a property that doesn't suit your fund. It might stop you accidentally breaching the sole purpose test, which is easier to do than you'd think. It might help you realise you're not ready yet.

And that's genuinely valuable, even if it's not what you wanted to hear.

I wrote this with a simple test: if I wouldn't say it to a mate over a beer, it doesn't belong in the book.

No jargon for the sake of sounding smart. No hedging to cover every possible scenario. Just the stuff that actually matters, explained like a normal person would explain it.

## What this book is

Buying property through a self-managed super fund can be a brilliant wealth-building tool. It can also be a trap.

The difference isn't luck. It's whether you understand the rules, run the numbers honestly, and have the guts to walk away when the answer is no.

Every year, the ATO audits thousands of SMSFs for the same handful of mistakes. The people who make them aren't stupid. They're busy professionals who thought they understood the rules well enough. They didn't. And by the time they found out, it was expensive.

This book exists so you don't become one of them.

Most books on this topic either drown you in jargon or try to sell you something. I wanted to write the book I wish existed when I started researching this stuff: one that treats you like an intelligent adult who just needs the right information explained clearly.

So that's what this is. A straight-talking guide that covers whether SMSF property is right for you, how to tell if the numbers actually stack up, the rules that will get you into serious trouble if you ignore them, how to buy without stuffing it up, and how to make sure you can actually access the money when you retire.

I use something called the Tradie's Two-Tick Test throughout.

Before a good tradie starts any job, they ask two questions. Should I do this? And can I do this? Both boxes need to be ticked, or they walk away.

SMSF property works exactly the same way. The first and most important thing to do is find out whether it's a smart move for your situation.

Sometimes the right answer is to wait. Sometimes it's to walk away and save yourself tens of thousands of dollars, endless hours of work, and worries you don't need.

I'll help you figure it all out, so you don't get stuck with a job you wish you hadn't started.

## What changed in 2026

This edition was updated in July 2026, because 2026 turned out to be the biggest year for superannuation and property rules in a generation. Three separate changes landed, and if you read anything about this topic written before mid-2026, parts of it are now wrong. Here's the short version; the details live in the chapters where they matter.

First, the residential borrowing ban. On 23 June 2026, as the price of Greens support for its tax package, the government agreed to ban SMSFs from entering new limited recourse borrowing arrangements (LRBAs) over residential property. The law received Royal Assent on 26 June 2026 and commences on 10 August 2026. From that date, an SMSF can only borrow to buy real property if the property is business real property: premises used wholly and exclusively in a business. What the ban does not do matters just as much. Existing residential loans are fully grandfathered and can be refinanced. Contracts exchanged before commencement were protected, even where settlement happened later. And buying residential property without borrowing remains completely legal. Chapter 6 covers all of it.

Second, Division 296. From 1 July 2026, people with a total superannuation balance above \$3 million pay extra tax on the earnings attributable to the excess: a headline 30 per cent between \$3 million and \$10 million, and 40 per cent above that. It applies to realised earnings only, the thresholds are indexed, and there's a one-off election property-heavy funds need to know about before the 2026-27 tax return is due. Chapter 10 has the details. If your balance is nowhere near \$3 million, this one doesn't touch you.

Third, the May budget rewired property investing outside super. From 1 July 2027, negative gearing on established residential property bought after 12 May 2026 disappears for individuals and trusts, and the 50 per cent capital gains discount is replaced with inflation indexation plus a 30 per cent minimum tax on gains. Superannuation was deliberately excluded from both measures. The one-third discount inside super, the 15 per cent accumulation rate and the zero rate in pension phase all survived untouched. The concessional contributions cap also rose to \$32,500 from 1 July 2026.

Put those three together and you get the strange shape of 2026: the tax case for holding property inside super versus outside got stronger than it has ever been, at the same moment as the geared residential strategy closed for new entrants. This book is written for that world. Where a rule changed, the text tells you the date it changed and what still applies.

# Is SMSF property right for you?

*A former colleague of mine had \$600,000 in super and wanted to buy property with it. She asked me where to start. I told her to start by reading this chapter, because the honest answer might be “don’t”.*

## **Key takeaways**

- There’s no legal minimum super balance, but the practical minimum is \$200,000 or more
- SMSF running costs can chew through 3 to 8 per cent of smaller balances every year
- You need time, skill, and commitment to run an SMSF, not just money
- If you’re already property-heavy outside super, adding more property increases your risk
- Saying “not yet” isn’t saying “never”

Let’s get something straight from the start.

This chapter might talk you out of SMSF property entirely. And that’s a good thing.

See, most books about investing want to pump you up. They want you excited. They want you to feel like you’ve discovered a secret path to wealth that the banks don’t want you to know about.

This isn’t that kind of book.

I’d rather you close this book right now and keep your super in an industry fund than watch you set up an SMSF that bleeds fees, breaks rules, and leaves you worse off in retirement.

So before we talk about how to buy property with your super, we need to talk about whether you should.

## **The tradie’s two-tick test**

Before a good tradie starts any job, they run two checks.

Tick 1: Is this job worth doing? That’s the “should you” question. Is this the right fit for your goals? Is the timing right? Will this actually get you where you want to go?

Tick 2: Can I actually do this job? That’s the “can you” question. Have you got the tools, the skills, and the permits to pull it off?

Both boxes need a tick before you pick up the tools.

This chapter is all about Tick 1. We’re going to work out whether SMSF property is worth doing for you, in your situation, right now.

If the answer is no, that’s not failure. That’s the system working exactly as it should.

## Taking control of the cockpit

Here's how I think about SMSFs.

Right now, your super is probably sitting in an industry fund or a retail fund. Someone else is flying the plane. You're in economy class, eating the meal they give you, watching the movie they chose, landing where they decide to land.

Setting up an SMSF is like getting a pilot's licence. You're moving from economy to the cockpit. You choose the destination. You choose the route. You're in control.

Exciting, right?

But here's the thing about being in the cockpit: if the plane crashes, it's on you.

No more blaming the fund manager for poor returns. No more complaining that your super is invested in things you don't believe in. No more being a passenger.

You're the pilot now. The trustee. The one the ATO holds responsible.

Before you grab the controls, let's make sure you actually want to fly.

## The minimum balance myth

There's no legal minimum super balance to set up an SMSF. Technically, you could start one with \$5,000.

Please don't.

The practical minimum is somewhere around \$200,000 in combined super. If you're setting up with a partner or spouse, that's your combined total. And even at \$200,000, you'll want to run the numbers carefully.

Here's why.

An SMSF costs money to run. Every year, you'll pay for accounting, tax returns, an independent audit (it's compulsory), ASIC fees, ATO levies, and potentially a financial adviser. Add it up and you're looking at \$3,000 to \$8,000 per year depending on complexity.

Now let's do some maths.

If you've got \$100,000 in super and you're paying \$5,000 a year in SMSF costs, that's 5 per cent of your balance gone before you've invested a single dollar.

Your industry fund probably charges 0.5 to 1 per cent. Some charge even less.

So your SMSF investments need to beat your industry fund by at least 4 per cent per year just to break even on fees.

That's a big ask. Year after year after year.

At \$200,000, the same \$5,000 in costs is 2.5 per cent. Still significant, but more manageable.

At \$500,000, it's 1 per cent. Now we're talking.

This is why the practical minimum matters more than the legal minimum. The maths needs to work.

## Meet Emma

**Character check-in: Emma Zhang**

Age: 35

Super balance: \$95,000

Situation: Marketing manager, keen investor, follows every property podcast going

Emma Zhang has been listening to property podcasts for three years. She's read the books. She's been to the seminars. She knows that property is the path to wealth, and she's frustrated that her super is "just sitting there" in an industry fund earning "average returns".

She's convinced SMSF property is her ticket to financial freedom.

Let's run the numbers.

Emma's super balance: \$95,000.

Estimated annual SMSF costs: \$5,000 (and that's on the conservative side for a fund that holds property).

Cost as a percentage of her balance: 5.3 per cent.

Her current industry fund charges 0.7 per cent and returned 8.2 per cent last year.

For Emma's SMSF to match her industry fund's net return, she'd need to earn 12.8 per cent per year after all costs. Consistently. Every year.

That's not impossible. But it's not likely either.

Emma is keen. Emma is smart. Emma has done her research.

Emma is just not ready yet.

And that's okay. Her super balance is growing. Her career is progressing. In five or ten years, when her balance hits \$200,000 or more, the maths will look completely different.

"Not yet" isn't "never".

## More than money

Super balance isn't the only thing that matters. You also need time, knowledge, and commitment.

Time. An SMSF doesn't run itself. Someone needs to keep records, make investment decisions, monitor compliance, organise the annual audit, and stay across rule changes. Budget at least two hours a month, more in the first year. If you're already stretched thin, this might not be the season.

Knowledge. You don't need to be an accountant. But you do need to understand the basics of how SMSFs work, what the rules are, and what happens if you break them. You're reading this book, so that's a start. But it's not a "set and forget" thing. The rules change. You need to keep up.

Commitment. An SMSF is a long-term commitment. Once you've bought property inside an SMSF, you can't easily change your mind. Property is illiquid. You can't sell half a house. If your circumstances change, like a divorce, a health crisis, or an unexpected need for cash, an SMSF with property can become a burden rather than a benefit.

Be honest with yourself. Do you actually want to do this? Or does it just sound good in theory?

## Are you already property-heavy?

Here's a question that trips up a lot of people.

If you already own your home, and maybe an investment property or two outside super, do you really need more property inside your super as well?

Think about it. You've got your home (property). You've got your investment property (more property). And now you want your super to buy property too.

That's a lot of eggs in one basket.

Diversification matters. When you concentrate all your wealth in a single asset class, you're betting everything on that one horse. If the property market tanks, everything tanks together. Your home value drops. Your investment property drops. Your super drops.

Meanwhile, someone with a mix of property, shares, bonds, and cash might see their property values fall but their shares rise. Or vice versa. That's the point of diversification. It smooths out the bumps.

I'm not saying you shouldn't hold property in super if you already own property outside super. But you should go in with your eyes open. Adding more property when you're already property-heavy increases your concentration risk.

Is that a conscious choice? Or just a habit?

## Five questions to ask yourself

Before you read any further, sit with these questions for a moment.

1. Why do I want SMSF property specifically? "Because property always goes up" is not a good answer. "Because I understand property better than shares and I want to actively manage my retirement savings in an asset class I know" is a better answer. Know your why.
2. Can I afford the fees without stress? Not just this year. Every year. For decades. SMSF costs don't stop. If \$5,000 a year in fees makes you nervous, that's useful information.
3. Do I have time to manage this properly? Be realistic. If you're working 60-hour weeks and barely have time to see your kids, adding SMSF administration to your plate might not be wise.
4. Am I doing this for the right reasons? "My mate Dave did it" or "I heard about it at a seminar" or "I want to stick it to the banks" are not great foundations for a major financial decision.
5. What's my backup plan? What happens if the property sits vacant for six months? What if interest rates spike? What if you get sick and can't work? SMSFs with property are not flexible. Have you thought about the downside?

If any of these questions made you uncomfortable, good. That discomfort is valuable data.

## When the answer is yes

After all that, you might be wondering if I think anyone should buy property in their SMSF.

Absolutely.

SMSF property makes sense for people who:

- Have a combined super balance of \$200,000 or more (ideally \$300,000 plus)
- Understand that SMSF running costs will eat into returns and have done the maths
- Have the time and willingness to be actively involved in managing their super
- Want property as part of a diversified portfolio, not their entire wealth strategy
- Are at least 10 years from retirement (or already retired with a clear strategy)
- Have stable income and employment to continue making contributions
- Are willing to follow the rules, even when they seem annoying

If that sounds like you, keep reading. Tick 1 might be in place.

But we've still got Tick 2 to work through. Just because SMSF property might be worth doing doesn't mean you can actually do it. The rules are strict. The lending is different. The process is complex.

We'll get to all of that.

First, though, let's talk about when to walk away.

**Action step**

Complete the SMSF Property Readiness Scorecard in Appendix B.

It's a 10-question self-assessment that will give you a clear score:

- 8 to 10: Green light. You're well positioned.
- 5 to 7: Amber light. Some gaps to address.
- 0 to 4: Red light. SMSF property probably isn't right for you yet.

Be honest. No one's watching. The point isn't to pass a test. The point is to know where you actually stand.

*Find your sweet spot, or have the guts to walk away.*

# When to walk away

*This chapter might save you \$50,000 in fees and a decade of regret. Or it might confirm you're ready. Either way, you need to read it.*

## **Key takeaways**

- Every smart buyer has a walk-away number. You should too.
- There are 14 red flags that should make you stop and think very carefully
- "Not yet" is often the smartest answer. Timing matters.
- The opportunity cost of bad timing can set you back years
- Walking away isn't failure. Walking away when the numbers don't work is exactly what smart investors do.

In the last chapter, we talked about whether SMSF property might be right for you.

This chapter is different. This chapter is about knowing when to stop.

Because here's a truth that nobody in the property industry wants to tell you: sometimes the smartest move is to walk away.

Not forever. Not because you're not good enough. But because the timing isn't right, the numbers don't work, or the situation has changed.

Walking away is a skill. And it's one that separates people who build wealth from people who just look busy.

## **The walk-away number**

Every experienced property buyer has a walk-away number.

It's the price above which they won't go. The point where the deal stops making sense. The line in the sand that they draw before the auction starts, before the emotions kick in, before the adrenaline takes over.

Amateur buyers get caught up in the heat of the moment. They fall in love with a property. They convince themselves that this one is special, that the numbers don't really matter, that they'll make it work somehow.

Then they overpay. And they spend the next decade regretting it.

Professional buyers do their homework before they make an offer. They know what the property is worth. They know what they can afford. And they know the number that makes them walk away.

SMSF property is no different.

Before you start this journey, you need to know your walk-away points. Not just for individual properties, but for the whole strategy.

What would make you stop and say “this isn’t for me”?

Let me help you figure that out.

## Fourteen red flags

These are the warning signs that should make you pause. One red flag is a yellow light. Two is a serious concern. Three or more? That’s the universe telling you to stop.

1. Your combined super balance is under \$200,000. The maths just doesn’t work at lower balances. Fees will eat you alive. Wait until you’ve built up more.
2. You’re buying because “everyone says property is safe”. Property isn’t safe. It’s illiquid, it requires maintenance, tenants can trash it, markets can crash. If you think property only goes up, you haven’t been paying attention.
3. You want to live in or holiday in the property yourself. Even “just sometimes”. This is a hard no. The sole purpose test means your SMSF exists only to provide retirement benefits. Personal use is a breach. Full stop.
4. You’re being pressured by a property spruiker or seminar company. If someone is pushing you to buy quickly, that’s a red flag the size of Queensland. Legitimate advisers don’t use high-pressure tactics.
5. You haven’t compared SMSF costs to your current industry fund returns. If you don’t know what your industry fund is returning, or what an SMSF will cost you, you’re not ready to make this decision.
6. You’re less than five years from retirement with no clear exit strategy. SMSF property is a long game. If you’re close to retirement and don’t have a plan for how you’ll draw a pension from an illiquid asset, you’re heading for trouble.
7. You don’t have time to manage an SMSF properly. Be honest. If you’re already drowning in work and life, adding trustee responsibilities isn’t going to help.
8. Your job or income is unstable. SMSFs need ongoing contributions to stay healthy. If you might lose your job or your income fluctuates wildly, that’s a risk to consider.
9. You’re doing this to “keep up” with friends or family. Comparison is the thief of joy, and it’s also the thief of good financial decisions. Your situation is yours. Their situation is theirs.
10. You haven’t spoken to an SMSF specialist accountant yet. Not a regular accountant. An SMSF specialist. If you’re making this decision based on podcasts and books alone (yes, including this one), you’re missing critical personalised advice.
11. You’re planning to buy from a related party without understanding the rules. Related party transactions are a minefield. Get them wrong and the penalties are severe.
12. You can’t explain the sole purpose test in one sentence. If you don’t understand the fundamental rule that governs everything your SMSF does, you’re not ready to be a trustee.
13. You’re relying on future super contributions to make loan repayments. What if those contributions stop? What if contribution caps change? Building a strategy on assumptions about the future is risky.
14. You haven’t considered what happens if the property sits vacant for six months. Vacancies happen. Markets turn. If your SMSF can’t survive six months without rental income, you’re too stretched.

How many of those applied to you?

Be honest. No one’s checking your answers.

## Two paths

Let me tell you about two people considering SMSF property. Same goal, very different situations.

### **Character check-in: Sarah and Marcus Chen**

Ages: Early 40s

Combined super: \$420,000

Situation: Sarah is a physiotherapist, Marcus runs a small accounting firm. They own their home with \$180,000 left on the mortgage. No investment properties. Stable incomes, two kids in primary school.

