

# The Investor's Guide to Buying Property with your SMSF



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### Checklist

- Setup your SMSF
- Get your pre-approval
- Find your investment property
- Make your offer
- Setup your bare trust
- Appoint your conveyancer
- Put down a holding deposit
- Sign the property contract
- Organise your pest and building inspection
- Secure your final loan approval
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- Review your loan contract
- Obtain independent legal advice on your loan contract
- Arrange for any shortfall funds to be transferred to your conveyancer
- Do your final inspection
- Wait for settlement to go through
- Collect the keys
- Start collecting rent

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### 1. Setup your SMSF

You need to have an SMSF setup. This generally involves setting up a company to act as the corporate trustee of the fund, and setting up a SMSF trust deed. This can be setup by your accountant. We can put you in touch with an accountant if you do not already have one.

### 2. Get your pre-approval

Speak to your broker to ascertain your borrowing power. They will be able to match you up to the right bank for you, and organise a pre-approval, so that you can go property shopping with peace of mind as to what your options are.

### 3. Find your investment property

Now is the fun part. It is time to find your dream investment property! We recommend speaking to a buyer's agent. Buyer's agents offer specialised services for those wishing to buy via an SMSF. They generally have a good network of contacts in the construction industry across Western Australia, South Australia, Queensland, Victoria and New South Wales, and can match you up to a property which suits you. Contact us if you would like to be connected to a buyer's agent.

### 4. Make your offer

Once you have found your dream investment property, it is time to make your offer. You can make your offer via your buyer's agent if you have one. Otherwise, you can make your offer via the seller's agent. Once your offer is accepted, the seller's agent will arrange for the seller's solicitor to send you the sale contract to sign.

### 5. Setup your bare trust

If you need to borrow funds to be able to fund your purchase, then you have to setup a bare trust. A bare trust is a separate company, and a separate trust deed that must be prepared, specific to the property you are purchasing. This is why you should only set one up once you know

the address of the property, and know your offer to purchase has been accepted.

### 6. Appoint your conveyancer

Now that you know your offer is accepted and that a contract for sale is on the way, it is time to appoint your conveyancer. If you wish to appoint us, request a quote now ([hyperlink to site once created](#)).

### 7. Put down a holding deposit

While the sale contract is being prepared, the seller's agent will likely request a holding deposit to be paid. This is generally 0.25% of the purchase price. You will need to pay this into the seller's agent's trust account. Ask the seller's agent for bank account details if you are unsure where to transfer the funds to.

### 8. Sign the property contract

The sale contract should be ready by now. It will be either sent by the seller's solicitor directly to your conveyancer, or the seller's agent might send it directly to you. These days contracts are being issued digitally, so be sure to keep a look out in your email for it! Make sure you get your conveyancer to review the contract prior to signing.

### 9. Organise your pest and building inspection

You will likely have a cooling off period which kicks in once you have signed the contract, and in which your conveyancer can conduct your due diligence and in which you can organise for pest and building inspections to be conducted on the property. These inspections are pretty important and highly recommended because if there is any termite infestations or structural issues affecting the property, you will have the opportunity to pull out of the deal during the cooling off period. If we are appointed as your conveyancer, then this is something we can organise on your behalf.

## **10. Secure your final loan approval**

The cooling off period is also the ideal time for getting your finance approved. So far you have a pre-approval, but you will want a final approval before committing to the purchase. Banks generally do not give final approvals until there is a signed sale contract, so you can't get final approval until you are at the cooling off period stage. Your conveyancer will work together with your lender or broker to ensure final approval is received and negotiate any extensions to the cooling off period if required.

## **11. Pay the balance of the deposit**

Once you have your final approval, all due diligence searches have been completed by your conveyancer and you have reviewed and are satisfied with your pest and building inspection reports, it will be time for you to pay the balance of the deposit. This needs to be paid to the same bank account you would have paid the holding deposit into. If you are unsure, you should speak to the seller's real estate agent. Generally they can accept online bank transfers, domestic telegraphic transfers or bank cheques. Whichever method you choose, just make sure you keep the remittance advice so that you can show the seller's agent that you have made the payment in time.

## **12. Review your loan contract**

Once you have your final loan approval, the bank will be sending out the loan contract for you to sign. If you went through a broker, the broker will receive this and pass it on to you. The loan contract will have several conditions attached to it that have to be met prior to settlement. If the broker has not already discussed these conditions with you, then they are likely the stock standard conditions that come with any SMSF loan and can be handled by your conveyancer on your behalf.

## **13. Obtain independent legal advice on your loan contract**

The loan contract will include some documents that you need to obtain independent legal advice on. At SMSF Conveyancing, we have solicitors who will provide you with this advice as part of our service. You will need to meet with your solicitor who will go through the documents with you and get it all signed and ready to send back to the lender without fuss. Don't worry either if your solicitor is not local to you. The advice can generally be provided audio-visually via your preferred platform (or at least, this is how we do it at SMSF Conveyancing).

## **14. Arrange for any shortfall funds to be transferred to your conveyancer**

Shortfall funds are the difference between what is left to pay on the purchase price after accounting for the deposit you already paid, and the amount being loaned by your incoming bank. The shortfall gets paid from your SMSF. Your conveyancer will inform you in the week leading up to settlement how much the shortfall is, and where to pay it (generally, to the conveyancer's trust account). Let us know if your super has not yet rolled over from your retail fund to your SMSF, so we can discuss with you your options.

## 15. Do your final inspection

In the lead up to settlement, it is important to do a final inspection to make sure that the property is in the same condition as when you made your offer. Quite often though, with SMSF purchases, you are purchasing property interstate and are unable to do the final inspection yourself. Did you know that there are people you can hire to do the inspection on your behalf? We can certainly put you in touch with the right people as part of our conveyancing service.

## 16. Wait for settlement to go through

Your conveyancer will let you know which day and what time settlement is scheduled for. Your conveyancer will likely be waiting at their computer at this time, waiting for settlement to go through. Yes, is that easy, with settlements these days all happening digitally in Australia! Your conveyancer will get in touch with you as soon as it has gone through.

## 17. Collect the keys

Once you have confirmation that settlement has gone through, it is time to collect the keys. Again, if your property purchase is interstate, your incoming property manager can go and collect the keys for you.

## 18. Start collecting rent

Now that the property is in your name, you can start collecting rent from your tenant. The rental income will be paid into your SMSF, and whether it be through negative gearing or positive gearing, you will now be well on your way to creating your wealth portfolio! If you would like to speak to a financial planner about what your next steps should be, get in touch with us and we will connect you with one from our network!

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### Disclaimer

Please note this information does not constitute legal advice. This material is produced by Corporate Legal and is intended to provide you with general information on the conveyancing process as it relates to purchases made via self-managed superannuation funds. The contents do not constitute legal advice, nor should it be relied upon as such.



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