

# SMSF LRBA CHECKLIST



Tickling all  
the boxes



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SUPERANNUATION | SPECIALISTS | ACCOUNTANTS

# smsf+options

**Important note:** There are a number of complex rules and regulations surrounding Superannuation, planning for retirement and SMSF Limited Recourse Borrowing Arrangements. The information provided in this checklist is a guide only, and should not be substitute for professional financial, legal or tax advice specific personalised to you situation. smsf+options will not be liable for any losses arising from reliance on this information.

## Limited Recourse Borrowing Arrangement (LRBA) - Setup Steps

- Step 1 Find the Property or asset that you would like to purchase in your Self-Managed Super Fund**  
The property must be a property that the Super Fund could otherwise invest in if bought outright, and must comply with the in-house asset rules and sole purpose tests. It is also a requirement that the asset acquired under a limited recourse borrowing arrangement is a single asset.
- Step 2 Meet with your specialist SMSF advisers**  
Given the serious consequences if the rules are not followed, it is essential to discuss your plans with us well before to signing a contract on a property to ensure the the borrowing structure and your plans for the property are compliant with the rules.
- Furthermore, as there are a number of complex rules and regulations surrounding superannuation and planning for retirement, smsf+options recommended you seek professional financial and legal advice specific and personalised to you situation.
- Step 3 Obtain pre approval of the Loan**  
This may be from a related party, bank or non bank lender as an example. The loan will be in the name of the SMSF.
- Step 4 Update the Super Fund's Trust deed & Investment Strategy if required**  
Trustees should always consider the quality of the investment they are making and whether entering into a limited recourse borrowing arrangement is consistent with the investment strategy of the fund. The governing rules of an SMSF must allow the trustee of the fund to borrow before any limited recourse borrowing arrangement can be entered into.
- Step 5 Setup the required borrowing structure**  
This may include:
- + Establishing a company to act as Trustee of the Bare Trust
  - + Establish the Bare Trust
  - + For SMSFs with individual trustees, change the trustee of the fund to a corporate trustee. This is required by most financial institutions.
- Step 6 Sign the contract in the name of the Bare Trustee (or as required by you state revenue office).**
- Step 7 The SMSF's own lawyer/conveyancer acts on the purchase in the ordinary way.**
- Step 8 The SMSF pays the deposit, the balance purchase money (less the amount borrowed), the legal costs, and stamp duty in the ordinary way.**
- Step 9 Settle the property with the Bare Trustee as title holder**
- Step 10 The SMSF then manages the asset**  
All rent, expenses and loan repayments paid to and by the SMSF.

## Compliance Checklist

Is the property a single acquirable asset ?  
Yes  
No >>> Compliance Breach

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Is the property to be acquired from a related party?  
Yes  
No

### If Yes

Is the property considered business real property at the time of acquisition?  
Yes  
No >>> Compliance Breach  
n/a

Will it be acquired at market value?  
Yes  
No >>> Compliance Breach  
n/a

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Will borrowed monies used only to:  
+ purchase the asset  
+ pay for expenses associated with the asset  
+ pay for repairs?  
Yes  
No >>> Compliance Breach

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Do you intend to make any improvements to the property?  
Yes  
No

### If Yes

Will these be made with borrowed monies?  
Yes >>> Compliance Breach  
No  
n/a

Will the improvements fundamentally change the character of the asset as a whole?  
Yes >>> Compliance Breach  
No  
N/a

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If the loan is from a related party, are the terms of the loan commercial ?  
Yes  
No >>> Compliance Breach

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Will the loan be in the name of the fund and on a limited recourse basis?  
Yes  
No >>> Compliance Breach

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If a guarantee was provided, is the guarantors right of recourse limited to the acquired property ?

Yes

No >>> Compliance Breach

n/a

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Will the contract been signed in the name of the holding trust?

Yes

No >>> Compliance Breach

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Does your funds investment strategy need updating?

Yes

No

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### **FURTHER INFORMATION**

To find out how smsf+options can assist you in setting up a LRBA, please contact your adviser below:

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