Sarah and Marcus have been talking about SMSF property for two years. They've done their research. They've met with an SMSF specialist accountant three times. They've run the numbers.

Their combined super of \$420,000 means SMSF costs will be around 1.2 per cent of their balance. That's manageable. Marcus, being an accountant himself, understands the compliance requirements. Sarah has capacity in her schedule to handle the property management side.

They've identified a growth corridor in regional Victoria where they could buy a solid three-bedroom house for around \$450,000. With a 30 per cent deposit from their super (\$135,000) and a limited recourse borrowing arrangement (an LRBA, covered in Chapter 6) for the rest, the rental yield would cover the loan repayments with room to spare.

They've also stress-tested the scenario. What if interest rates rise 2 per cent? The numbers still work. What if the property sits vacant for three months? They have enough cash buffer in the SMSF. What if one of them loses their job? The other's income can cover contributions.

Sarah and Marcus have done the work. They've got zero red flags. Tick 1 is in place.

They're ready to proceed.

One date stamp before we move on: Sarah and Marcus did this in 2024. From 10 August 2026, a new borrowing arrangement over residential property like theirs is no longer allowed. Their existing loan is grandfathered and completely unaffected, but if they were starting today, their options would be an unborrowed residential purchase or a commercial property with borrowing. Chapter 6 has the full story. The discipline in this chapter applies either way.

Now let's check back in with Emma.

### **Character check-in: Emma Zhang**

Age: 35

Super balance: \$95,000

Situation: Marketing manager, single, renting in Sydney, following property podcasts religiously

Emma came to the same SMSF specialist accountant that Sarah and Marcus used. She was keen. She had a specific property in mind. She wanted to move fast.

The accountant ran the numbers with her.

SMSF setup costs: \$2,500. Annual running costs: \$5,000 minimum. That's 5.3 per cent of her \$95,000 balance gone every year before she even buys anything.

The property she wanted was \$380,000. With SMSF lending requiring a 30 per cent deposit, she'd need \$114,000 just for the deposit. Her entire super balance is \$95,000.

Even if she could scrape together enough by adding her own contributions and waiting a year, the rental income wouldn't cover the loan repayments. She'd be topping up from contributions every month and hoping nothing went wrong.

The accountant was gentle but direct. "Emma, I can set this up for you. I'll charge you the fees and everything will be legal and compliant. But I'd be doing you a disservice if I didn't tell you the truth: you're not ready. Come back when your balance hits \$200,000."

Emma was disappointed. But she was also smart enough to listen.

She's still contributing to her industry fund. She's still learning. And in five years, when her balance crosses \$200,000, she'll be genuinely ready.

Walking away now means she can walk in later from a position of strength.

## **The opportunity cost of wrong timing**

Here's something people don't talk about enough: the cost of doing the right thing at the wrong time.

If Emma had pushed ahead with an SMSF at \$95,000, here's what would have happened:

Year 1: Setup costs of \$2,500 plus annual costs of \$5,000 equals \$7,500 gone. Her balance drops to \$87,500 before she's done anything.

Years 2 to 5: Annual costs of \$5,000 per year equals \$20,000 gone. She's now at \$67,500, not counting whatever paltry returns she might have earned.

Meanwhile, her friend who stayed in an industry fund with \$95,000 at 7 per cent average returns over five years would have around \$133,000.

That's a \$65,000 difference. From doing nothing except not making a premature move.

The opportunity cost of wrong timing is real. It's not just what you lose. It's what you miss out on gaining.

## **The one I walked away from**

Let me tell you about a property I didn't buy.

A few years ago, I found what looked like the perfect investment on the Bellarine Peninsula. Ocean glimpses, walking distance to the beach, good rental demand from holiday-makers. The vendor was motivated. I could have got it under market value.

I was excited. I could see myself owning this property. I could picture the tenants, the returns, the long-term growth.

Then I did the numbers.

The purchase price was \$685,000. Stamp duty, legals, and other costs would add another \$40,000. The rental yield, even with holiday letting, would be around 3.8 per cent gross. After property management fees, maintenance, insurance, rates, and the inevitable vacancy periods, I'd be looking at maybe 2 per cent net.

Meanwhile, I could put that same money into a different opportunity I'd identified and get 5.5 per cent net with better growth prospects.

The Bellarine property felt good. The other opportunity was better.

So I walked away.

It wasn't easy. I'd already invested time and mental energy into the Bellarine property. I'd told people about it. I'd started imagining myself as the owner.

But the numbers didn't stack up. And if the numbers don't stack up, the feelings don't matter.

*Find your sweet spot, or have the guts to walk away.*

That's not just a catchy line. It's how I actually make decisions.

## **“Not yet” is not “never”**

If you've read this chapter and realised you're not ready, I want you to hear something clearly.

This is not failure.

“Not yet” is not “never”. It's “not now, but maybe later”. It's wisdom, not weakness.

Emma Zhang isn't a failure. She's someone who got good advice, listened to it, and made a smart decision to wait. In five years, she'll be ready. And when she's ready, she'll execute from a position of strength instead of desperation.

Sarah and Marcus aren't better than Emma. They're just at a different stage. They've got more super, more time, more buffer. Their situation is different.

Your situation is your situation. Compare yourself to where you were last year, not to where someone else is today.

If SMSF property isn't right for you now, that's useful information. Use it. Keep building your super. Keep learning. Keep your eyes open for when the timing does work.

And in the meantime, don't let anyone pressure you into something you're not ready for.

## **When walking away is wrong**

I've spent this whole chapter telling you it's okay to walk away. But let me balance that.

Sometimes people walk away for the wrong reasons.

Fear of complexity isn't a good reason. Yes, SMSFs are complex. But so is anything worthwhile. If you're walking away just because it seems hard, that's not wisdom. That's avoidance.

Fear of making mistakes isn't a good reason either. You will make mistakes. Everyone does. The question is whether you learn from them and whether you've got enough buffer to survive them.

Waiting for the “perfect time” is also a trap. There's no perfect time. Markets are never certain. Rules are always changing. If you wait for everything to be perfect, you'll wait forever.

The right reasons to walk away are practical. The numbers don't work. The timing is genuinely wrong. You don't have the resources or capacity right now. These are concrete, specific reasons.

The wrong reasons to walk away are emotional. Fear. Overwhelm. Perfectionism. Analysis paralysis.

Know the difference.

## **The honest filter**

Chapters 1 and 2 are what I call the honest filter.

If you've read both chapters carefully and honestly assessed your situation, you should have a clear sense of whether SMSF property is worth pursuing right now.

If the answer is yes, keep reading. We're about to get into the nuts and bolts. The rules. The numbers. The process.

If the answer is no, or not yet, that's okay. You can stop here, keep this book on the shelf, and come back when your situation changes.

But before you go, do me a favour.

Write down what would need to change for SMSF property to make sense for you. Is it your super balance? Your income stability? Your knowledge level? Your available time?

Give yourself a specific target. "I'll revisit this when my super hits \$200,000" or "I'll reconsider once I've paid off my home loan" or "I'll come back to this when the kids start high school".

That way, "not yet" has a path forward. It's not a door closing. It's a door you're choosing to open later.

**Action step**

Complete the Red Flag Checklist in Appendix C.

It lists all 14 red flags from this chapter in a format you can tick off.

- 0 red flags: Green light. Keep reading.
- 1 to 2 red flags: Amber light. Address these issues before proceeding.
- 3 or more red flags: Red light. Seriously consider walking away for now.

Remember: walking away isn't failure. It's the system working exactly as it should.

*Find your sweet spot, or have the guts to walk away.*

# Do the numbers stack up?

*SMSF property isn't magic. It's maths. Let's do the maths.*

## **Key takeaways**

- SMSF running costs are \$3,000 to \$8,000 per year, sometimes more
- Your break-even point is where SMSF costs equal your current fund's fees
- Below the break-even point, you're paying more to potentially earn less
- The comparison isn't just fees versus fees. It's net returns versus net returns.
- Run the numbers before you fall in love with the idea

We've finished Part 1 of this book. You've been through the honest filter. You've thought about whether SMSF property is right for you. You've considered when to walk away.

Now we're into Part 2: Can you actually do this?

This is Tick 2 of the Tradie's Two-Tick Test. You've decided the job might be worth doing. Now we need to check if you've got the tools, the permits, and the resources to actually do it.

And that starts with the numbers.

## **Counting coffees**

Imagine you're opening a café.

Before you sign the lease, before you buy the espresso machine, before you design the menu, you need to know one number: your break-even point.

How many coffees do you need to sell each day just to cover your costs? Rent, wages, beans, milk, electricity, insurance. Add it all up, divide by your profit per coffee, and you've got a number.

If you need to sell 200 coffees a day to break even, and the foot traffic in your area suggests you'll sell 150, you've got a problem. It doesn't matter how good your coffee is. The maths doesn't work.

SMSF property is exactly the same.

Before you get excited about growth corridors and rental yields and tax benefits, you need to know your break-even point. How much does this whole thing cost to run? And can your returns beat that cost?

Let's find out.

## The true cost of an SMSF

Here's what most people don't realise until they're already in: SMSFs are expensive to run.

Not expensive like a luxury car. Expensive like a small business. There are fixed costs every single year, whether your investments go up, down, or sideways.

Let me break it down.

Cost item	Annual cost
SMSF accountant and tax return	\$1,500 to \$3,500
Independent audit (compulsory)	\$500 to \$800
ASIC annual fee	\$65
ATO supervisory levy	\$287
Investment platform fees (if using one)	\$0 to \$500
Insurance (life, TPD, income protection)	Varies
Total annual running costs	\$3,000 to \$8,000+

And that's just the baseline. If your SMSF holds property, add more.

Property-specific costs	Annual cost
Property management fees (8 to 10% of rent)	\$1,500 to \$3,000
Landlord insurance	\$1,000 to \$2,000
Council rates	\$1,500 to \$3,000
Maintenance and repairs (budget 1% of value)	\$4,000 to \$6,000
Water rates and other levies	\$500 to \$1,000
Strata fees (if applicable)	\$2,000 to \$5,000
Total property-specific costs	\$8,500 to \$20,000+

Add those together and you're looking at \$11,500 to \$28,000 per year in total costs for an SMSF that holds property.

That's real money. Every year. Whether the property goes up in value or not.

Now, to be fair, some of those property costs would apply whether you owned the property inside super or outside super. Rates, insurance, maintenance. Those don't disappear just because you buy personally.

But the SMSF-specific costs of \$3,000 to \$8,000 per year? Those are additional. They only exist because you chose to go the SMSF route.

And that's what we need to compare.

## The break-even calculation

Here's the question that matters: At what super balance do SMSF costs start to make sense?

Let's work through it.

Say your industry fund charges 0.6 per cent per year in fees. On a \$300,000 balance, that's \$1,800 per year.

Your SMSF will cost at least \$4,000 per year to run (being conservative). That's \$2,200 more than your industry fund.

For the SMSF to be worthwhile on fees alone, your investments need to earn an extra \$2,200 per year. On \$300,000, that's an extra 0.73 per cent return you need to generate just to break even on the higher costs.

Is that achievable? Maybe. But it's not free money. It's a hurdle you need to clear.

Let's look at different balance levels.

Super balance	SMSF cost as %
\$100,000 4	.0% to 8.0%
\$200,000 2	.0% to 4.0%
\$300,000 1	.3% to 2.7%
\$500,000 0	.8% to 1.6%
\$750,000 0	.5% to 1.1%
\$1,000,000 0	.4% to 0.8%

See the pattern?

At \$100,000, SMSF costs are brutal. You're losing 4 to 8 per cent of your balance every year just to keep the lights on.

At \$500,000, the picture changes. Costs are 0.8 to 1.6 per cent. Still higher than a cheap industry fund, but now you're in the ballpark. If your SMSF investments can beat the industry fund by even a small margin, you come out ahead.

At \$1,000,000, costs drop to under 1 per cent. Now you've got room to move. The SMSF structure starts to make real financial sense.

This is why the practical minimum is \$200,000. Below that, the maths is brutal.

## Running the numbers with Sarah and Marcus

### Character check-in: Sarah and Marcus Chen

Combined super: \$420,000

Current industry fund fee: 0.7%

Current industry fund return (5-year average): 7.8%

Sarah and Marcus sat down with their SMSF accountant to run the numbers. Here's what they found.

Current situation in industry fund:

- Balance: \$420,000
- Annual fees (0.7%): \$2,940
- Five-year average return: 7.8%
- Net return after fees: 7.1%
- Annual growth (net): \$29,820

Projected SMSF scenario:

- Balance: \$420,000
- Annual SMSF costs: \$5,000 (1.2% of balance)
- Required return to match industry fund: 8.3%

So Sarah and Marcus need their SMSF investments to return 8.3 per cent per year just to match what their industry fund was delivering after fees.

Is that realistic?

Over the long term, Australian residential property has returned around 6 to 7 per cent per year in capital growth, plus 3 to 4 per cent in rental yield. Call it 9 to 11 per cent gross.

But that's gross. After property management fees, maintenance, insurance, rates, and vacancies, the net return drops to maybe 5 to 7 per cent.

Hang on. That's less than their industry fund was delivering.

So why would they bother?

## The other side of the ledger

Here's where it gets more nuanced.

Pure return comparison isn't the whole story. There are other factors that might tip the balance.

Tax benefits. Inside super, rental income is taxed at 15 per cent (or zero in pension phase). Capital gains held longer than 12 months get a one-third discount, so effectively 10 per cent. Outside super, you'd pay your marginal tax rate, which could be 30 per cent, 37 per cent, or even 45 per cent. That's a meaningful difference over decades.

And the gap widened in 2026. From 1 July 2027, the old 50 per cent capital gains discount outside super is gone for individuals and trusts, replaced by inflation indexation plus a 30 per cent minimum tax on gains. Inside super, nothing changed: the May 2026 budget deliberately left the one-third discount, the 15 per cent rate and the pension-phase zero rate alone. Whatever else you conclude from this chapter, the relative tax case for holding property inside super has never been stronger.

Control. Some people value being able to choose exactly what they invest in. Your industry fund might be invested in things you don't believe in or don't understand. An SMSF lets you pick.

Commercial property and your business. If you own a business and want to buy your business premises through super, SMSF is the only way to do it. The business pays rent to your super fund instead of to a landlord. This can be a genuine game-changer. We'll cover this in Chapter 5.

Estate planning. SMSFs give you more control over what happens to your super when you die. Binding death benefit nominations, reversionary pensions, and other structures that might not be available in an industry fund.

Asset protection. Super is generally protected from creditors in bankruptcy. If you're in a high-risk profession or running a business, this might matter to you.

These factors don't show up in a simple return comparison. But they might matter to you.

The question is whether they matter enough to justify the extra cost and complexity.

## The honest comparison

Let me give you the comparison framework I use.

Step 1: Know what you're getting now. Log into your industry fund account. Find your actual return over the past 5 years (not the advertised return, your actual return). Find your actual fees. Calculate your net return.

Step 2: Estimate your SMSF costs honestly. Get quotes from SMSF accountants. Don't assume the cheapest option. Budget for the annual audit. Include everything.

Step 3: Project your SMSF returns conservatively. Use 6 per cent for property. Not 10 per cent. Not what some spruiker told you. Use conservative numbers and be pleasantly surprised if you beat them.

Step 4: Compare net to net. Industry fund return minus fees versus SMSF return minus costs. Apples to apples.

Step 5: Factor in the intangibles. Does control matter to you? Tax benefits? Business premises? These don't have dollar values, but they have value.

If the SMSF wins on pure numbers, great. If it loses on pure numbers but the intangibles matter enough to you, that can still be a yes. If it loses on numbers and the intangibles don't really apply, that's a no.

## **The danger of optimistic assumptions**

Here's where people get into trouble.

They build their SMSF case on optimistic assumptions. "Property will grow 8 per cent a year." "I'll never have a vacancy." "Interest rates will stay low." "My contributions will keep increasing."

Then reality hits.

Property grows 3 per cent instead of 8 per cent. The tenant trashes the place and leaves. Interest rates spike. They lose their job and can't contribute.

Suddenly the numbers that looked good on paper are underwater.

The antidote is conservative assumptions and stress testing.

What happens if your property grows at 4 per cent instead of 7 per cent? What if it sits vacant for three months? What if interest rates rise 2 per cent? What if you can't contribute for a year?

Run those scenarios. If the numbers still work, you've got a robust strategy. If the numbers collapse under any stress, you've got a fragile strategy that's one bad year away from disaster.

## **Sarah and Marcus stress test their plan**

Sarah and Marcus didn't just run the baseline numbers. They stress tested.

