

## ***GETTING IT RIGHT!***

By now if you have taken the time to read both the article and case studies you may be feeling quite conflicted. On the one hand, the strategy has the potential to supercharge your property returns and in so doing boost your retirement savings, whilst at the same time there are many significant risks which potentially could undermining your financial security in retirement.

One of the greatest risks are those which may lay dormant for many years only to attack your returns at a time when you are looking to retire and or realize the profits from your investment.

***So how can these risks be managed or avoided altogether?***

### **GET THE RIGHT ADVICE**

Getting sound, professional advice is certainly at the forefront of any plan to mitigate and or avoid the risks discussed and those that haven't.

The Government's own concerns in this area have seen them classify this strategy as a financial product thereby ensuring that main stream investors are advised by professionals with the relevant experience in dealing with superannuation.

Those seeking advice may find an adviser with extensive experience and expertise in this area which could lead to other strategies relevant strategies being considered which could further boost the returns from the underlying investment in this strategy, the property. These strategies could result in personal taxation efficiencies as well.

Given the complexities of this strategy, advice in this area will not be cheap, particularly if your adviser is considering other alternatives which could yield an even better return. Referring back to our case studies, an allowance was made for our minimum fees for this type of advice and you will note that the profits did not suffer in the long term. Investing in sound professional advice may see your returns move higher still.

### **DOING IT YOURSELF**

Whilst we would never advise clients to assess and implement this strategy without the input of a or a group of suitably qualified professionals we understand that some trustees are just going to want to go it alone.

If you are prepared to take on the major risks outlined in our earlier paper as well as those which we haven't mentioned then the next few tips may be worth considering.

### 1. Assess your Fund's cash flows

Review your fund's cash flows and assess to what level your fund will be able to afford making mortgage repayments. With interest rates on the rise you should also consider the impact of higher rates on your fund's cash flows and consider your fail safe options should the fund's ability to make its repayments disappear.

### 2. Set up the necessary structures before you even start looking for a property!

If you would like to ensure that you avoid at least one additional round of stamp duty, you should ensure that you establish the necessary structures before you start looking for a property and determine clearly how any contract of sale should be signed.

We have already seen quite a number of trustees rushing to purchase property without the necessary structures, agreements and finance in place. Without this there is no way that you will be able to sign the contract in the right name and having to make this change will result in a second payment of stamp duty. You will undoubtedly run up additional costs with other advisers particularly with your legal adviser.

### 3. Review your fund and legal documentation

As superannuation is very much a legal environment the documents you purchase which establish the necessary structures are absolutely vital in ensuring that your fund does not breach any of the rules of superannuation. Your agreements will also need to comply with the laws of superannuation so you should therefore carefully read through all the documentation received and confirm that it complies with the superannuation laws and regulations.

Any deficiencies in these documents could see you double up on capital gains tax and goods and services tax as well as potentially having stamp duty levied against your property again.

You should also ensure that your superannuation documentation is in order and allows you to implement the instalment warrant strategy.

### 4. There are other property investment alternatives

You should keep in mind that other alternatives exist in relation to investing in property using your superannuation savings. Some of these may offer better longer term outcomes with immediate added benefits. You should make sure you have considered all your options before proceeding with the property instalment warrant strategy. Research every option thoroughly.

These are just a few of the important tips you should heed if you are looking to go it alone. Please note that this is not an exhaustive list and there are many other requirements that you will need to ensure you have considered and addressed appropriately to ensure your implementation of this strategy withstands the scrutiny of the ATO now and in the future.

Finally, with other potential strategies yielding higher returns and given the severe monetary impact of the numerous pitfalls associated with this strategy, it would be wise to seek advice in all cases to ensure:

1. The strategy is right for you and your fund;
2. You have an understanding of all the strategies risks;
3. Other strategies with the potential for higher returns are not suitable or appropriate;
4. Your finance options have been explored; and
5. The strategy is established and managed in accordance with the superannuation laws and regulations.

Seeking professional advice may even provide you with a better understanding of the type of property which will best suit your instalment warrant strategy.

Having seen the costs numerous trustees have run up by rushing into this strategy we cannot stress enough that in order to mitigate or avoid the risks inherent in this strategy, professional advice should be sort to ensure the trustees get it right!

***Disclaimer***

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