

SMSF Investment Strategy

Based on ATO Guidelines for Limited Recourse Borrowing Arrangements (LRBAs)

1. Introduction

This investment strategy is designed for a Self-Managed Superannuation Fund (SMSF) considering borrowing funds from AMP to refinance a residential investment property. The strategy aligns with the Australian Taxation Office (ATO) requirements for SMSF investment strategies and the regulatory framework for Limited Recourse Borrowing Arrangements (LRBAs).

2. SMSF Investment Objectives (Select all that apply)

- ☐ To maximise retirement benefits for members by investing in income-producing assets
- ☐ To refinance an existing SMSF loan to achieve more favourable terms, thereby enhancing the fund's financial position.
- ☐ To ensure all investments are made in accordance with the sole purpose test and in compliance with the Superannuation Industry (Supervision) Act 1993 (SIS Act). This item must be confirmed by trustees to proceed with the application.

3. Investment Rationale

The SMSF intends to refinance a residential investment property to generate rental income and achieve potential capital growth. Borrowing via an LRBA with AMP allows the SMSF to access property investment opportunities without using all available cash, supporting diversification and long-term growth.

4. Borrowing Structure (LRBA)

- The SMSF establishes a separate trust (bare trust) to hold legal title of the property.
- AMP Bank provides a limited recourse loan to the SMSF, secured only by the refinanced property.
- The SMSF receives rental income and pays loan repayments from its bank account.
- The SMSF may acquire legal ownership of the property upon repayment of the loan.

5. Compliance with ATO Requirements

- The investment is allowed under the SMSF's trust deed and complies with ATO's LRBA rules.
- The property is acquired at arm's length and not from a related party.
- The property is not used as a residence by any member, trustee, or related party of the SMSF.
- The strategy is reviewed annually or when circumstances change.

6. Risk Assessment

- Market Risk: Property values and rental yields may fluctuate.
- Interest Rate Risk: Loan repayments may vary with interest rate changes.
- Liquidity Risk: Property is an illiquid asset; selling may take time.
- Loan Default Risk: Limited recourse loan ensures lender's rights are limited to the property only.
- Compliance Risk: Risks of breaching SMSF or ATO rules, which may have tax penalties.

7. Diversification

The SMSF will maintain diversification by ensuring property investment does not comprise the entire fund portfolio. Other assets, such as shares, cash, and managed funds, will be held to manage risk and liquidity requirements.

8. Insurance Considerations

- Assess the need for insurance (e.g., landlord insurance, building insurance) on the property.
- Review member insurance needs (life, TPD, income protection) due to leveraged exposure.

9. Cash Flow and Liquidity Management

- Prepare a cash flow projection to ensure the SMSF can meet loan repayments, property expenses, and other liabilities.
- Retain sufficient liquid assets in the SMSF for ongoing expenses and member benefits.

10. Review and Monitoring

- Review the investment strategy annually or upon significant events (e.g., property value change, member events, market shifts).
- Document reviews and decisions in SMSF meeting minutes.

11. Trustee Declaration

We, the trustees of the SMSF, confirm that this investment strategy has been formulated having regard to the whole circumstances of the fund, including risk, diversification, liquidity, and the ability to discharge existing and prospective liabilities. We will ensure ongoing compliance with ATO, SIS Act, and AMP lending requirements.

12. Attachments (Select all that apply)

- ☐ Copy of the SMSF Trust Deed
- ☐ AMP Bank Loan Documentation
- ☐ ATO LRBA Guidelines (reference: ATO SMSF Property Investment)
- ☐ Property Valuation Report

13. Trustee Authorised Signatories

Name	Signature	Date

Note: Trustees will seek / have sought professional advice to ensure compliance with current ATO rules, AMP lending criteria, and their SMSF's specific circumstances.

This investment strategy is designed for a Self-Managed Superannuation Fund (SMSF) considering borrowing funds from AMP Bank to refinance a residential investment property. The strategy aligns with the Australian Taxation Office (ATO) requirements for SMSF investment strategies and the regulatory framework for Limited Recourse Borrowing Arrangements (LRBAs). This strategy is intended to supplement any existing investment strategies currently in place for the SMSF, ensuring a comprehensive approach to fund management and compliance.

Minutes of Meeting

Self-Managed Superannuation Fund (SMSF) Approval of Investment Strategy Involving LRBA entered into with AMP Bank

Name	Occupation
Location	SMSF Name
Attendees name	Apologies name, if any

1. Purpose of Meeting

To discuss and approve the proposed investment strategy for the SMSF, specifically the intention to enter into a Limited Recourse Borrowing Arrangement (LRBA) with AMP Bank for refinance of the a residential investment property.

2. Documents Tabled (select all that apply)

- ☐ Copy of the SMSF Trust Deed
- ☐ AMP Bank Loan Documentation
- ☐ ATO LRBA Guidelines (reference: ATO SMSF Property Investment)
- ☐ Property Valuation Report

3. Discussion (select all that apply)

- ☐ Review of the SMSF's current investment strategy and performance.
- ☐ Rationale for borrowing to invest in residential property.
- ☐ Compliance with ATO guidelines and AMP Bank lending criteria.
- ☐ Risks and benefits of the proposed arrangement.
- ☐ Impact on fund diversification, liquidity, and member retirement objectives.
- ☐ Consideration of professional advice and recommendations.

4. Resolution

The trustees resolve to adopt the investment strategy as outlined, including the use of an LRBA with AMP Bank to acquire a residential investment property, subject to all necessary compliance checks and professional advice.

5. Actions Arising

- Obtain any further professional or legal advice as required.
- Proceed with AMP Bank loan application and property acquisition steps.
- Update SMSF investment strategy documentation as necessary.
- Notify members of the fund of the updated strategy.

6. Trustee Authorised Signatories

Name	Signature	Date

Note: Trustees will ensure that all decisions comply with current ATO requirements, AMP Bank lending criteria, and the SMSF's specific circumstances.