Scenario 1: Property grows at 4% instead of 6%.

Result: Net return drops to around 7%. Still close to their industry fund. Acceptable.

Scenario 2: Three months vacancy.

Result: Lose about \$6,000 in rent. Their cash buffer inside the SMSF covers it. Uncomfortable but survivable.

Scenario 3: Interest rates rise 2%.

Result: Annual loan repayments increase by \$5,400. Rental income still covers repayments, but with less margin. They'd need to top up contributions slightly.

Scenario 4: Marcus loses his job for 12 months.

Result: Can't make employer contributions, but Sarah's income covers personal contributions. The SMSF survives on rental income alone. Tight, but manageable.

Scenario 5: All of the above happen at once.

Result: This is ugly. They'd be drawing down their cash buffer, potentially unable to make repairs, and stressed. But they wouldn't be forced to sell. The fund survives, barely.

That fifth scenario is the one that matters most. If your SMSF can survive the worst case, even if it's painful, you've got a resilient structure.

If the worst case means forced sale, compliance breach, or financial ruin, you're too stretched.

Sarah and Marcus decided they could live with the worst case. It would be awful, but survivable. That gave them confidence to proceed.

## The bottom line

SMSF property isn't magic. It's maths.

The maths works when your balance is high enough that SMSF costs are a small percentage, your expected returns beat those costs with room to spare, and you've stress tested for when things go wrong.

The maths doesn't work when your balance is too low (under \$200,000), you're relying on optimistic assumptions, or one bad year would sink you.

Do the maths before you fall in love with the idea.

Because the numbers don't care about your feelings. They either stack up or they don't.

### **Action step**

Complete the Break-Even Calculator in Appendix D.

You'll need:

- Your current super balance
- Your current fund's fees (check your statement)
- Your current fund's 5-year return (check your statement)
- Quotes from SMSF accountants for setup and annual costs

Calculate your SMSF costs as a percentage of your balance.

Compare that to your current fund's fees.

Work out how much extra return you need to break even.

Then ask yourself: Can I realistically achieve that extra return? What's my evidence?

*Find your sweet spot, or have the guts to walk away.*

# The rules you can't break

*The ATO doesn't care about your intentions. They care about the rules. Here's every rule that matters.*

## **Key takeaways**

- The sole purpose test is the foundation of everything. Your SMSF exists only to provide retirement benefits.
- Related party rules determine who you can and can't do business with
- Arm's length requirements mean every transaction must be at market rates
- In-house asset limits cap how much you can have tied up with related parties
- Ignorance is not a defence. The penalties are severe.

Every super fund in Australia operates under a rulebook. It's called the Superannuation Industry (Supervision) Act 1993, or the SIS Act for short. Catchy name, I know.

The SIS Act is 400-plus pages of legislation that tells you what you can and can't do with superannuation money. It's dense. It's technical. And breaking it can cost you everything.

I'm not going to walk you through all 400 pages. Life's too short. But I am going to walk you through the rules that matter most for SMSF property. The ones that trip people up. The ones the ATO watches like a hawk.

Get these right and you'll sleep well at night. Get them wrong and you might find your fund declared non-complying, taxed at 45 per cent on everything, and your retirement plans in ruins.

No pressure.

## **Your super has a constitution**

Think of the SIS Act as your super fund's constitution.

Just like Australia has a constitution that sets out the rules for how the country works, your SMSF has the SIS Act setting out the rules for how the fund works.

You can't just decide to ignore the constitution because it's inconvenient. You can't bend the rules because you think your situation is special. The rules are the rules.

And just like the government has courts to enforce the constitution, the ATO enforces the SIS Act. They have auditors. They have data matching. They have the power to investigate, penalise, and prosecute.

Respect the constitution.

## The sole purpose test

If you remember nothing else from this chapter, remember this: the sole purpose test.

Section 62 of the SIS Act says your super fund must be maintained for the sole purpose of providing retirement benefits to members, or death benefits to their dependants.

That's it. That's the whole point of your SMSF. Retirement benefits. Nothing else.

Not tax minimisation. Not asset protection. Not helping your kids buy a house. Not giving you somewhere to holiday. Retirement benefits.

Every investment decision, every transaction, every action your SMSF takes must pass this test. Is this being done solely to provide retirement benefits?

If the answer is no, or even "mostly yes but also a little bit for another reason", you've got a problem.

Let me give you some examples.

Fails the sole purpose test: Buying a holiday house through your SMSF and staying in it for a week each summer. Even if you pay "market rent" to the fund. Even if it's only one week a year. The property is providing a current benefit to you, not a retirement benefit.

Fails the sole purpose test: Lending money from your SMSF to your adult child to help them buy their first home. Very generous. Also very illegal. Your fund exists to benefit you in retirement, not your kids right now.

Fails the sole purpose test: Buying artwork and hanging it in your living room. Yes, SMSFs can hold certain collectibles including art. No, you can't display them in your home. They must be stored securely and insured, not enjoyed.

Passes the sole purpose test: Buying an investment property, renting it to an unrelated tenant at market rates, and using the rental income and eventual sale proceeds to fund your retirement. That's exactly what the rules intend.

The sole purpose test is the foundation. Everything else builds on it.

## Related party rules

The SIS Act has a lot to say about who counts as a "related party" and what you can and can't do with them.

A related party includes you (obviously), your spouse, your children, your parents, your siblings, your grandparents and grandchildren, and the spouses of all of the above. It also includes any company or trust that you or your relatives control, and any business partners.

Basically, if you're connected to someone by blood, marriage, or business, they're probably a related party.

Why does this matter?

Because transactions with related parties are scrutinised heavily. The ATO knows that people are tempted to use their SMSF to benefit family members, or to do deals at non-market rates with people they know. So they watch these transactions like hawks.

Here are the key rules.

You cannot buy residential property from a related party. Full stop. Doesn't matter if it's at market value. Doesn't matter if you get three independent valuations. Residential property from a related party is banned. No exceptions.

You cannot rent your SMSF residential property to a related party. Your son can't live in the investment property your SMSF owns. Your parents can't rent it. Even at market rates. Residential property must be rented to unrelated tenants.

You can buy business real property from a related party. This is a key exception. If the property is used wholly and exclusively in a business (like a factory, office, or shop), it can be purchased from a related party and even leased back to them. But it must meet strict definitions of “business real property”.

You can lease commercial property to your own business. This is one of the most powerful SMSF strategies for business owners. Your SMSF buys the premises, and your business pays rent to the fund. We’ll cover this in detail in the next chapter.

The related party rules exist to stop people using super as a family bank. Respect them.

## Helen and Bruce get it wrong

### Character check-in: Helen and Bruce Thompson

Ages: Late 50s

Combined super: \$1.2 million

Situation: SMSF holds residential property worth \$850,000 plus shares and cash. Their daughter just got engaged.

Helen and Bruce’s daughter Sophie just got engaged. She and her fiancé are looking for their first home, and the rental market is brutal. Sophie mentioned that she wished she could rent somewhere stable while they saved for a deposit.

Helen had a brainwave. “We’ve got that investment property in the SMSF. It’s between tenants right now. Why don’t we let Sophie and Jake rent it for a year or two while they save? We’ll charge them the same rent anyone else would pay. It’s not like we’re giving them a discount.”

This is exactly the kind of thinking that gets people into trouble.

It doesn’t matter that Sophie would pay market rent. It doesn’t matter that Helen’s intentions are good. Renting SMSF residential property to a related party is prohibited. Full stop.

If Helen went ahead with this plan and the ATO found out (which they probably would, through data matching or the annual audit), the consequences could include a formal warning, mandatory rectification (evicting Sophie), financial penalties, or in serious cases, the fund being declared non-complying.

A non-complying fund is taxed at 45 per cent on its entire balance. On \$1.2 million, that’s \$540,000 gone. More than enough to ruin a retirement.

Helen’s accountant talked her out of it. Sophie found a rental elsewhere. Crisis averted.

But this stuff happens all the time. People think their situation is different. It’s not.

## Arm’s length requirements

Even when you can do business with related parties (like commercial property), you must do it at arm’s length.

Arm’s length means the transaction must be conducted as if the parties were strangers. Market rates. Proper documentation. No special favours.

If your SMSF owns a commercial property and leases it to your business, the rent must be market rent. Not “mates rates”. Not a discount because times are tough. Market rent, as determined by an independent valuation.

If you pay below market rent, the ATO can hit you with something called NALI, which stands for Non-Arm’s Length Income. Any income tainted by NALI is taxed at 45 per cent instead of the normal 15 per cent super rate.

That’s not a typo. 45 per cent.

And it gets worse. Recent changes mean NALI can apply to the entire fund's income, not just the tainted transaction. One dodgy deal can contaminate everything.

The arm's length rules apply to more than just rent. They apply to any service or transaction between the fund and related parties. If your brother-in-law is a plumber and he does work on your SMSF property, he needs to charge what any plumber would charge. If your daughter is a property manager, she needs to charge market rates.

Document everything. Get valuations. Keep it professional.

## **In-house asset rules**

The in-house asset rules limit how much of your SMSF can be tied up in transactions with related parties.

An in-house asset is an investment in, or loan to, a related party. It also includes assets leased to related parties.

The rule: in-house assets cannot exceed 5 per cent of your fund's total assets.

There's an important exception. Business real property leased to a related party doesn't count as an in-house asset. This is why the commercial property strategy works. You can have your SMSF own your business premises and lease it to your business without breaching the 5 per cent limit.

But if you had other in-house assets as well (say, a loan to a related company), those would count towards the limit.

If your in-house assets exceed 5 per cent, you must prepare a written plan to reduce them below 5 per cent by the end of the following financial year. Fail to do so and you're in breach.

## **What you can and can't acquire**

Let's make this crystal clear.

Your SMSF can acquire:

- Residential property from an unrelated party
- Commercial property from anyone (including related parties if it's business real property)
- Listed shares and managed funds
- Certain collectibles (with strict storage and insurance rules)
- Cash and term deposits
- Business real property from a related party

Your SMSF cannot acquire:

- Residential property from a related party (ever)
- Assets from a related party unless they're listed securities, business real property, or in-house assets under 5 per cent
- Assets for the purpose of providing current benefits to members
- Assets that would breach the sole purpose test

When in doubt, ask your SMSF accountant before you acquire anything. It's much easier to avoid a breach than to fix one.

## What happens when you break the rules

The ATO has a graduated system of penalties for SMSF breaches.

Level 1: Education direction. For minor breaches, the ATO might simply require you to complete an approved education course. Consider it a slap on the wrist.

Level 2: Rectification direction. You must fix the breach within a specified timeframe. Sell the asset, repay the loan, evict the related party tenant.

Level 3: Administrative penalties. Financial penalties that can run into thousands of dollars per breach. These add up quickly if there are multiple issues.

Level 4: Trustee disqualification. You can be banned from being a trustee of any super fund. If you're disqualified, you must wind up your SMSF and roll the benefits to another fund.

Level 5: Non-complying fund. The nuclear option. Your fund loses its complying status and is taxed at 45 per cent on its entire balance. This is catastrophic. It can destroy a retirement.

The ATO generally tries to educate before they punish. Most breaches, if caught early and rectified, won't result in the worst penalties. But repeat offenders, deliberate breaches, or situations where members have clearly received inappropriate benefits get hit hard.

Don't rely on the ATO being lenient. Follow the rules.

## How the ATO catches you

Some people think they can get away with bending the rules because nobody's watching.

The ATO is watching.

They use data matching to cross-reference SMSF transactions with land title records, rental bond databases, company records, and more. If your SMSF buys a property and your daughter's name appears on a rental agreement for that property, they'll know.

Your annual audit is another checkpoint. Every SMSF must be audited by an independent auditor each year. The auditor is legally required to report breaches to the ATO. They're not on your side. They're on the side of compliance.

Then there's the tip-off line. Disgruntled ex-spouses, angry business partners, and bitter relatives have all been known to dob in SMSF trustees. Family disputes are a rich source of ATO referrals.

And sometimes people just get unlucky. The ATO conducts random audits. You might be selected for review even if you've done nothing wrong. If your records are clean, no problem. If there's anything dodgy, it will come out.

The point is: assume you'll be caught. Because you probably will be.

## The mindset shift

Here's how I think about SMSF compliance.

Every transaction, every decision, every investment, I imagine having to explain it to an ATO auditor. Not a friendly auditor who gives me the benefit of the doubt. A sceptical auditor who's looking for problems.

Could I explain, with documentation, why this transaction is legitimate? Could I show that it passes the sole purpose test? Could I demonstrate that it was conducted at arm's length?

If the answer is yes, I proceed. If there's any doubt, I get advice before I act.

This mindset shift turns compliance from a burden into a habit. It becomes automatic. You stop even considering transactions that might be questionable because they don't pass the "explain it to an auditor" test. That's the mindset of a good trustee.

## The rules exist for a reason

I know this chapter has been heavy on rules and penalties. It might feel like the ATO is out to get you.

They're not.

The rules exist because super is taxpayer-subsidised. The tax concessions on super cost the government billions of dollars a year. In return for those concessions, there are rules about how the money can be used.

Super is for retirement. Not for helping family. Not for personal benefit now. For retirement.

If you can accept that framework, the rules make sense. They're not arbitrary. They're designed to make sure super does what it's supposed to do.

Follow the rules, and you'll never have a problem. The ATO is not interested in compliant funds. They're interested in funds that break the rules.

Don't be one of those funds.

### Action step

Review the Related Party Diagram in Appendix E.

Map out your own related party network:

- Who are your relatives? (Parents, children, siblings, grandparents, grandchildren)
- Who are their spouses?
- What companies or trusts do you or they control?
- Who are your business partners?

Anyone on this map is someone you need to be careful about when it comes to SMSF transactions.

If you're planning any transaction with anyone on this map, get advice from your SMSF accountant first.

*Find your sweet spot, or have the guts to walk away.*

# Residential vs commercial: two different games

*Residential and commercial SMSF property aren't variations of the same thing. They're completely different sports.*

## **Key takeaways**

- Residential property cannot be bought from or rented to related parties
- Commercial property (business real property) can be bought from and leased to related parties
- From 10 August 2026, an SMSF can no longer borrow to buy residential property; new borrowing is for business real property only
- Residential typically offers higher growth but lower yield; commercial the reverse, with higher vacancy risk
- The right choice depends on your situation, not which one is “better”

When people talk about SMSF property, they often talk as if it's one thing.

It's not.

Residential property and commercial property are completely different games. Different rules. Different risks. Different strategies. Different outcomes.

Choosing the wrong one for your situation is like showing up to a cricket match with a tennis racquet. You've got the wrong equipment for the game you're playing.

Let's make sure you've got the right equipment.

## **Tennis vs cricket**

Tennis and cricket both involve hitting a ball with an implement. That's about where the similarities end.

Different playing surfaces. Different scoring systems. Different equipment. Different skills. Different fitness requirements. Different seasons, even.

You wouldn't say “I'm good at ball sports” and assume that makes you equally good at tennis and cricket. You'd recognise they're different games requiring different approaches.

Residential and commercial property are the same. Yes, they're both property. Yes, they both involve buying something, renting it out, and hopefully making money. But the rules, risks, and strategies are completely different.

Let's break it down.

## The side-by-side comparison

Factor	Residential	Commercial
Buy from related party?	Never	Yes (if business real property)
Lease to related party?	Never	Yes (at market rate)
Typical yield	2% to 4%	5% to 8%
Capital growth potential	Higher (historically)	Lower (generally)
Vacancy risk	Lower	Higher
Typical lease term	6 to 12 months	3 to 10 years
Who pays outgoings?	Landlord	Often tenant
Borrow (LRBA) to buy?	No new loans from Y 10 Aug 2026 p	es (business real property only)
Liquidity (ease of selling)	Better	Worse
Tenant pool	Large (everyone needs housing)	Smaller (businesses)

One note on the borrowing row before we unpack the rest: existing residential loans are grandfathered, refinancing them is allowed, and contracts exchanged before 10 August 2026 were protected even where settlement came later. Chapter 6 has the whole story.

Let's unpack some of these.

## The related party difference

This is the biggest difference between residential and commercial, and it's worth understanding deeply.

Residential property: You cannot buy residential property from a related party. You cannot rent residential property to a related party. No exceptions. No workarounds. It's prohibited.

Commercial property: If the property qualifies as "business real property", you can buy it from a related party and lease it to a related party. This is a huge exception that opens up powerful strategies.

What qualifies as business real property? A property that is used wholly and exclusively in one or more businesses. This includes offices, factories, warehouses, retail shops, and similar. It does not include residential property, even if you run a business from home.

