

18<sup>th</sup> March 2015

## **Financial System Inquiry Final Report Submission**

### **SMSF Property Investment and Small/Medium Business Owners**

There has been a lot of discussion about removing the ability for the Trustee of a Self Managed Superannuation Fund (SMSF) to borrow to buy property. There is no doubt that a borrowing in super strategy can be fraught with danger if abused and if Trustees do not seek professional advice and understand the risks involved with gearing.

There are many industry participants (largely property developers, or the sales people that represent them) advocating themselves to be SMSF advisers. The government and it's policy is correct to look at the scheme operators selling property to SMSF (mum and dad investors) without proper professional advice and the risk this poses to superannuation and retirement policy.

However, for small business owners who have a strong desire to secure their business future by becoming their own landlord is a wonderful way for them to enjoy the benefits of appreciating property prices, while their business pays commercial rates or rent to their own SMSF. Small Business owners (where appropriate) should be enabled to create the certainty they need in their business lives without the burden of being evicted when their lease expires, or dealing with unsustainable rental increases created by factors beyond the business owners' control. All this can be achieved while investing in a quality business asset, with the knowledge there are growing their own retirement nest egg as their business pays rent to their own SMSF. With superannuation contribution limits this also allows business owners to successfully progress their way to funding their own retirement taking pressure off the public purse with more self funded retirees.

To remove the current rules which allow a SMSF to borrow to buy property as a blanket policy without considering the specific needs of the small business owner would undermine confidence of the small business owner in the retirement system. Weed out the rouges selling poorly constructed apartments off the plan to unwary mums and dads, while protecting the interests of small business by allowing them to take control of their business and personal retirement futures.

#### **About TAG Financial Services**

TAG Financial Services is an independently owned and operated financial services firm that has been in business for nearly 20 years. TAG provides comprehensive business, accounting, superannuation, retirement and estate planning advisory services to business owners and individuals. TAG is also widely recognised for its technical expertise with self managed superannuation funds, retirement and estate planning. TAG conducts seminars and training courses for clients, industry groups, as well as an annual Superannuation Seminar for accountants in Melbourne, Sydney, Brisbane and Adelaide. For more information, go to [www.tagfinancial.com.au](http://www.tagfinancial.com.au)

Should you have any queries, please do not hesitate to contact me on (03) 9886 0800.

Yours sincerely  
**TAG Financial Services**



Leigh Jobling  
**Partner**

L:\Marketing\TAG\Articles and Media\financial system inquiry final report submission.docx