



## SMSF Finance Specialists

### CASE STUDY 3

## How Ron and Sandy continue to grow their residential property portfolio through super

Ron and Sandy are both 45 yrs old and have been growing their residential investment portfolio for the past 6 years and now have 4 investment properties as well as their home. They borrowed 100% plus costs to purchase the investment properties for negative gearing purposes using their home to cover the shortfall. They would like to buy another property however due to property market prices falling recently they do not have available equity at the moment and their bank won't lend them more money to buy another property.

They are keen to purchase soon as they feel there will be some good opportunities to buy at very reasonable prices and are confident that over time property prices will continue to grow. Speaking with their accountant, she suggests that they look at purchasing another property in their super fund.

They have an existing self managed super fund which has investments and cash of around \$400,000. They are employed and their super contributions on their salaries go into this fund. Of the total investments, \$200,000 is in shares which they don't want to sell at the moment as the prices have dropped significantly and they would like to continue to hold them. This leaves them \$200,000 to put towards a property along with a loan for up to 70% of the value of the property.

Ron & Sandy are excited and find a property to buy for \$450,000 which they can easily afford through their super fund. They borrow \$315,000 and contribute \$165,000 from the cash in their super fund. The rent from the property and other income in the fund covers the loan payments.

***Ron and Sandy have added to their property portfolio without having to use equity in their existing portfolio or contribute any cash from outside the super fund.***