This distinction matters because it enables one of the most powerful SMSF strategies available: buying your business premises through your super.

## The business premises strategy

If you own a business that pays rent for premises, you're sending money to a landlord every month. Money that leaves your ecosystem and never comes back.

What if your SMSF owned those premises instead?

Your business pays rent. But instead of going to an external landlord, it goes to your SMSF. Your super fund grows. The rent is a tax-deductible expense for the business. The rental income in the super fund is taxed at just 15 per cent (or zero in pension phase).

The money stays in your ecosystem. You're paying yourself instead of a stranger.

This is legal. This is encouraged. This is one of the main reasons business owners set up SMSFs.

But it only works with commercial property. You can't do this with residential.

## The borrowing difference (new in 2026)

Until August 2026, the borrowing question was about difficulty: residential LRBA's were harder to get, commercial often easier. The 2026 ban turned a difficulty difference into a legal one.

From 10 August 2026, a new LRBA can only be used for business real property. If you want residential, the fund pays cash. If you want to borrow, the property has to genuinely qualify as business real property: used wholly and exclusively in one or more businesses. A warehouse, a shop, a medical suite, an office qualifies. A house with a home office does not. Mixed-use property and vacant land sit in the grey zone and need professional eyes before you sign anything.

That asymmetry now does a lot of the choosing for you. If your balance can't buy residential outright, residential is off the table regardless of how much you like it. Which makes the rest of this chapter more important, not less: the game you can actually play is the one worth understanding deeply.

## Raj's opportunity

### Character check-in: Raj Patel

Age: 52

Super balance: \$650,000

Situation: IT consultancy owner, runs his business from a rented Brisbane office. Frustrated paying rent to someone else.

Raj has been running his IT consultancy for fifteen years. For most of that time, he's rented office space in an inner Brisbane suburb. Currently, he's paying \$42,000 per year in rent.

That's \$42,000 per year going to his landlord's retirement. Not his.

Raj's SMSF has \$650,000 in it. He's been thinking about what to do with it for years. It's mostly in managed funds, earning decent but unspectacular returns.

Then his accountant suggested something.

"What if your SMSF bought an office and leased it to your business?"

Raj did the maths.

A suitable office building in his area costs around \$700,000. His SMSF could put down a 35 per cent deposit (\$245,000) and borrow the rest through an LRBA. The loan repayments would be around \$38,000 per year.

His business would pay \$42,000 per year in rent to the SMSF. That covers the loan repayments with \$4,000 to spare for rates, insurance, and maintenance.

Instead of his rent enriching a landlord, it would be building equity in his own super fund. Over time, the loan gets paid down, the property (hopefully) appreciates, and Raj's retirement balance grows.

The business still gets to deduct the rent as an expense. The SMSF pays just 15 per cent tax on the rental income. When Raj retires and moves the fund to pension phase, the rental income becomes tax-free.

This is the commercial property sweet spot for business owners.

Raj proceeded. Three years later, the property has grown in value, the loan is being paid down, and Raj feels like he's finally building something for himself instead of someone else.

## When residential makes sense

One thing before the list. From 10 August 2026, choosing residential for a new purchase means buying without borrowing. Everything below assumes the fund pays cash.

Not everyone owns a business. And not everyone should buy commercial property.

Residential property in an SMSF makes sense when:

You don't own a business that needs premises. The main advantage of commercial is the ability to lease to your own business. If you don't have a business, that advantage disappears.

You want to prioritise capital growth over yield. Historically, residential property has delivered stronger capital growth than commercial. If you're young and have decades until retirement, growth might matter more than income.

You want a more liquid asset. Residential properties generally sell faster than commercial. There are more buyers. If you think you might need to sell at some point, residential is easier to exit.

You're more comfortable with residential. This matters. If you understand residential property, you've researched it, you know what to look for, that knowledge has value. Buying commercial because it sounds sophisticated when you don't really understand it is a recipe for mistakes.

## When commercial makes sense

Commercial property in an SMSF makes sense when:

You own a business that pays rent for premises. This is the killer app. If you're paying rent to someone else, you could be paying it to yourself.

You want higher yield. Commercial yields of 5 to 8 per cent beat residential yields of 2 to 4 per cent. If you're closer to retirement and need income rather than growth, commercial might suit.

You can handle longer vacancies. Commercial properties can sit empty for months or even years between tenants. You need the financial buffer to survive that.

You understand the commercial market. Commercial property is more complex than residential. Different lease structures, different tenant relationships, different valuation methods. Make sure you know what you're getting into.

## The vacancy risk

Let's talk about the elephant in the room: vacancy risk.

Residential vacancy is usually measured in weeks. A well-located residential property in a decent market might sit vacant for two to four weeks between tenants. Annoying, but manageable.

Commercial vacancy can be measured in months or years. A commercial property without a tenant might stay empty for six months, twelve months, or longer. During that time, you're paying rates, insurance, maintenance, and loan repayments with no rental income.

Why the difference?

Everyone needs somewhere to live. The residential tenant pool is enormous. There's always someone looking for a rental.

Not everyone needs commercial premises. Businesses come and go. Sectors rise and fall. A property that was perfect for one type of business might not suit anyone else in the area.

This is why commercial yields are higher. You're being compensated for taking on more risk.

Before you buy commercial, ask yourself: could my SMSF survive 12 months with no rental income? If the answer is no, you might be too stretched.

## Who pays what

One of the nice things about commercial property is the lease structure.

Residential leases are typically “gross” leases. The tenant pays rent, and the landlord pays everything else: rates, insurance, maintenance, repairs.

Commercial leases are often “net” leases. The tenant pays rent plus outgoings. That means the tenant covers rates, insurance, and sometimes even repairs and maintenance.

This can significantly improve your net yield. A commercial property with a gross yield of 6 per cent might have a net yield of 5.5 per cent or more, because the tenant is covering most of the costs.

A residential property with a gross yield of 4 per cent might have a net yield of 2.5 per cent after you’ve paid all the outgoings.

When comparing yields, make sure you’re comparing like with like. Net to net, not gross to gross.

## The lease term difference

Residential leases are typically six to twelve months. Tenants can leave relatively easily. Turnover is frequent.

Commercial leases are typically three to ten years, sometimes longer. A good commercial tenant might stay for a decade or more.

This is a double-edged sword.

On one hand, long leases mean stability. You know you’ve got rental income locked in for years. You can plan around it.

On the other hand, long leases mean you’re stuck. If the market moves and rents increase, you can’t bump up the rent until the lease expires. If you want to sell, buyers might not want your existing tenant.

Commercial leases also come with more complex terms: rent review clauses, make-good provisions, options to renew. You need to understand what you’re signing.

## Making the choice

So how do you choose?

Start with your situation.

Do you own a business that pays rent? Commercial is worth serious consideration.

Are you an employee with no business premises needs? Residential is probably simpler.

How far are you from retirement? If you’re decades away, growth matters more. If you’re close, income matters more.

What’s your risk tolerance? Commercial has higher highs and lower lows. Residential is steadier.

What do you understand? The best investment is one you actually understand. Don’t buy commercial just because it sounds impressive.

There’s no universally correct answer. The right choice depends on you.

## A note on mixed-use property

What about properties that are part residential, part commercial? A shop with a flat above it, for example.

These get complicated.

The residential portion is subject to residential rules. The commercial portion is subject to commercial rules. You can't lease the upstairs flat to your daughter just because the downstairs shop is commercial.

Mixed-use properties can work in SMSFs, but they require careful structuring and advice. Don't assume the commercial exception applies to the whole property.

### **Action step**

Complete the Residential vs Commercial Decision Matrix in Appendix F.

Answer these questions:

- Do you own a business that pays rent for premises?
- Is capital growth or rental yield more important to you right now?
- Could your SMSF survive 12 months of vacancy?
- Which asset class do you understand better?

Your answers will point you towards which game you should be playing.

*Find your sweet spot, or have the guts to walk away.*

# Borrowing: the LRBA demystified

*Limited Recourse Borrowing Arrangements sound terrifying. They're not. Here's exactly how they work, and exactly what the 2026 ban changed.*

## Key takeaways

- LRBA stands for Limited Recourse Borrowing Arrangement
- From 10 August 2026, new LRBAs can only be used for business real property; borrowing to buy residential property is banned
- Existing residential LRBAs are grandfathered, and refinancing them is allowed
- "Limited recourse" means the lender can only take the property if things go wrong, not your other SMSF assets
- The property must be held in a separate "bare trust" until the loan is paid off
- Expect rates 0.5% to 1.5% above standard home loans, and a 30% to 35% deposit for commercial property

We're now in Part 3 of this book: the How.

You've decided SMSF property might be worth doing (Tick 1). You've confirmed the rules allow it and the numbers work (Tick 2). Now it's time to actually execute.

And for many SMSF property purchases, that means borrowing, through something called a Limited Recourse Borrowing Arrangement. LRBA for short.

But before we get to how an LRBA works, you need the biggest rule change in this book, because it decides whether this chapter applies to your purchase at all.

## What changed on 10 August 2026

In June 2026, the government struck a deal with the Greens to pass its broader tax package, and the price was SMSF borrowing. The amendment adds one condition to section 67A of the superannuation law: from commencement, an LRBA over real property is only permitted if the property is business real property. Royal Assent came on 26 June 2026, and the ban commenced 45 days later, on 10 August 2026.

In plain English: your SMSF can no longer take out a new loan to buy a house, a unit, a townhouse or any other residential property. Whether it's brand new or established makes no difference. Residential doesn't meet the business real property test, so it can't be financed.

Four groups of people, four different outcomes.

If you already had a residential LRBA before commencement, nothing changes. Your arrangement is fully grandfathered, and refinancing it is explicitly allowed.

If you exchanged contracts before 10 August 2026, you were protected, even if settlement happened afterwards. The test was the contract date, not the settlement date.

If you want to buy residential property with the fund's own cash, no borrowing involved, you still can. The ban targets borrowing, not residential ownership.

If you want to borrow for a new purchase, the property must be business real property: used wholly and exclusively in one or more businesses. Commercial premises qualify. Your own business premises qualify, which keeps the most powerful SMSF strategy alive. A residential property with a home office does not qualify, and mixed-use property or vacant land needs careful professional review before you assume anything.

Why did it happen? SMSFs are less than one per cent of residential property borrowing, and the measure raises about \$50 million over four years, so the housing impact is close to nil. The honest answer is politics: a decade-old recommendation from the 2014 Murray inquiry, finally traded for Senate votes. It doesn't matter much why. It's law, and this book treats it as the ground you're standing on.

One practical warning. When a similar ban was floated in 2019, lenders pulled their SMSF residential products before any law passed. Expect the remaining market, including refinance products for grandfathered loans, to keep shrinking. If you hold a grandfathered loan, don't assume today's refinancing options will exist in five years.

Everything from here describes how an LRBA works when you can use one: for business real property, or for a grandfathered arrangement you already hold.

The name sounds intimidating. The structure can seem confusing. But once you understand how it works, it's actually quite elegant.

Let's demystify it.

## **The airbag loan**

Here's how I think about LRBAs.

Imagine you're buying a car with a loan. If you crash the car and can't make the repayments, the finance company takes the car. That's standard.

But what if the finance company could also take your house, your savings, your other investments? What if one bad car loan could wipe out everything you own?

That would be terrifying. Nobody would take car loans.

Fortunately, car loans don't work that way. The car is security for the loan. If things go wrong, the lender takes the car. Your other assets are protected.

An LRBA is the same concept applied to SMSF property.

When your SMSF borrows to buy property, the loan is "limited recourse". That means if things go wrong, the lender can only take the property that was purchased with the loan. They can't touch the rest of your super fund's assets.

It's like an airbag for your super. If there's a crash, the damage is contained to one area. The rest survives.

This protection is built into the law. It's not optional. Every SMSF property loan must be limited recourse. That's what makes it an LRBA.

## **How the structure works**

Here's where it gets a bit technical. Bear with me.

When your SMSF borrows to buy property, the property can't be held directly by the SMSF until the loan is paid off. Instead, it must be held by a separate entity called a "bare trust" or "holding trust".

Think of it like this:

The SMSF is the real owner. It makes the decisions, receives the rent, pays the expenses, and will eventually hold the property directly.

The bare trust is the legal owner. It holds the title to the property on behalf of the SMSF. It has no real power. It just holds the asset.

The holding trustee is the person or company that acts as trustee of the bare trust. This is usually a special-purpose company set up just for this purpose.

Why this complicated structure?

Remember, the loan is limited recourse. The lender can only take the property if things go wrong. But if the property was held directly by the SMSF, taking it back would be messy. The lender would be trying to grab assets from inside your super fund.

By holding the property in a separate bare trust, the lender's security is cleaner. If you default, they take the property from the bare trust. Your SMSF loses that asset, but the rest of the fund is untouched.

Once the loan is fully paid off, the bare trust transfers the property to the SMSF. The holding trustee has done its job and can be wound up.

## What the lenders require

SMSF loans are different from regular home loans. The requirements are stricter and the rates are higher.

Here's what to expect.

Deposit: 30% to 35%, sometimes higher. Most SMSF lenders want a significant deposit for business real property. (Before the 2026 ban, residential LRBAs typically ran at 20% to 30%; that part of the market now exists only to refinance grandfathered loans.) Gone are the days of 10% deposits.

Interest rates: Higher than standard. SMSF loan rates are typically 0.5% to 1.5% higher than equivalent standard home loan rates. This reflects the additional complexity and risk for the lender.

Loan term: Usually up to 25 years. Some lenders offer 30 years, but 25 is more common. Remember, the loan needs to be paid off before you're drawing a pension, or at least manageable in pension phase.

Personal guarantees: Sometimes required. Even though the loan is "limited recourse" against the SMSF's other assets, lenders often require members to provide personal guarantees. This means you could be personally liable if things go wrong. Read the fine print.

Minimum super balance: Varies. Some lenders won't touch SMSFs below a certain balance. \$200,000 is a common minimum, though some want more.

Cash buffer: Often required. Lenders often want to see that your SMSF has cash reserves beyond the deposit. This provides a buffer for vacancies, maintenance, and unexpected costs.

## Who lends to SMSFs

The SMSF lending market has changed a lot over the years.

The big four banks (CBA, Westpac, ANZ, NAB) have all exited SMSF lending at various times. Some have come back in limited form, others haven't. Don't assume your regular bank will lend to your SMSF.

The main lenders in this space are:

- Specialist SMSF lenders (like Liberty, Pepper, La Trobe)
- Smaller banks and credit unions
- Some larger banks with SMSF products (check current availability)
- Private lenders (usually at higher rates)

The market shifts constantly. A lender that was competitive last year might have exited the market this year. A lender that didn't do SMSF loans might have started. The 2026 ban accelerated all of this: residential SMSF products are being withdrawn or repriced, and the lenders that remain are concentrating on business real property. Treat any list of lenders, including the one above, as a snapshot that ages quickly.

This is where a good mortgage broker earns their fee. A broker with SMSF experience will know which lenders are active, what their current criteria are, and who's likely to approve your situation.

Don't try to navigate this market yourself. The landscape is too fragmented and fast-moving.

## The restrictions on LRBA property

Once you buy a property with an LRBA, there are restrictions on what you can do with it until the loan is paid off.

No improvements that change the character of the property. You can do maintenance and repairs. You can replace like with like (new carpet, new hot water system, repaint). But you can't add a granny flat, knock down walls, or do major renovations that fundamentally change the property.

Why? Because the lender's security is the property as it was when they lent the money. If you dramatically change it, the security changes too. The rules keep things simple.

No substitution. You can't sell the property and use the proceeds to buy a different property while keeping the loan. If you sell, you pay out the loan.

One property per loan. Each LRBA must be for a single property. You can't bundle multiple properties into one loan.

These restrictions can be frustrating if you want to add value through renovation. But they're the trade-off for being able to borrow inside super in the first place.

If you want to do major improvements, you can either wait until the loan is paid off, or make sure you buy a property that doesn't need significant work.

## Raj's borrowing journey

### Character check-in: Raj Patel

Super balance: \$650,000

Target property: Commercial office, \$700,000

Strategy: Buy premises for his IT consultancy

Raj found the perfect office building for his business. Listed at \$700,000. Now he needed to work out the borrowing.

His mortgage broker, who specialised in SMSF lending, came back with options from three lenders.

Lender A: 65% LVR maximum (35% deposit required), 7.2% interest rate, \$2,000 application fee, personal guarantee required.

Lender B: 70% LVR maximum (30% deposit required), 7.5% interest rate, \$1,500 application fee, personal guarantee required.

Lender C: 70% LVR maximum, 7.8% interest rate, no application fee, no personal guarantee.

Raj had to make a choice.

