FOR OWNERS

Using Super to Buy Property: What You Really Need to Know

If you're thinking about using your superannuation - via a self-managed super fund - to buy investment property, it's smart to understand exactly how it works and what you'll need to watch out for.

What makes it an attractive option

Tax-efficient investment - When property is held through a super fund, rental income and capital gains are taxed at the favourable super rates rather than your personal marginal tax rate.

Potential for growth and rental yield - A well chosen property can deliver both ongoing rental income and long term growth, helping build your retirement nest egg over time.

Use of leverage via borrowing (if needed) - With a suitable borrowing arrangement, it's often possible to buy property using borrowed funds through the super fund, even if the fund doesn't have enough cash upfront.

Control and flexibility - Running your own super fund means you make the investment decisions - what property, when, and how - potentially allowing a custom investment strategy aligned to your retirement goals.

What you must understand - the risks and restrictions

Using super to buy property isn't the same as buying property in your own name. There are some important rules and challenges:

Strict rules on usage - The property must be bought for the sole purpose of providing retirement benefits via the super fund. You (or related parties) cannot live in it or use it personally.

Costs are often higher - Upfront setup (legal, stamp duty, loan establishment) and ongoing costs (management, maintenance, compliance, audits) can add up quickly and erode returns if you're not careful.

Liquidity is limited - Property is not a liquid asset. If you need to access cash (for pension payments or other needs), selling the property may take time and market conditions may not be favourable.

Borrowing comes with complexity - If borrowing is needed, it must be under a special arrangement and there are strict compliance and structure rules. That tends to increase risk (and cost).

Added responsibility and compliance - Running a self-managed super fund requires diligence: proper record keeping, annual audits, ensuring compliance with super laws. Mistakes can have serious consequences.

What it means for you as an investor

If you're considering this strategy:

Treat it as a long term, retirement-focused investment - Buying property via super isn't about short term gains or personal use. It's about growing retirement savings in a tax efficient, controlled way.

Crunch the numbers carefully - Account for all upfront costs, ongoing expenses, loan repayments (if borrowing), maintenance, insurance, and likely vacancy periods. Make sure rental income or fund contributions will cover them.

Ensure diversification - Rather than putting all your eggs in one property, think about how this investment sits with other assets in your super fund (shares, cash, managed funds, etc.), to spread risk.

Get professional advice - Because the rules are strict and compliance is key, it's worth talking to a trusted financial adviser, accountant or SMSF specialist before moving ahead.

Note: *This is general information only. Tax implications, interest rates, and cashflow outcomes can vary significantly depending on your personal situation. Always seek advice from a qualified professional before making financial decisions.*