



SMSFs borrowing to buy property

While gearing strategies designed to accelerate wealth are not for everyone, members of SMSFs in Queensland are borrowing to get into the property market and make the most of high growth and rental demand.

Self-employed sports physiologist, Rod Cedaro is one self-managed super investor who has taken up this opportunity.

The warrant offered by Quantum Warrants enabled Mr Cedaro to secure a residential property in Spring Hill, a high growth pocket of Brisbane's CBD.

"Being self-employed, my super lay dormant for a number of years and I came to a point where I needed to accelerate my super ahead of retirement," Mr Cedaro said.

In August 2007 Mr Cedaro paid \$260,000 for the one bedroom apartment on a 65 per cent loan to value ratio. Rent pays \$350 per week providing a rental yield of 6.7% pa.

Based on recent sales in the building, Mr Cedaro believes the apartment is now worth \$320,000.

"I've continued making voluntary contributions into super so I'm now in a position to buy a second investment property somewhere with equally high rental yields and property appreciation," he said.

Mr Cedaro is 45 and plans to have three properties in his super fund by the time he is 60.

Brad Gunn of daVinci Advisors in Brisbane believes for some DIY funds with a certain amount invested, diversifying into property can provide a good way to generate rental income and benefit from appreciating property prices.

As an example of investment returns, Mr Gunn said there are brand new four bedroom houses, on the coast 15 kilometres from Brisbane CBD that are selling for \$400,000 and renting for \$425 per week.

Director of Asset Financial Services in Surfers Paradise, Angela Del Marco, also uses Quantum Warrants. She is seeing clients with SMSF adjusting their portfolios to leverage into property in locations around the Gold Coast where there is far more certainly for appreciation.

Certain pockets of Queensland's coastal property market, which have held up in value, appeal to SMSF trustees because of the growth factor and rental demand.

In the past year Angela has had eight clients taking on Quantum Warrants for properties between \$200,000 and \$480,000 in value.

Quantum Warrants National Sales Manager Michael Kolikias believes that many investors are unaware of the opportunity to borrow to buy an investment property within super.

"There are also significant tax benefits on rental income and capital gains. If the property is sold in retirement, capital gains are tax-free. In addition, interest payments on the loan are tax deductible for the super fund," Mr Kolikias said.

How does a Property Warrant work?

A Property Warrant transaction comprises a property purchase, a loan to help fund it, interest payments on the loan and rental income from the property. The property is purchased and held in trust. Rental income is used to meet property outgoings and part of the loan's interest payments. You pay any remaining interest.

Warrant Start	Each Year	At 10 Years (maturity)
Property purchased and held by the trustee on the investor's behalf	Investor is entitled to all rental payments less outgoings (e.g. rates, fees, repairs, interest).	Investor makes the completion payment. The property is transferred to the investor.
Investor makes an initial payment	Investor pays the loan's interest annually in advance and any principal repayment they wish to make.	Investor can make a completion payment at any time up to maturity date.