Lender A had the best rate, but required a bigger deposit. On a \$700,000 property, 35% was \$245,000. Raj's SMSF had \$650,000, so after the deposit he'd have \$405,000 left in the fund. Comfortable.

Lender B and C both allowed 30% deposits (\$210,000), leaving more cash in the fund. But Lender B required a personal guarantee, meaning Raj's personal assets would be on the line if things went wrong.

Lender C had no personal guarantee, but the highest rate.

Raj ran the numbers. The difference between 7.2% and 7.8% on a \$455,000 loan was about \$2,700 per year. Over the life of the loan, that adds up. But he valued the protection of no personal guarantee.

He also factored in the larger cash buffer that came with the smaller deposit. Having \$440,000 left in the fund (after Lender C's 30% deposit) instead of \$405,000 (after Lender A's 35% deposit) meant more runway if his business hit a rough patch.

In the end, Raj went with Lender C. Higher rate, but more protection and more buffer. The right choice for his risk tolerance.

There's no universally correct answer. It depends on your priorities.

## **A note on short-term rentals**

Some people want to use their SMSF property for short-term rentals like Airbnb or Stayz. This is allowed, but there are things to consider.

The sole purpose test still applies. You cannot stay in the property yourself. Not even one night. Not even if you pay "market rate". It must be rented to unrelated parties only.

Lenders may have restrictions. Some SMSF lenders don't like short-term rental properties. They prefer traditional long-term tenants. Check with your lender before assuming you can Airbnb the property.

Income can be volatile. Short-term rentals can generate higher yields in good times, but income is less predictable than a standard lease. Make sure your SMSF can handle the ups and downs.

More management required. Short-term rentals need more active management: bookings, cleaning, guest communication, supplies. Either you do it (using your time) or you pay someone (eating into yield).

Short-term rental can work in an SMSF context. But don't assume it's automatically better than traditional rental. Run the numbers, including realistic vacancy rates and management costs.

## **Interest-only or principal and interest?**

Most SMSF loans offer both interest-only and principal-and-interest options.

Interest-only: You pay only the interest each month. The loan balance doesn't reduce. Your repayments are lower, but you're not building equity.

Principal and interest: You pay interest plus a portion of the loan balance each month. Higher repayments, but the loan gets smaller over time.

Which is better?

Interest-only can make sense if your SMSF's cash flow is tight. Lower repayments mean more buffer. You can always make extra repayments if the fund has surplus cash.

Principal and interest makes sense if you want to pay off the loan faster and build equity. Remember, once the loan is gone, the LRBA restrictions lift and you have more flexibility.

Some people start interest-only while they build up the fund's cash reserves, then switch to principal and interest later. There's no single right answer.

One warning: don't stay on interest-only forever thinking you'll pay it off "later". Later has a habit of never arriving. Have a plan.

## Planning for loan exit

Here's something people forget to think about: how does the loan end?

An LRBA needs to be paid off at some point. The most common exit strategies are:

Pay it off from contributions and rental income. The fund makes regular contributions, receives rental income, and uses both to pay down the loan over time. This is the standard path.

Sell the property. If you sell the property, the loan is repaid from the sale proceeds. Any surplus stays in the fund.

Refinance. You might refinance to a different lender with better terms. The old loan is paid out and a new one takes its place.

Pay out from other super assets. If you have other assets in the fund (shares, cash), you could potentially sell those to pay off the property loan.

The key is to have a realistic plan. Don't assume contributions will always increase or that the property will always be tenanted. Stress test your exit strategy the same way you stress tested your entry.

## The LRBA in summary

Let me bring this all together.

An LRBA lets your SMSF borrow to buy property, and from 10 August 2026 that means business real property for any new loan. The residential door is closed for new arrangements, grandfathered for existing ones. The loan is "limited recourse", meaning the lender can only take the property if things go wrong, not your other super assets. The property is held in a bare trust until the loan is paid off.

SMSF loans have stricter requirements and higher rates than standard home loans. You'll need a 30% to 35% deposit, and you might need to provide a personal guarantee.

While the loan is in place, you can't do major renovations or substitute the property. Once the loan is paid off, those restrictions lift.

The structure sounds complicated, but it's designed to protect you. The limited recourse feature is actually a benefit, not a burden.

Work with professionals who know SMSF lending: a specialist mortgage broker, your SMSF accountant, and a solicitor experienced in bare trust structures.

Get it right, and borrowing can help you buy a property your SMSF couldn't otherwise afford. Get it wrong, and you might find yourself in a structure that doesn't work for your situation.

### Action step

First, confirm the property qualifies as business real property. Your solicitor and your accountant should both check this before anything else happens.

Then complete the LRBA Lender Comparison Sheet in Appendix G.

Talk to a mortgage broker with SMSF experience and get quotes from at least three lenders.

For each lender, note:

- Maximum LVR (minimum deposit required)
- Interest rate (variable and fixed options)
- Application and ongoing fees
- Whether a personal guarantee is required
- Any restrictions on property type or rental strategy

Compare total cost over 5 years, not just the headline rate.

*Find your sweet spot, or have the guts to walk away.*

# What and where to buy

*You've got a pool of money, a set of rules, and a goal. Now let's find the right property.*

## **Key takeaways**

- Your SMSF has a "type". Not every property suits every fund.
- Location fundamentals matter more than hype
- Tenant appeal is crucial since you can't live in it yourself
- Liquidity matters more in super than outside super
- Growth corridors methodology applies to SMSF property too

You've got the structure sorted. You know the rules. You've got lending arranged, or at least know what's possible.

Now comes the fun part: finding the actual property.

But here's the thing. Buying for your SMSF isn't quite the same as buying outside super. The rules are different. The time horizons are different. The exit requirements are different.

Your SMSF has a type. Let's figure out what it is.

## **Your SMSF's dating profile**

Imagine your SMSF is on a dating app for properties.

What would its profile say?

It might say something like: "Looking for a stable, long-term relationship. Must be low-maintenance. Needs to be attractive to others (tenants). Must be willing to be sold eventually without drama. No fixer-uppers, no projects, no renovations needed."

That's quite different from what you might look for personally.

Outside super, you might buy a property that needs work, renovate it, add value, and sell. You might buy something you could live in yourself one day. You might take a punt on an emerging area.

Inside super, you need to think differently.

Your SMSF can't do major renovations while the loan is in place. You can never live in the property yourself. You'll eventually need to sell it or pay pensions from its value. The property needs to work within these constraints.

Let's build your SMSF's property profile.

## Location fundamentals

You've heard it a thousand times: location, location, location.

It's a cliché because it's true.

But what makes a good location for SMSF property specifically?

Population growth. Areas with growing populations have growing demand for housing. More demand means better rents and better capital growth. Look for areas where people are moving to, not moving away from.

Infrastructure investment. When governments spend money on roads, rail, hospitals, and schools, property values tend to follow. Infrastructure creates jobs and amenity, which attracts residents, which drives demand.

Economic diversity. Single-industry towns are risky. If that industry struggles, the whole town struggles. Look for areas with diverse employment bases: government, healthcare, education, retail, manufacturing, services.

Rental demand. Remember, you need tenants. Areas with strong rental demand, whether from families, workers, or students, will keep your property occupied. Check vacancy rates before you buy.

Supply constraints. If an area can easily build more housing, prices struggle to rise. If an area is constrained by water, geography, or planning rules, limited supply supports values.

If you've read my first book, *Build, Stabilise, Leverage*, you'll recognise this as the growth corridor methodology. The same principles that identify good investment locations outside super apply inside super.

Don't reinvent the wheel. Use what works.

## Tenant appeal

You can never live in your SMSF property. Not a single night. Which means you need tenants.

This should change how you think about property selection.

When you buy for yourself, you might prioritise things that matter to you personally: a view, a particular style, a neighbourhood you love.

When you buy for tenants, you need to prioritise what matters to them.

Practical layouts. Tenants want bedrooms that fit beds, living areas that work, kitchens that function. They're less interested in architectural statements.

Low maintenance. Big gardens, pools, and complex features mean more upkeep. Tenants often don't maintain things as well as owners would. Choose properties that can handle a bit of neglect.

Proximity to essentials. Schools, shops, transport, employment centres. The closer these are, the larger your tenant pool.

Nothing too quirky. That converted warehouse might appeal to a niche market. But niche markets mean fewer potential tenants. Mainstream properties attract mainstream tenants.

Ask yourself: if this property came up for rent tomorrow, how quickly would it lease? How many applications would it attract?

If the answer is "quickly" and "lots", you're on the right track.

## The liquidity question

Here's something people don't think about enough: liquidity.

Liquidity means how easily you can convert an asset to cash.

Shares are liquid. You can sell them in minutes and have cash in your account within days.

Property is illiquid. Selling takes months. There are agents, campaigns, negotiations, conveyancing. You can't sell half a house if you only need a bit of cash.

This matters more inside super than outside.

Why? Because at some point, you'll need to pay pensions from your super. Pensions must be paid in cash. You can't pay a pension with a bedroom.

If your SMSF is 90% property and 10% cash, and you need to start paying pensions, you might have to sell the property at a bad time just to meet your obligations.

This means property selection should factor in eventual saleability.

Broad appeal. Properties that appeal to many buyers sell faster than properties that appeal to few.

Standard configurations. A three-bedroom house sells faster than a one-bedroom apartment in most markets.

Sensible price points. Properties at the median price or below have more potential buyers than expensive properties.

Good markets. Properties in active markets with lots of transactions sell faster than properties in thin markets.

Don't buy something you can't sell.

## Helen and Bruce think about the exit

### Character check-in: Helen and Bruce Thompson

Ages: Late 50s

Combined super: \$1.2 million

Current SMSF property: Residential worth \$850,000

Other SMSF assets: \$350,000 in shares and cash

Helen and Bruce bought their SMSF property eight years ago. At the time, they weren't thinking much about liquidity. They just wanted a good investment.

Now they're in their late fifties. Retirement is visible on the horizon. And they've started thinking about what happens next.

Their SMSF is about 70% property, 30% other assets. If they start a pension at 65, they'll need to draw a minimum of around \$50,000 per year (roughly 4% of the balance).

The property generates about \$35,000 per year in net rent. That covers most of the pension, but not all. The other \$15,000 would need to come from selling shares or using cash reserves.

At that rate, they'd run through the non-property assets in about 20 years. Then what?

Helen and Bruce have options:

- Sell the property before they start the pension and reinvest in liquid assets
- Keep the property and plan to sell later when they need to
- Downsize the property to something smaller and more liquid

None of these options are bad. But they require planning. Helen and Bruce are glad their property is in a good market with broad appeal. When they do need to sell, it should move quickly.

Imagine if they'd bought a quirky property in a thin market. They'd be stuck.

## New build vs established

Should your SMSF buy a new property or an established one?

There's no universal answer, but here are the trade-offs.

New builds:

- Higher depreciation deductions (more tax benefits)
- Lower maintenance costs initially
- Modern layouts that tenants often prefer
- Often located in new estates with less established infrastructure
- Risk of oversupply in new development areas
- Can't do LRBA renovations anyway, so "buying a renovator" isn't relevant

Established properties:

- Usually in more established locations
- Land content often higher (land appreciates, buildings depreciate)
- Proven rental history and comparable sales data
- May need more maintenance
- Lower depreciation deductions

For SMSF purposes, established properties in good locations often make more sense. You're buying for long-term growth, and land value drives growth. New builds in fringe estates might have great depreciation but poor growth prospects.

That said, a well-located new build can be excellent. It's about the specific property, not a blanket rule.

## Traditional rental vs short-term rental

We touched on this in the last chapter, but it's worth exploring further.

Airbnb and similar platforms have created a new rental model. Some properties can earn significantly more through short-term rental than through traditional leases.

Can your SMSF property use this strategy?

Yes, with conditions.

You still can't use it yourself. I know I keep saying this. But people keep asking. The answer is no. Never. Not even one night.

Your lender needs to be okay with it. Some SMSF lenders specifically exclude short-term rental properties. Check before you commit.

Council rules apply. Many councils now regulate short-term rentals. Some areas require permits. Some have day limits. Know the rules.

Management is more intensive. Someone needs to handle bookings, guest communication, cleaning, supplies, reviews. If you're doing it yourself, that's your time. If you're paying someone, that's 20 to 30 per cent of revenue.

Income is less predictable. A traditional lease gives you 12 months of known income. Short-term rental varies by season, by tourism trends, by competition. Your SMSF needs to handle the volatility.

Short-term rental can work brilliantly in the right location with the right property. It can also disappoint if the numbers don't stack up after realistic costs.

Run the numbers conservatively. Assume lower occupancy than the best-case scenario. Factor in all the costs. Then decide.

## What to avoid

Let me give you a quick list of what to steer clear of.

Properties needing major work. You can't renovate significantly under an LRBA. Buy something that's ready to rent.

Off-the-plan in oversupplied markets. Property developers love selling off-the-plan to SMSF investors. Be very careful. Many of these are in areas with massive supply pipelines. Oversupply kills growth.

Anything a spruiker is pushing. If someone at a seminar is urging you to buy, run the other way. Legitimate investments don't need high-pressure sales.

Niche properties. That student studio pod, that aged care apartment, that serviced apartment. Niche products have niche markets. Think mainstream.

Properties in declining areas. Cheap doesn't mean good value. A \$150,000 house in a town losing population is probably losing population for a reason.

Anything you'd want to live in yourself. Sounds counterintuitive, but if you're attracted to a property because you'd love to live there, check your motives. You can't live there. Ever. Make sure you're buying for investment reasons, not personal fantasy.

## Due diligence essentials

Before you commit to any property, check these boxes.

Rental appraisal. Get a written rental estimate from a local property manager. Better yet, get two or three. Don't rely on seller estimates.

Vacancy rates. Check the vacancy rate for similar properties in the area. Under 3% is tight (good for landlords). Over 5% is soft (risk of vacancy).

Comparable sales. What have similar properties sold for recently? Is the asking price in line with the market?

Building and pest inspection. Non-negotiable. You need to know what you're buying.

Strata records (if applicable). If it's a unit, check the strata records for planned works, disputes, and financial health of the owners corporation.

Council zoning and plans. Is there a highway planned through the backyard? A high-rise development next door? Check what council knows.

Flood and bushfire mapping. Climate risks are increasing. Know what you're exposed to.

This due diligence costs time and money. It's worth every cent. The worst property you buy will be the one you didn't investigate properly.

## Finding the right match

Your SMSF has a type. A profile. A set of needs and constraints.

The right property for your fund is one that:

- Is in a location with strong fundamentals
- Appeals to a broad tenant pool

- Will be liquid when you need to sell
- Doesn't need major work
- Fits your fund's risk tolerance and cash flow needs

Don't fall in love with a property that doesn't match your profile. There are plenty of properties out there. Be patient. Be picky. Be disciplined.

The right property will come along. Your job is to recognise it when it does, and have the discipline to walk away from the ones that don't fit.

**Action step**

Complete the SMSF Property Scorecard in Appendix H.

For each property you're seriously considering, rate it on:

- Rental yield
- Location growth potential
- Tenant appeal
- Property condition
- Liquidity
- SMSF compliance
- Fit with your investment strategy

A property that scores poorly on multiple factors probably isn't the right match, no matter how much you like it.

*Find your sweet spot, or have the guts to walk away.*

# The buying process and your professional team

*You can't do this alone. Here's exactly who you need, when you need them, and what they should cost.*

## **Key takeaways**

- You need a team: SMSF accountant, solicitor, mortgage broker, and possibly a financial adviser
- SMSF experience matters more than general experience
- The contract must be in the right name (the bare trustee, not the SMSF)
- Timing and coordination are critical
- Paying for good professionals is an investment, not an expense

SMSF property is a team sport.

I know you're capable. You've made it this far in the book. You understand the rules, the numbers, the strategy. You could probably figure out a lot of this yourself.

But "could" and "should" are different things.

The stakes are high. The rules are complex. One mistake in the contract, one wrong name on the title, one overlooked compliance requirement, and you could face penalties, delays, or worse.

You need a team. Let me introduce you to the players.

## **The relay team**

Think of buying SMSF property like running a relay race.

You're one runner, but you're not running the whole race yourself. You're part of a team. Each team member runs their leg, then passes the baton to the next person.

If any runner drops the baton, the whole team loses.

Your professional team works the same way. Each person has their role. They need to execute their part well and hand off smoothly to the next person.

Your job isn't to run every leg yourself. Your job is to assemble a good team, give them clear instructions, and make sure the baton passes cleanly.

Let's meet the runners.

## **The SMSF accountant**

Role: Sets up and administers the SMSF, prepares tax returns and financial statements, ensures compliance, lodges reports with the ATO.

