



SMSF Finance Specialists

CASE STUDY 2

How Sally turned her rent payments into her own retirement savings

Sally is 42 years old and owns a successful real estate business. It is a great corner location with excellent exposure and passing traffic. Her landlord has decided to sell the shop she operates from for \$500,000 and Sally is concerned that moving will adversely affect her business but doesn't know if she can afford to buy the property.

She has a home worth about \$750,000 which has a mortgage of \$600,000 on it, some of which was used to start the business. Sally has about \$50,000 in a savings account which she inherited recently from her mother. Sally also has about \$180,000 in super which she accumulated when in a corporate job and also through contributions whilst she has been self employed.

Sally seeks advice from her accountant who suggests she look at buying the property in her super fund. He tells her that her super fund can now borrow to make this purchase and she would then pay her super fund the rent instead of a landlord and build her own retirement savings instead of someone else's.

How borrowing in super helped Sally turn her rent into retirement savings

Sally rolls her super into a Self Managed Super Fund (SMSF) and makes use of her savings to make a deductible super contribution of \$50,000 through her business as she hasn't yet put any super in from her company. After paying the 15% contributions tax she now has \$222,500 available to invest.

Sally buys the property using a loan of \$350,000 and \$180,000 cash from her super fund to cover the difference plus costs including stamp duty.

Sally's business location is now protected as she has control over the premises and doesn't have to move. Her business continues to pay deductible rent as it did before only now it goes to her own super fund.

All future gains in the property are concessionally taxed and Sally can continue to grow her business and also her retirement savings at the same time.