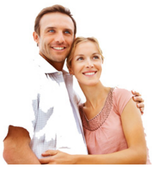
Don't acquire a rental property in your own name!

This is not allowed

10 Smith Street, Smithville



Residential investment properties cannot be transferred to a person's self managed superfund if it was acquired in the individuals' name, or jointly with their spouse.

Self Managed Superfund

This is allowed

Land Tax Unit Trust

10 Smith Street, Smithville

Units owned by couple transferred to the superfund once the debt is paid off.

Cash moved from superfund to couple for their units in the Land Tax Unit Trust.

Self Managed Superfund

And the benefits

✓ Move the ownership to a self managed superfund

With the amount of money accumulating in superannuation, including the increase from 9 to 12% of workers salaries it is important when acquiring an investment property to structure the transaction so that the ownership of the property can be transferred to a self managed superfund. This allows an individual to access the cash in their superannuation prior to their retirement. Their self managed superfund could acquire $20,000, $50,000 or $100,000 worth of units in the unit trust. If the self managed superfund had the whole amount it could acquire all the units in the unit trust.

✓ Avoid excessive stamp duty

Where a unit trust owns property in New South Wales which has a value less than $2million then the redemption of units and issue of fresh units to a new unit holder (i.e. a self managed superfund) attracts no stamp duty. The transfer of the units attracts only minimal stamp duty. Although there exists an exemption for transfers from an individual to a self managed superfund it is limited and residential properties can't be transferred.

✓ Move the ownership to a discretionary trust

If an individual held the units from the outset, usually for negative gearing purposes then the units can be sold to a discretionary trust. The interest on a loan taken out by the discretionary trust to acquire the units would be deductible so long as the property was rented out and market rent paid. This allows for the ability of refinancing non-deductible debt to deductible debt. This is impossible if the property is acquired in an individuals name or jointly with a spouse.

✓ Pay less land tax.

Owners of land in New South Wales effectively may receive up to 3 land tax thresholds. One for Mum, one for Dad and one for their self managed superannuation fund. If Mum and Dad had their own self managed superfund it would be 4. For those who acquire all their residential investment properties in their own name, which can't be transferred to a self managed superannuation fund, they effectively limit themselves to 2 land tax thresholds. Where either Mum or Dad holds all the residential investment properties they limit themselves to 1 land tax threshold. That's either a $6,000 threshold or up to $24,000 threshold per annum.

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