When you need them: From the very beginning. Before you even start looking at properties.

What to look for: SMSF specialist credentials (look for SSA or equivalent), experience with SMSF property specifically, good communication, reasonable fees, membership of professional bodies.

Typical cost: \$2,000 to \$4,000 for SMSF establishment. \$2,000 to \$4,000 per year for ongoing administration. More if complex.

This is arguably the most important person on your team.

A good SMSF accountant will tell you if your plan makes sense before you commit. They'll make sure the fund is set up correctly. They'll ensure your trust deed allows property investment and borrowing. They'll prepare the minutes and resolutions you need. They'll keep you compliant year after year.

A bad SMSF accountant, or worse, a general accountant who dabbles in SMSFs, can miss critical requirements. I've heard horror stories of funds set up incorrectly, trust deeds that don't allow borrowing, and compliance breaches that weren't caught until the ATO came knocking.

Don't cheap out here. The SMSF accountant is the foundation.

## **The solicitor**

Role: Handles the property conveyancing, sets up the bare trust, reviews contracts, ensures the legal structure is correct.

When you need them: Before you sign any contract. Ideally, as soon as you're seriously looking.

What to look for: Experience with SMSF property purchases specifically. Conveyancing experience alone isn't enough. They need to understand bare trusts and LRBA structures.

Typical cost: \$1,500 to \$3,500 for conveyancing plus bare trust setup. Can be more for complex transactions.

Here's where things can go wrong fast.

When your SMSF buys property with a loan, the contract must be in the name of the holding trustee (the bare trust), not in the name of the SMSF itself. Get this wrong and you've got a mess.

Your solicitor needs to understand this structure. They need to set up the bare trust correctly, ensure the contract is in the right name, and coordinate with the lender to make sure everything aligns.

A solicitor who mostly does standard residential conveyancing might not understand the nuances. Ask specifically: have you done SMSF property purchases before? How many? Recently?

If they hesitate or seem unsure, find someone else.

## **The mortgage broker**

Role: Finds and arranges SMSF lending, navigates the lender landscape, manages the application process.

When you need them: Early in the process. Before you make offers, you need to know what you can borrow.

What to look for: Specific experience with SMSF lending, access to a range of SMSF lenders (not just one or two), understanding of LRBA structures.

Typical cost: Usually paid by the lender (commission). Some may charge a fee for complex applications. Ask upfront.

The SMSF lending market is fragmented and constantly changing.

Banks enter and exit. Criteria change. Rates move. A lender that was competitive six months ago might have tightened their requirements or increased their rates.

A good SMSF mortgage broker knows who's lending, what their current criteria are, and which lender is likely to approve your specific situation. They can save you time, frustration, and potentially money by matching you with the right lender first.

A broker without SMSF experience might apply to lenders who don't do SMSF loans anymore, or who won't approve your property type, or who have requirements your fund can't meet. That's wasted time and failed applications on your credit record.

Ask the broker: what percentage of your business is SMSF lending? Which lenders do you place SMSF loans with most often?

## **The financial adviser (maybe)**

Role: Provides strategic advice on whether SMSF property fits your overall financial plan, reviews investment strategy, may provide ongoing portfolio advice.

When you need them: At the decision-making stage. Especially if you're unsure whether SMSF property is right for you.

What to look for: Licensed financial adviser (check the ASIC register), experience with SMSFs, fee-for-service model (not commission-based).

Typical cost: \$2,000 to \$5,000 for a Statement of Advice. Ongoing advice fees vary widely.

Do you need a financial adviser?

It depends.

If you're confident in your decision and understand the implications, you might not need one. This book is designed to give you the knowledge to make informed decisions.

But if you're unsure, if your situation is complex, if you want a professional second opinion, a good financial adviser can be valuable. They see your whole financial picture, not just the SMSF property piece.

Be wary of advisers who push SMSF property on everyone, or who earn commissions from property developers. A fee-for-service adviser who gets paid whether you buy or not is more likely to give you honest advice.

## **Other team members**

Beyond the core four, you might need:

Property manager. Unless you want to manage the property yourself (which is fine, but takes time), you'll need someone to find tenants, collect rent, arrange maintenance, and handle issues. Typically 6% to 10% of rent.

Building and pest inspector. For the pre-purchase inspection. Non-negotiable. \$400 to \$800 depending on property size and location.

Quantity surveyor. If you want a depreciation schedule to maximise tax deductions. \$500 to \$800. Usually pays for itself in the first year.

Insurance broker. For landlord insurance. Your regular home insurer might not cover SMSF-owned property. Make sure the policy is in the correct name.

## Emma finally makes her move

### Character check-in: Emma Zhang

Age: Now 40 (five years later)

Super balance: Now \$230,000

Situation: Still a marketing manager, super has grown, and she's ready

Remember Emma from Chapter 1? The enthusiastic thirty-five-year-old with \$95,000 in super who wasn't ready yet?

Five years have passed.

Emma kept contributing to her industry fund. She got promoted. She received an inheritance that she contributed to super. Her balance grew to \$230,000.

More importantly, she spent those five years learning. She read this book. She attended seminars (legitimate ones, not spruiker events). She talked to SMSF trustees and learned from their experiences.

Now she's ready.

Emma's first step was assembling her team.

She found an SMSF specialist accountant through the SMSF Association's directory. She interviewed three, asked about their experience with SMSF property, and chose one who'd done dozens of SMSF property purchases.

The accountant recommended a solicitor who specialised in SMSF conveyancing. Emma met with them and asked detailed questions about the bare trust structure. They clearly knew what they were doing.

For the mortgage broker, Emma asked in an online SMSF forum for recommendations. Several names came up repeatedly. She contacted two, compared their approach, and chose one who'd been doing SMSF lending for over a decade.

Her team was in place before she looked at a single property.

When she found the right property, everything moved smoothly. The broker had pre-approval ready. The solicitor knew exactly how to structure the contract. The accountant prepared all the minutes and resolutions.

The baton passed cleanly from runner to runner.

Emma's patience paid off. She bought well, in a good location, with a solid team behind her.

## The buying process step by step

Let me walk you through the typical process.

Step 1: Engage your SMSF accountant. Make sure your fund is set up correctly and your trust deed allows property investment and borrowing. Update your investment strategy to include property.

Step 2: Get borrowing pre-approval. Work with your mortgage broker to understand how much you can borrow and on what terms. This defines your budget.

Step 3: Search for property. Armed with your budget, start looking. Do your due diligence on any property you're serious about.

Step 4: Engage your solicitor. Before you sign anything, have your solicitor review the contract and set up the bare trust structure.

Step 5: Sign the contract. The contract must be in the name of the holding trustee (bare trust). Your solicitor will ensure this is correct.

Step 6: Finalise lending. Your broker works with the lender to complete the loan approval. The lender will need valuations and various documents.

Step 7: Settlement. On settlement day, the SMSF provides the deposit, the lender provides the loan funds, and the property transfers to the bare trust.

Step 8: Post-settlement setup. Arrange insurance, engage a property manager if using one, find tenants, and start receiving rent.

Step 9: Ongoing compliance. Your SMSF accountant handles annual reporting, tax returns, and ensures ongoing compliance.

The whole process typically takes three to six months from finding a property to settlement. Longer if there are delays in lending or conveyancing.

Patience is required. This is not a fast process.

## **Common mistakes to avoid**

I've seen these mistakes trip people up. Don't be one of them.

Signing the contract in the wrong name. The contract must be in the name of the holding trustee, not the SMSF. If you sign in the SMSF's name, you might have to start over.

Not getting pre-approval first. You find the perfect property, sign the contract, then discover you can't get lending. Now you've got a deposit at risk.

Using professionals without SMSF experience. Your cousin who does conveyancing might be cheap, but do they understand bare trusts? Probably not.

Not updating the trust deed. Old trust deeds might not allow borrowing. Your accountant needs to check this before you proceed.

Rushing the process. SMSF purchases take time. Trying to rush creates errors. Plan for the timeline to be longer than you expect.

Poor communication between team members. If your broker doesn't talk to your solicitor, things fall through the cracks. Make sure everyone is coordinating.

## **What good advice costs**

Let me add up the professional costs for a typical SMSF property purchase.

- SMSF establishment: \$2,000 to \$4,000
- Legal (conveyancing plus bare trust): \$2,000 to \$4,000
- Loan application costs: \$1,000 to \$3,000
- Building and pest inspection: \$500 to \$800
- Quantity surveyor: \$500 to \$800

Total professional costs: roughly \$6,000 to \$12,000 on top of the property purchase costs.

That sounds like a lot.

But consider the alternative.

One mistake with the contract structure could cost you stamp duty twice (if you have to re-purchase correctly). That's tens of thousands.

One compliance breach could result in penalties or worse. Potentially hundreds of thousands.

One bad lending decision could cost you a percentage point on your interest rate for years. Thousands and thousands.

Good professionals aren't an expense. They're insurance. They're an investment in getting it right.

Pay for quality. It's cheaper in the long run.

**Action step**

Complete the Document Checklist in Appendix K.

Before you start looking at properties, make sure you have:

- SMSF trust deed (check it allows property and borrowing)
- Updated investment strategy
- Trustee meeting minutes approving property purchase
- Lending pre-approval
- Your professional team engaged and ready

Don't skip steps. The boring paperwork protects you.

*Find your sweet spot, or have the guts to walk away.*

# Staying compliant (and out of trouble)

*The ATO audited 16,000 SMSFs last year for the same valuation issue. Don't be the 16,001st.*

## **Key takeaways**

- Compliance isn't a one-time event. It's an ongoing responsibility.
- Every SMSF must be audited annually by an independent auditor
- Property valuations must reflect current market value, not purchase price
- Keep records of everything. Minutes, receipts, valuations, decisions.
- The most common breaches are avoidable if you know what to watch for

You've bought the property. Congratulations.

Now comes the less exciting part: staying compliant for the next 20, 30, maybe 40 years until you draw down your super and eventually wind up the fund.

This is where a lot of people get lazy. They think the hard work is done. They stop paying attention to the rules. They assume their accountant will catch any problems.

Then the ATO sends a letter.

This chapter is your insurance against that letter. Think of it as a speed awareness course. Not because you've been caught speeding, but because you'd rather not get caught in the first place.

## **The speed camera analogy**

The ATO has speed cameras everywhere.

They have data matching systems that cross-reference SMSF records with land titles, rental bonds, company registers, and bank accounts. They know when an SMSF buys property. They know who lives in it. They know if the rent being charged matches market rates.

They have mandatory auditor reports. Every SMSF auditor must report certain breaches to the ATO. Your auditor isn't there to protect you from the regulator. They're required to dob you in if something's wrong.

They have tip-off lines. Disgruntled ex-spouses are a particularly rich source of information about SMSF breaches. Family disputes have a way of bringing skeletons out of closets.

And they have random audits. Even if you've done nothing to trigger suspicion, your fund might be selected for review.

The point is: assume you're being watched. Because you probably are.

Most trustees caught speeding say "I didn't know". Ignorance isn't a defence. This chapter is your speed awareness course.

## The annual audit

Every SMSF must be audited every year by an independent, registered auditor.

This isn't optional. This isn't something you can skip if you're busy. It's a legal requirement.

The auditor checks two things.

Financial audit: Are the financial statements accurate? Do the numbers add up? Are the assets real?

Compliance audit: Has the fund complied with super laws? Are there any breaches?

If the auditor finds a breach, they must report it to the ATO. This isn't discretionary. They're legally required to lodge what's called an Auditor Contravention Report (ACR).

When an ACR lands on the ATO's desk, they'll look at it and decide what to do. It might be nothing (for minor, already-rectified issues). It might be an education direction. It might be penalties. It depends on the severity.

Your job is to make sure your auditor has nothing to report.

## The valuation trap

This is the number one compliance issue the ATO finds with SMSF property.

Your SMSF property must be valued at market value every year. Not the price you paid. Not what you think it's worth. What it would actually sell for today.

Why does this matter?

Because your SMSF's financial statements need to reflect reality. If your property has gone up in value, your fund balance has gone up. If it's gone down, your balance has gone down. The numbers need to be accurate.

Here's where people get into trouble.

They buy a property for \$500,000. Five years later, they're still reporting it as \$500,000. The auditor asks for a valuation, and the trustee says "we haven't had one done".

That's a breach. A common one, but a breach nonetheless.

The ATO contacted over 16,000 SMSFs in recent years for exactly this issue: reporting the same property value year after year without evidence of current market value.

## Helen and Bruce's near miss

### Character check-in: Helen and Bruce Thompson

Ages: Late 50s

SMSF property value: Originally \$720,000 (purchase price)

Problem: They'd reported the same value for three years straight

Helen and Bruce bought their SMSF property eight years ago for \$720,000. For the first five years, they got a valuation done each year. The property gradually increased: \$720,000, \$740,000, \$770,000, \$810,000, \$850,000.

Then they got complacent.

"It's probably about the same as last year," they thought. "Why pay for another valuation?"

For the next three years, they reported the property at \$850,000. No valuation. Just an assumption.

Their auditor flagged it. Three years with the same value? That's suspicious. The auditor asked for evidence of current market value.

Helen quickly arranged a market appraisal from a local real estate agent. The property was now worth \$950,000. Good news for their balance, but they'd been under-reporting their assets for three years.

The auditor noted the issue but didn't lodge an ACR because Helen and Bruce rectified it promptly. It was a near miss.

Now they get a valuation done every June without fail. It costs a few hundred dollars. It's worth it.

## What counts as a valuation?

Good news: you don't need a full formal valuation from a registered valuer every year. That would be expensive.

For most SMSFs, an "objective and supportable" market valuation is sufficient. This can be:

- A written appraisal from a real estate agent (free or low cost)
- A valuation from an online service using comparable sales data
- A formal valuation from a registered valuer (most thorough, but most expensive)

The key is that it must be evidence-based, current, and documented.

You can't just guess. You can't just say "it's probably gone up 5%". You need something in writing that your auditor can review.

For properties with loans (LRBAs), lenders often require formal valuations at certain points. Keep copies of these. They serve double duty.

## Records you must keep

The ATO can ask for records going back years. If you can't produce them, you've got a problem.

Here's what you need to keep, and for how long.

Forever (or at least until the fund winds up):

- Trust deed and any amendments
- Member applications
- Minutes of trustee meetings and resolutions
- Records of all contributions and rollovers
- Death benefit nominations

For at least 10 years:

- Annual financial statements
- Annual returns (lodged with ATO)
- Audit reports
- Property valuations
- Investment strategy documents

For at least 5 years:

- Receipts and invoices
- Bank statements
- Rental statements
- Insurance policies
- Correspondence with advisers

Keep digital copies as well as physical copies. Store them securely. Your accountant should keep copies too, but don't rely solely on them.

## Your investment strategy

Every SMSF must have a written investment strategy. And it must be reviewed regularly.

This isn't just a box-ticking exercise. The investment strategy should genuinely reflect how your fund invests and why.

The strategy must consider:

- The risk and return of investments
- Diversification
- Liquidity (ability to pay benefits and expenses)
- The ability to pay benefits as members retire
- Whether to hold insurance for members

When you buy property, your investment strategy should be updated to reflect the decision and the rationale.

The ATO can ask to see your investment strategy. If it says "diversified portfolio of shares" but your fund holds a single property, that's a problem.

Review your strategy at least annually, and whenever there's a significant change (like buying property). Document the review in trustee meeting minutes.

## The most common breaches

Let me run through the breaches that trip people up most often.

1. Lending to members or relatives. This is number one. The ATO says about 16% of all breaches involve loans to related parties. More than \$200 million has been lent inappropriately. Don't do it.
2. Property valuations not current. As we discussed. Get them done every year.
3. Related party transactions at non-market rates. If your business rents your SMSF property, it must be at market rent. If your relative does maintenance, they must charge market rates. Document everything.
4. Sole purpose test breaches. Any personal use of fund assets. Even one night in the holiday house. Even letting your kids store their stuff in the garage.
5. Late lodgement of returns. The annual return must be lodged on time. Late lodgement can trigger penalties and ATO attention.
6. Insufficient records. Can't find the paperwork? That's a compliance issue in itself.
7. Investment strategy not reviewed. Set a reminder. Review it annually. Document the review.

8. Separation of assets. SMSF assets must be kept separate from personal assets. SMSF bank accounts, SMSF property titles (via the bare trust), clear separation.

## What happens if you breach

Let's say you've made a mistake. What happens now?

It depends on the breach and how you handle it.

Self-correction: Some breaches can be fixed before the auditor even notices. You realise the valuation is outdated, you get a new one, you update the records. No harm done.

Auditor notices, no ACR: For minor breaches that are rectified promptly, the auditor might note the issue but not report it to the ATO. This is at their discretion for less serious matters.

