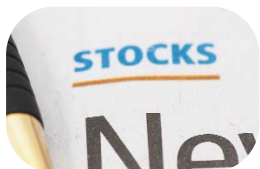


improve the
borrowing capacity
of your super fund

superannuation

gearing



TOWNSENDS BUSINESS
& CORPORATE **LAWYERS**

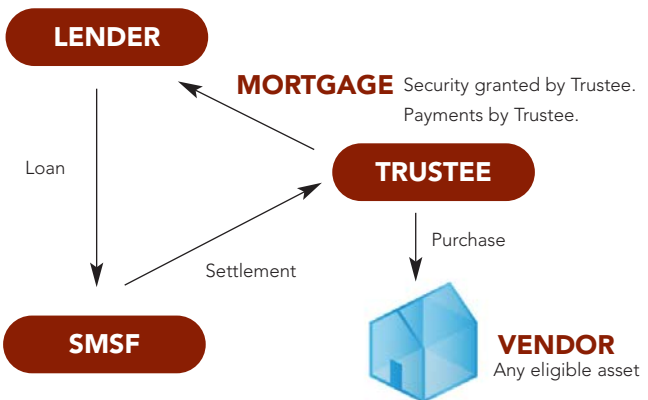


superannuation *gearing*

The SIS Act clarifies the legality of superannuation funds investing, not only in instalment warrants, but also on a more generally geared basis. An SMSF may gear the acquisition of an investment provided:

- > The borrowing is used to acquire the investment asset
- > The asset is held on trust for the fund by an appropriate trustee
- > The fund has the right to acquire the asset through the payment of instalments
- > The lender's recourse is only against the asset and not against the fund
- > The asset is one that the SMSF would normally be permitted to acquire

The diagram below simplifies the necessary mechanics of the investment process:





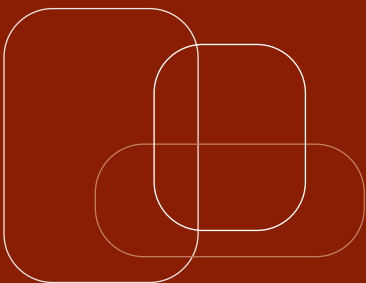
improve the borrowing capacity of your super fund

The investment structure must comply with certain requirements, primarily:

- > Gearing is on a limited recourse basis
- > Geared asset is income generating
- > Geared asset is held in a security trust
- > Option for the super fund to make sufficient payments to discharge the gearing and acquire legal title to the asset

The professional team at Townsends Business & Corporate Lawyers have dedicated themselves to understanding the intricate requirements of the gearing rules to assist accountants, and their SMSF clients. To make this investment development strategy work for you, our team can provide:

- > Security trust deed
- > Current superannuation deed review to ensure it is appropriate
- > Necessary investment strategy review and documentation
- > Loan agreement / instalment warrant
- > Mortgage documentation
- > Advice letter for clients explaining the process
- > Trustee minutes
- > Stamp duty advice
- > Income tax / capital gains tax advice



Townsend's Business & Corporate Lawyers offer 20 years extensive experience in providing legal assistance to the superannuation, estate planning and financial planning industries. The company's Superannuation Division advises clients on all aspects of superannuation, including compliance and regulatory issues, deed amendment and modification, fund reconstruction and winding up, pensions, investment structures and investment strategy compliance, amongst others.

Townsend's Business & Corporate Lawyers also proudly supports SUPERCentral, Australia's leading online deed update service.

For information on superannuation and SMSF's and how we might help you to improve the borrowing capacity of your clients super fund, please visit the website at www.townsendslaw.com.au or call Peter Townsend or Michael Hallinan on (02) 8296 6222.

Level 9, 65 York Street Sydney NSW 2000

Phone: (02) 8296 6222 Fax: (02) 8296 6200

info@townsendslaw.com.au www.townsendslaw.com.au

TOWNSENDS BUSINESS
& CORPORATE **LAWYERS**