ACR lodged, education direction: For less serious breaches, the ATO might require you to complete an SMSF education course. Not fun, but not catastrophic.

ACR lodged, rectification direction: The ATO orders you to fix the breach within a specified timeframe. Failure to comply leads to worse outcomes.

Administrative penalties: Financial penalties for contraventions. These can add up quickly if there are multiple issues.

Disqualification: In serious cases, you can be disqualified from being a trustee. You'd have to wind up the SMSF or change to a corporate trustee.

Non-complying fund: The nuclear option. The fund loses its tax concessions and is taxed at 45% on its entire balance. Catastrophic.

The escalation is designed to be proportionate. First-time minor breaches get gentle treatment. Repeat offenders, deliberate breaches, and serious contraventions get hammered.

Don't rely on getting off lightly. Follow the rules in the first place.

## The compliance mindset

Here's how I think about SMSF compliance.

Before I make any decision in my SMSF, I imagine explaining it to an ATO auditor. Not a friendly auditor. A sceptical one.

Could I explain why this transaction occurred? Could I show it was at arm's length? Could I produce the documentation? Could I demonstrate it was consistent with the fund's investment strategy and sole purpose?

If yes, I proceed. If there's any doubt, I get advice first.

This mindset makes compliance automatic. You stop even considering questionable transactions because they don't pass the "explain it to an auditor" test.

Compliance isn't a burden when it's a habit. It's just how you operate.

## Your annual compliance calendar

Let me give you a simple annual rhythm for SMSF compliance.

July (start of financial year):

- Review investment strategy

- Update property valuation to current market value
- Review insurance coverage for members

Throughout the year:

- Keep records of all income and expenses
- Document trustee decisions in minutes
- Ensure contributions are within caps
- Lodge BAS if registered for GST

May/June (before year end):

- Arrange independent audit
- Gather all documents for auditor
- Review and pay any deductible expenses
- Consider maximising contributions before caps reset

After year end:

- Prepare financial statements
- Complete audit
- Lodge annual return (your accountant will advise on deadline)
- Pay SMSF supervisory levy

Put these in your calendar. Set reminders. Don't let them slip.

**Action step**

Set up the Annual Compliance Calendar from Appendix I.

Put the key dates in your phone calendar with reminders:

- July: Investment strategy review and property valuation
- May: Arrange audit
- Your return due date: Lodge annual return

Ask your accountant when your specific deadlines are. Different funds have different lodgement due dates depending on when the tax agent lodges.

Don't rely on your accountant to remind you. Set your own reminders.

*Find your sweet spot, or have the guts to walk away.*

# From purchase to pension: planning your endgame

*You've run the Two-Tick Test. Both boxes are ticked. You've done the work. Now let's make sure you can actually enjoy the rewards when retirement comes.*

## **Key takeaways**

- The sweet spot is where both ticks align and your endgame is planned
- In pension phase, rental income becomes tax-free (0% instead of 15%)
- But you must pay minimum pension amounts in cash each year
- Property-heavy funds can face liquidity problems in pension phase
- Plan your exit before you need it, not when you're forced to

We've reached the final chapter.

If you've made it this far, you've learned a lot. You understand the rules. You know the numbers. You've thought about what kind of property suits your SMSF. You've assembled your professional team.

But there's one more piece to the puzzle: the endgame.

Because SMSF property isn't a destination. It's a vehicle. The destination is a comfortable retirement. And if you don't plan how you'll get from property ownership to pension payments, you might find yourself stuck at the side of the road.

Let's make sure that doesn't happen.

## **The sweet spot**

Throughout this book, I've talked about finding your sweet spot.

Let me define it precisely.

The sweet spot is where both ticks of the Tradie's Two-Tick Test are firmly in place, and your endgame is planned.

Tick 1: Should you? You've answered yes with confidence. SMSF property fits your goals, your risk tolerance, and your life situation.

Tick 2: Can you? You've confirmed the rules allow it, the numbers work, and you have the resources to execute.

Plus: Endgame planned. You know how you'll transition from accumulation to pension, how you'll pay benefits, and what happens when you're gone.

Miss any of these elements and you're outside the sweet spot.

The sweet spot isn't just about buying well. It's about buying well, holding well, and exiting well. The whole journey, not just the first step.

## Every building needs exit doors

When architects design buildings, they don't just think about how people get in. They think about how people get out.

Fire exits. Emergency stairs. Clear signage. Multiple routes to safety.

Good buildings have multiple exit options. If one route is blocked, you can use another.

Your SMSF property strategy should work the same way.

If your only exit is selling a \$900,000 house in a falling market while your spouse needs aged care and your pension payments are due, you're trapped. You've got no options. You're at the mercy of circumstances.

Smart SMSF investors plan multiple exits:

- Liquid assets alongside property (cash, shares) to fund pensions without selling
- Properties in markets that stay active even in downturns
- Clear plans for what happens if a member dies
- Insurance to cover unexpected obligations
- Reversionary pension structures so benefits continue seamlessly

The sweet spot includes knowing how you'll get out, not just how you got in.

## Understanding the pension phase

When you're working, your super is in "accumulation phase". Money goes in. It grows (hopefully). It gets taxed at 15%.

When you retire, you can start a "pension" from your super. This is where things get interesting.

In pension phase, the earnings on your super (including rental income) are taxed at zero per cent. Not 15%. Zero.

Capital gains? Also potentially zero if the asset is supporting a pension.

This is a huge benefit. It's one of the main reasons SMSF property can work so well for retirement.

But there's a catch.

## The \$3 million question: Division 296

Before the drawdown rules, one more piece of 2026 law, because it lands exactly here, in the endgame.

From 1 July 2026, Division 296 adds an extra personal tax for anyone whose total superannuation balance, across every fund they belong to, is above \$3 million. Earnings attributable to the portion between \$3 million and \$10 million are taxed at a headline 30 per cent instead of 15. Earnings attributable to anything above \$10 million cop a headline 40 per cent. It's assessed per member, not per fund, and the first assessments arrive after 30 June 2027.

Three design features matter for property investors.

It only taxes realised earnings. Rent, interest, dividends and gains on assets you actually sell. The original proposal taxed paper gains on assets you hadn't sold, which would have been brutal for property-heavy funds; that was removed from the final law. Your property can double in value on paper without triggering this tax. Selling it is what counts.

The thresholds are indexed. The \$3 million line rises with inflation in \$150,000 steps, and the \$10 million line in \$500,000 steps, so ordinary growth doesn't quietly drag you over.

There's a one-off election with a deadline. SMSFs can choose to reset the cost base of all fund assets to their market value at 30 June 2026, so gains built up before that date are excluded from Division 296 calculations when you eventually sell. It's all assets or none, it can't be reversed, and it has to be made by the due date of the fund's 2026-27 tax return. If your fund holds property with large built-in gains and any member could plausibly cross \$3 million one day, this election is a conversation to have with your accountant this year, not later.

If your balance is nowhere near \$3 million, Division 296 doesn't touch you, and most readers of this book are in that camp. But property plus contributions plus decades of growth is exactly the combination that gets people there, and if it happens, the tax is payable by you personally or released from the fund, which is one more reason the liquidity planning later in this chapter matters.

## The catch: minimum drawdowns

Once you start a pension, you must draw a minimum amount each year. This is a legal requirement. You can't just leave the money sitting there.

The minimum depends on your age.

Age	Minimum annual drawdown (%)
Under 65	4%
65 to 74	5%
75 to 79	6%
80 to 84	7%
85 to 89	9%
90 to 94	11%
95 and over	14%

So if your SMSF has \$1 million and you're 67, you must draw at least \$50,000 per year as pension payments.

Here's the problem: pensions must be paid in cash.

You can't pay a pension with half a bathroom. You can't give your members a percentage of the property each year. You need actual cash.

If your SMSF is 90% property and 10% cash, and your minimum drawdown exceeds your cash reserves, you've got a liquidity problem.

## The liquidity problem in action

Let me illustrate with numbers.

SMSF balance: \$1,000,000

Property value: \$850,000 (85% of fund)

Cash and shares: \$150,000 (15% of fund)

Member age: 67

Minimum drawdown: 5% = \$50,000 per year

Net rental income: \$30,000 per year

See the problem?

The minimum pension is \$50,000. The rental income is \$30,000. There's a \$20,000 shortfall each year.

In year one, you draw from the cash reserves. Balance drops to \$130,000.

In year two, another \$20,000. Balance drops to \$110,000.

In year three, balance drops to \$90,000.

And so on.

Within eight years, you've run out of liquid assets. Now what?

You either need to sell the property (possibly at a bad time, possibly with capital gains tax implications), or you breach the minimum drawdown rules (which has its own consequences).

This is why liquidity planning matters so much.

## Helen and Bruce plan their endgame

### Character check-in: Helen and Bruce Thompson

Ages: Late 50s (Helen 58, Bruce 59)

Combined super: \$1.2 million

SMSF property: \$850,000

Other assets: \$350,000 in shares and cash

Time to retirement: About 7 years

Helen and Bruce have done well. They bought their SMSF property eight years ago, and it's grown nicely. But now, with retirement on the horizon, they're thinking about what comes next.

They sat down with their financial adviser to map out the endgame.

Current position: Fund is 71% property (\$850,000) and 29% other assets (\$350,000). Net rental income is \$35,000 per year.

Projection at age 65: Assuming continued contributions and growth, they expect the fund to be worth about \$1.5 million. If the property grows to \$1 million, other assets would be around \$500,000.

Minimum drawdown at 65: 5% of \$1.5 million = \$75,000 per year.

Expected rental income: Around \$45,000 per year (assuming rent grows with inflation).

Shortfall: \$30,000 per year to be funded from other assets.

At that rate, the \$500,000 in liquid assets would last about 17 years (longer if invested and growing). By the time Helen is 82 and Bruce is 83, they'd need to reconsider.

Their adviser proposed a strategy:

Option A: Sell the property before starting the pension and reinvest in a diversified portfolio. Simpler, more liquid, easier to manage as they age.

Option B: Keep the property but plan to sell it around age 75 when liquid assets start running low. Gives them more years of property exposure.

Option C: Keep the property indefinitely and hope the rental income increases enough to cover drawdowns. Riskiest approach.

Helen and Bruce chose Option B. They'd keep the property for another 10 to 15 years, enjoying the tax-free rental income, then sell when liquidity becomes critical.

They also put two other safeguards in place.

## Reversionary pensions: protecting each other

What happens if Helen dies before Bruce, or vice versa?

In a standard pension, when the member dies, the pension stops. The benefits might need to be paid out, potentially triggering a forced sale of assets.

A reversionary pension is different. It's set up so that if one member dies, the pension automatically continues to the other member. No interruption. No forced actions. The surviving spouse keeps receiving the pension.

Helen and Bruce set up reversionary pensions. If Helen dies, Bruce's pension continues seamlessly. If Bruce dies, Helen's pension continues.

This is especially important when you have illiquid assets like property. You don't want a death to force a fire sale.

## What happens when you're both gone

Eventually, both members will die. (Sorry to be blunt, but it's relevant.)

When the last member of an SMSF dies, the fund must pay out all the benefits. It can't keep running forever with no members.

Benefits can go to:

- A spouse or de facto partner (tax-free regardless of age)
- A child under 18 (tax-free)
- A child 18 or over who is financially dependent (tax-free)
- An adult child who is not dependent (taxed, potentially heavily)
- Other dependants in certain circumstances
- The estate, to be distributed according to the will

If your adult children inherit your super and they're not dependants, they could face tax of up to 17% on the taxable component (the portion that was contributed from concessional contributions).

This is where estate planning gets important.

You need binding death benefit nominations. These tell the trustee exactly where to pay the benefits. Without them, the trustee (which might be your kids, or a corporate trustee) makes the decision.

Helen and Bruce updated their nominations. They specified that on the death of the surviving member, benefits go to their adult children in equal shares. They understood the potential tax implications and planned accordingly.

## Insurance: the backup plan

What if something goes wrong before retirement?

Helen gets sick and can't work. Bruce is injured in an accident. The contributions stop but the loan repayments don't.

This is where insurance inside super can help.

- Life insurance pays a lump sum if a member dies
- Total and permanent disability (TPD) insurance pays if a member can never work again
- Income protection insurance replaces income if a member is temporarily unable to work

Insurance premiums paid from super reduce your balance, but they also reduce the risk of catastrophe.

Helen and Bruce reviewed their insurance and decided to hold life and TPD cover inside the SMSF. It gave them peace of mind that even if something unexpected happened, the fund would have resources to cope.

## The integrated plan

Here's what Helen and Bruce's endgame plan looks like.

Now to age 65: Continue contributing. Keep the property. Build the liquid asset buffer. Stay compliant.

Age 65 to 75: Start pensions. Draw minimums from liquid assets while enjoying tax-free rental income. Monitor the balance.

Around age 75: Reassess. If liquid assets are running low, sell the property and reinvest in a diversified portfolio. If the fund is healthy, consider keeping the property longer.

Throughout: Reversionary pensions protect the surviving spouse. Insurance covers catastrophic scenarios. Death benefit nominations ensure benefits go where intended.

This is a complete plan. Purchase to pension to legacy. The whole journey.

That's the sweet spot.

## Bringing it all together

We've covered a lot of ground in this book.

We started with the honest question: should you? We talked about when to walk away. We ran the numbers. We learned the rules. We compared residential and commercial. We demystified LRBAs. We found the right property. We assembled the team. We stayed compliant.

And now we've planned the endgame.

If you've done all of this, you're in a small minority of SMSF property investors. Most people stumble into one of these steps without thinking it through. They buy without understanding the rules. They hold without planning for pension phase. They exit in a panic because they didn't think ahead.

You're different. You've done the work.

That doesn't guarantee success. Property markets move. Rules change. Life throws curveballs. But you've given yourself the best possible chance.

You've found your sweet spot.

## One last thought

SMSF property is not for everyone.

I've said it throughout this book, and I'll say it one more time. Some people shouldn't do it. Some people should wait. Some people should walk away.

But for those who are right for it, at the right time, with the right resources and the right plan, SMSF property can be a powerful tool for building retirement wealth.

The key is being honest with yourself.

Honest about whether you're ready. Honest about whether the numbers work. Honest about whether you've got the time, the knowledge, and the commitment to do it properly.

If you can answer yes to all of that, genuinely and without self-deception, then you might have found something worth pursuing.

And if you can't answer yes, that's okay too.

Finding out you're not ready is valuable information. It saves you from a mistake. It gives you a target to work towards. It protects your retirement from a decision that might have hurt it.

Either way, you win.

### **Final action step**

Complete the Endgame Planning Worksheet in Appendix J.

Map out your plan from now to retirement:

- When will you start a pension?
- What will your minimum drawdown be?
- How will you fund it?
- When might you need to sell the property?
- What happens if you die?

Share the worksheet with your SMSF accountant and financial adviser.

Then put it in your calendar to review every year. Plans change. Life changes. Keep your endgame current.

*Find your sweet spot, or have the guts to walk away.*

Now go build your retirement.

# Appendix A: The tradie's two-tick test

Before a good tradie starts any job, they run two checks. You should do the same before diving into SMSF property.

## **TICK 1: Is this job worth doing? (SHOULD YOU?)**

- Right fit for your goals?
- Right timing in your life?
- Right risk appetite?
- Will this actually get you where you want to go?

## **TICK 2: Can I actually do this job? (CAN YOU?)**

- Got the tools? (enough super balance)
- Got the skills? (time and commitment to manage SMSF)
- Got the permits? (meet ATO rules, qualify for lending)

## **THE SWEET SPOT**

When both ticks are in place, you've found your sweet spot. This is where SMSF property makes sense for you.

Miss either tick and you're outside it. That's okay. Walking away is a valid outcome.

*Find your sweet spot, or have the guts to walk away.*

# Appendix B: SMSF property readiness scorecard

Score yourself honestly. No one's watching. Each 'Yes' is worth 1 point.

# Q	Question Y	es/No
1	Do you have at least \$200,000 in combined super (you and your partner if applicable)?	
2	Can you contribute at least 2 hours per month to SMSF administration and decisions?	
3	Are you comfortable making investment decisions without a fund manager?	
4	Do you have a clear reason for wanting property specifically (not just "property goes up")?	
5	Can you afford SMSF running costs (\$3,000 to \$8,000 per year) without stress?	
6	Do you have at least 10 years until retirement (or already retired with a clear strategy)?	
7	Are you willing to follow strict ATO rules, even when they seem annoying?	
8	Do you understand that SMSF property is illiquid (hard to sell quickly)?	
9	Can you handle periods of vacancy or unexpected repairs without panic?	
10	Have you spoken to (or are you willing to speak to) an SMSF specialist accountant?	

Your score: \_\_\_\_ / 10

Score	What it means
8 to 10	Green light. You're well positioned. Keep reading and build your plan.
5 to 7	Amber light. Some gaps to address. Read carefully and consider what needs to change.
0 to 4	Red light. SMSF property probably isn't right for you yet. That's not failure. That's smart.

# Appendix C: Red flag checklist

If any of these apply to you, stop and think very carefully. One red flag is a warning. Three or more? Walk away.

[]	Red flag
[]	Your combined super balance is under \$200,000
[]	You're buying because "everyone says property is safe"
[]	You want to live in or holiday in the property yourself (even "just sometimes")
[]	You're being pressured by a property spruiker or seminar company
[]	You haven't compared SMSF costs to your current industry fund returns
[]	You're less than 5 years from retirement with no clear exit strategy
[]	You don't have time to manage an SMSF properly
[]	Your job or income is unstable (affecting your contributions)
[]	You're doing this to "keep up" with friends or family
[]	You haven't spoken to an SMSF specialist accountant yet
[]	You're planning to buy from a related party without understanding the rules
[]	You can't explain the sole purpose test in one sentence
[]	You're relying on future super contributions to make repayments
[]	You haven't considered what happens if the property sits vacant for 6 months

Total red flags: \_\_\_\_\_

*Remember: Walking away isn't failure. Walking away when the numbers don't work is exactly what smart investors do.*

# Appendix D: Break-even calculator

SMSF property isn't magic. It's maths. Use this calculator to work out if the numbers stack up for you.

## Step 1: Your current situation

---

Current super balance (combined if applicable)

---

Your current fund's average annual return (check your statement)

Your current fund's annual fees

---

## Step 2: SMSF running costs (annual)

---

Cost item	Amount
-----------	--------

---

SMSF accountant and tax return (\$1,500 to \$3,500 typical)

SMSF audit (\$500 to \$800 typical)

ASIC annual fee (\$65)

ATO supervisory levy (\$287 typical)

Investment platform fees (if using one)

Insurance premiums (life, TPD, income protection)

Total annual SMSF running costs

---

## Step 3: The break-even calculation

SMSF running costs as a percentage of your super:

$(\text{Total annual SMSF costs} \div \text{Super balance}) \times 100 = \text{____}\%$

**Example:**

Super balance: \$300,000

Annual SMSF costs: \$4,500

Cost as percentage:  $(\$4,500 \div \$300,000) \times 100 = 1.5\%$

*This means your SMSF investments need to beat your current fund by at least 1.5% per year just to break even on fees.*

## Step 4: The honest question

Can your SMSF property strategy realistically outperform your current fund by at least this percentage, after accounting for property management fees, maintenance, vacancies, and your time?

*If the answer is "probably not" or "I don't know", that's valuable information. It might mean SMSF property isn't your sweet spot.*

# Appendix E: Who counts as related?

The ATO cares deeply about who you do business with through your SMSF. Get this wrong and you could face serious penalties. Here's who counts as a "related party" under the rules.

## Definitely related (no exceptions)

### - You (the member)

- Your spouse or de facto partner
- Your children (any age)
- Your parents
- Your siblings
- Your grandparents and grandchildren
- The spouses of any of the above
- Any company you or your relatives control
- Any trust you or your relatives control
- Any business partner of yours or your relatives

## What this means in practice

You cannot... B	ut you can...
Buy residential property from a related party	Buy residential property from a stranger at arm's length
Rent your SMSF residential property to yourself or family	Rent your SMSF residential property to an unrelated tenant
Use your SMSF holiday house for personal holidays	Buy commercial property from a related party (with conditions)
Lend money from your SMSF to family	Lease commercial property to your own business (at market rate)

The golden rule: If in doubt, get it in writing from your SMSF accountant before you proceed. The penalties for getting related party transactions wrong can be severe, including losing your fund's compliant status entirely.

# Appendix F: Residential vs commercial decision matrix

A 2026 note before you score anything: for new purchases from 10 August 2026, borrowing is only available for commercial (business real property). If your plan needs a loan, the residential column is only in play for arrangements grandfathered before that date.

Residential and commercial SMSF property are completely different games. Here's how they compare.

Factor	Residential	Commercial
Can you buy from family?	No. Never.	Yes, if it's "business real property"
Can you lease to your own business?	No	Yes, at market rate
Typical yield	2% to 4%	5% to 8%
Typical capital growth	Higher (historically)	Lower (generally)
Vacancy risk	Lower (people always need homes)	Higher (businesses fail)
Lease terms	6 to 12 months typical	3 to 10 years typical
Who pays outgoings?	Landlord (you)	Often tenant (net lease)
LRBA lending available?	Yes, but harder	Yes, often easier for good properties
Liquidity (ease of selling)	Better	Worse
Best for... L	ong-term growth B seekers	usiness owners, yield seekers

## Quick decision guide

Consider residential if: You want capital growth, don't own a business that needs premises, and prefer easier selling later.

Consider commercial if: You own a business that pays rent, want higher yield, and can handle longer vacancy periods.

# Appendix G: LRBA lender comparison sheet

From 10 August 2026, this sheet applies to loans for business real property, and to refinancing residential loans grandfathered before that date. New residential LRBA's are no longer available.

SMSF loans (Limited Recourse Borrowing Arrangements) are a different beast to regular home loans. Use this sheet to compare your options.

Factor	Lender 1	Lender 2	Lender 3
Lender name			
Interest rate (variable)			
Interest rate (fixed)			
Maximum LVR residential			
Maximum LVR commercial			
Minimum loan amount			
Maximum loan amount			
Application fee			
Ongoing annual fee			
Valuation fee			
Legal/settlement fee			
Minimum super balance required			
Personal guarantee required?			
Interest-only option available?			
Maximum loan term			

*Tip: SMSF loan rates are typically 0.5% to 1.5% higher than standard home loan rates. This is normal. Shop around, but don't expect standard rates.*

# Appendix H: SMSF property scorecard

Rate each property you're considering. Score 1 to 5 for each factor (1 = poor, 5 = excellent).

Property address: \_\_\_\_\_

Price: \_\_\_\_\_ Type: Residential / Commercial

Factor	Score (1-5)	Notes
Rental yield (after all costs)		
Location growth potential		
Tenant appeal/demand		
Property condition (less repairs needed = better)		
Liquidity (ease of selling later)		
SMSF compliance (meets all rules)		
Fits your investment strategy		
Depreciation benefits available		
Insurance availability and cost		
Council and zoning stability		

Total score: \_\_\_\_ / 50

40 to 50	Strong candidate. Do your due diligence and proceed with confidence.
30 to 39	Decent option. Address weak areas or keep looking.
Below 30	Not your sweet spot. Keep searching.

# Appendix I: Annual compliance calendar

A 2026-27 addition: if your fund holds assets with large built-in gains and any member could ever exceed the Division 296 threshold, ask your accountant about the one-off cost base reset election before the fund's 2026-27 return is due. It's irrevocable, so it deserves a proper conversation, not a deadline scramble.

Running an SMSF means hitting deadlines. Miss them and you'll face penalties. Here's your year at a glance.

When	What	Done?
July	New financial year begins. Review investment strategy.	<input type="checkbox"/>
July	Update property valuations to market value.	<input type="checkbox"/>
July	Roll over any unused concessional contribution cap.	<input type="checkbox"/>
August	Review insurance cover for members.	<input type="checkbox"/>
October	Lodge annual return if self-preparing (or give to accountant).	<input type="checkbox"/>
October	Pay SMSF supervisory levy.	<input type="checkbox"/>
Quarterly	PAYG instalments (if applicable).	<input type="checkbox"/>
Quarterly	BAS lodgement (if registered for GST).	<input type="checkbox"/>
Ongoing	Keep receipts for all expenses.	<input type="checkbox"/>
Ongoing	Document all trustee decisions in minutes.	<input type="checkbox"/>
Ongoing	Keep property documents (lease, insurance, repairs).	<input type="checkbox"/>
Before 30 June	Maximise contributions within caps.	<input type="checkbox"/>
Before 30 June	Pay deductible expenses before year end.	<input type="checkbox"/>
May	Independent audit arranged and completed.	<input type="checkbox"/>

*Tip: Most SMSF accountants will remind you of these deadlines. But ultimately, it's your fund and your responsibility. Don't rely on reminders alone.*

# Appendix J: Endgame planning worksheet

You can't stay in accumulation phase forever. Eventually you'll need to draw a pension or exit. Plan your endgame now.

## Your current situation

---

Your current age

---

Your planned retirement age

Years until retirement

Current SMSF property value (estimate)

Current SMSF liquid assets (cash, shares)

Any LRBA debt remaining?

---

## The pension phase problem

When you start a pension from your SMSF, you must pay yourself in cash. Property can't be split into pension payments. This means you need enough liquid assets to cover pension payments, or a plan to sell the property.

---

Calculation	Your numbers
-------------	--------------

---

Minimum pension payment required at age 65 (4% of balance)

Minimum pension payment required at age 75 (5% of balance)

Expected annual rent from SMSF property

Shortfall (pension minus rent)

Years of liquid assets to cover shortfall

---

## Your exit strategy (tick one)

---

Sell property before pension phase and reinvest in liquid assets

---

Keep property and use rent plus other assets for pension payments

Transfer property out of SMSF as an in-specie benefit (complex, get advice)

Wind up SMSF entirely and transfer to industry/retail fund

Not sure yet. Need to discuss with accountant/adviser.

---

The worst time to figure out your exit strategy is when you're forced to. Plan now.

# Appendix K: Document checklist

Buying property through your SMSF involves a mountain of paperwork. Here's everything you'll need.

## Before you start looking

---

<input type="checkbox"/>	SMSF trust deed (check it allows property and borrowing)
<input type="checkbox"/>	SMSF investment strategy (updated to include property)
<input type="checkbox"/>	Trustee meeting minutes approving property purchase
<input type="checkbox"/>	Recent SMSF financial statements
<input type="checkbox"/>	Member statements showing balances

---

## For the loan application (if borrowing)

---

<input type="checkbox"/>	SMSF trust deed
<input type="checkbox"/>	Last two years of SMSF tax returns and financials
<input type="checkbox"/>	Personal ID for all members (drivers licence, passport)
<input type="checkbox"/>	Personal financial statements for guarantors (if required)
<input type="checkbox"/>	Details of the property (contract of sale, valuation)
<input type="checkbox"/>	Evidence of rental income potential

---

## For the property purchase

---

<input type="checkbox"/>	Contract of sale (in the name of the bare trustee, not the SMSF)
<input type="checkbox"/>	Bare trust deed (holding trustee arrangement)
<input type="checkbox"/>	Section 32 vendor statement (Victoria) or equivalent
<input type="checkbox"/>	Building and pest inspection reports
<input type="checkbox"/>	Strata/body corporate records (if applicable)
<input type="checkbox"/>	Title search
<input type="checkbox"/>	Land tax assessment
<input type="checkbox"/>	Council rates notice

---

## After settlement

---

<input type="checkbox"/>	Landlord insurance policy (in SMSF trustee name)
<input type="checkbox"/>	Property management agreement (if using an agent)
<input type="checkbox"/>	Lease agreement with tenant
<input type="checkbox"/>	Depreciation schedule (from quantity surveyor)
<input type="checkbox"/>	Updated SMSF investment strategy reflecting purchase
<input type="checkbox"/>	Trustee minutes recording the purchase completion

---

# Appendix L: Key contacts and resources

Bookmark these. You'll need them.

## Government and regulators

Organisation	Website
Australian Taxation Office (ATO)	<a href="http://ato.gov.au/super/self-managed-super-funds">ato.gov.au/super/self-managed-super-funds</a>
ASIC (MoneySmart)	<a href="http://moneysmart.gov.au">moneysmart.gov.au</a>
APRA	<a href="http://apra.gov.au">apra.gov.au</a>
ABR (ABN Lookup)	<a href="http://abr.business.gov.au">abr.business.gov.au</a>

## Professional registers (find qualified advisers)

Register	Website
SMSF Association	<a href="http://smsfassociation.com">smsfassociation.com</a> (find a specialist)
CPA Australia	<a href="http://cpaaustralia.com.au">cpaaustralia.com.au</a>
Chartered Accountants ANZ	<a href="http://charteredaccountantsanz.com">charteredaccountantsanz.com</a>
Financial Adviser Register	<a href="http://moneysmart.gov.au/financial-advice">moneysmart.gov.au/financial-advice</a>
MFAA (Mortgage Brokers)	<a href="http://mfaa.com.au">mfaa.com.au</a>

## Useful ATO resources

Topic	Search on <a href="http://ato.gov.au">ato.gov.au</a>
SMSF borrowing (LRBA) rules	"Limited recourse borrowing   arrangements"
Sole purpose test	"Sole purpose test SMSF"
Related party transactions	"Related party SMSF"
In-house asset rules	"In-house assets SMSF"
Business real property	"Business real property SMSF"
SMSF penalties	"Administrative penalties SMSF"

*Always verify any advice against official ATO guidance. Rules change. The ATO website is the source of truth.*

# Appendix M: Glossary of abbreviations

The finance industry loves its acronyms. Here's what they all mean.

Abbrev.	What it means
ABN	Australian Business Number. Your SMSF has one.
ASIC	Australian Securities and Investments Commission. Corporate regulator.
ATO	Australian Taxation Office. The big dog. They regulate SMSFs.
CGT	Capital Gains Tax. Tax on profit when you sell an asset.
ECPI	Exempt Current Pension Income. Tax exemption for pension phase.
GST	Goods and Services Tax. 10% tax on most things.
LRBA	Limited Recourse Borrowing Arrangement. How SMSFs borrow for property.
LVR	Loan-to-Value Ratio. How much you borrow versus property value.
NALI	Non-Arm's Length Income. Income taxed at 45% due to dodgy dealings.
SIS Act	Superannuation Industry (Supervision) Act 1993. The rulebook for super.
SMSF	Self-Managed Superannuation Fund. Your own super fund, your rules (within limits).
TBAR	Transfer Balance Account Reporting. Tells ATO about pension phase moves.
TBC	Transfer Balance Cap. Maximum you can move to tax-free pension phase.

Two additions for this edition.

Business real property: land and buildings used wholly and exclusively in one or more businesses, as defined in section 66 of the superannuation law. From 10 August 2026, the only kind of real property an SMSF can borrow to buy.

Division 296: an additional personal tax, from 1 July 2026, on superannuation earnings attributable to total balances above \$3 million (headline 30 per cent) and above \$10 million (headline 40 per cent). Realised earnings only; thresholds indexed.

# Important disclaimers

## **This edition (updated July 2026)**

This edition was updated in July 2026 for three major changes: the ban on new residential LRBAs commencing 10 August 2026, Division 296 commencing 1 July 2026, and the May 2026 federal budget's changes to negative gearing and capital gains tax outside super, which start 1 July 2027. Superannuation law is moving quickly. Every rule and figure in this book was checked in July 2026 and will drift with time; always confirm the current position with the ATO or your SMSF professional before acting on anything here.

*Please read this before acting on anything in this book.*

## **This is not financial advice**

This book provides general information only. It is not personal financial advice, tax advice, or legal advice. The information here does not take into account your individual objectives, financial situation, or needs. Before making any decisions about SMSFs or property investment, you should consult with qualified professionals who can assess your specific circumstances.

## **Rules change**

Superannuation and taxation laws in Australia change frequently. The information in this book was current at the time of writing, but rules may have changed since publication. Always verify current rules with the ATO website ([ato.gov.au](http://ato.gov.au)) or a qualified SMSF specialist before taking action.

## **The characters are fictional**

Sarah and Marcus Chen, Raj Patel, Helen and Bruce Thompson, and Emma Zhang are fictional characters created to illustrate concepts. Any resemblance to real people is coincidental. Their scenarios are simplified examples, not comprehensive case studies.

## **Your results will vary**

The author's personal experiences with property investment are exactly that: personal. Property markets, economic conditions, interest rates, and individual circumstances vary enormously. Past performance of any investment does not guarantee future results. What worked for one person may not work for you.

## **Get proper advice**

SMSFs are complex. The penalties for getting things wrong can be severe, including losing your fund's complying status and facing significant tax consequences. At minimum, you should work with an SMSF specialist accountant and a solicitor experienced in SMSF matters. A good adviser is not an expense. They're an investment in getting it right.

## **The author's limitation**

The author is a property investor sharing his research and experience. He is not a licensed financial adviser, accountant, or solicitor. This book is intended to help you ask better questions and understand the landscape, not to replace professional advice tailored to your situation.

*Find your sweet spot, or have the guts to walk away.*