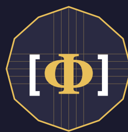

HEALTHY WEALTHY INVESTOR

SMSF Property Lending Guide 2026

7 Things to Know Before
Your Fund Borrows for Property

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Why This Guide Exists

Most high-income Australians know they can buy property through their SMSF. Few know that the lending decision — made once, at the start — determines whether the investment compounds or bleeds for the next 15 years.

The wrong lender. The wrong structure. The wrong sequence. Each one costs real money and carries real regulatory risk.

> This guide covers the seven things you need to know before your fund borrows a dollar.

1. Most Banks Have Left

The big four have effectively exited SMSF lending. The specialist lenders who remain vary enormously — on rate, on maximum LVR, on turnaround, on bare trust requirements, and on whether they can accommodate construction.

Your accountant's recommendation is usually based on relationship. Your planner's recommendation is usually based on familiarity. Neither is based on a structured comparison across the five criteria that actually determine the cost of the loan over its lifetime.

2. Your Fund Balance Determines Everything

There is a minimum balance threshold below which SMSF property does not make structural sense. The industry rule of thumb is $200,000, but the real number depends on property price, deposit requirement, stamp duty, legal costs, and a cash buffer — typically six months of loan repayments held in reserve.

Your contribution capacity matters equally. Concessional contributions ($30,000 per member per year) and non-concessional contributions ($120,000 per member per year, or $360,000 using the three-year bring-forward rule) directly affect how lenders assess the fund's ability to service the loan.

> Know your number before you approach anyone.

3. Five Criteria — Not Just Rate

Comparing SMSF lenders on rate alone is the most common and most expensive mistake. The five criteria that matter:

Rate — The spread between the cheapest and most expensive specialist SMSF lender is material. On a $500,000 loan, even half a percent costs $2,500 every year for the

life of the loan.

Maximum LVR — Some specialists cap at 70%. Others go to 75%. That difference is $25,000 in additional deposit requirement on a $500,000 property. Capital that could be compounding inside your fund instead.

Turnaround — In competitive markets, a lender who takes six weeks versus two weeks can cost you the property.

Bare trust flexibility — Some lenders accept standard bare trust deeds. Others require their own proprietary template, adding legal costs and weeks of delay.

Construction capability — If your strategy involves building, most SMSF lenders cannot accommodate it. An LRBA cannot do progressive drawdowns — the SIS Act prohibits it. Construction inside an SMSF requires a specific lender and a specific structure. Very few lenders will touch it.

4. Three Documents Must Align

Your SMSF trust deed, the bare trust deed, and the loan agreement must all align perfectly.

> A mismatch between any of these three documents can invalidate the entire borrowing arrangement. The ATO has specifically targeted SMSF lending arrangements in recent audit cycles. The cost of non-compliance is not a fine — it is potential fund disqualification.

The **SMSF trust deed** must explicitly permit borrowing under a Limited Recourse Borrowing Arrangement. If it is silent on LRBA — or restricts borrowing — the deed must be amended before any loan is arranged.

The **bare trust** must meet the safe harbour requirements under SIS Regulation 13.22A: single acquirable asset, bare trustee holds legal title, the SMSF is the beneficiary, and the trust terminates when the LRBA is discharged.

The **loan agreement** must contain limited recourse provisions — the lender's claim is limited to the property, not the other assets of the fund.

5. The Sign Sequence Is Not Optional

There is a mandatory sequence for SMSF property acquisition. Multiple documents, approvals, and structural decisions must be locked in a specific order — before any contract is signed.

Most buyers get this backwards. They sign the contract first, then scramble to arrange the structure around it. That sequence creates compliance risk that cannot be unwound after the fact.

> Vendors and agents will push for speed. The compliance framework does not care about their timeline. The sequence exists to protect your fund — not to slow the deal down.

Getting the sequence right requires coordination between your broker, solicitor, accountant, and the lender — all moving in the correct order, at the right time. One misstep and the entire arrangement is compromised.

6. Personal Funds and SMSF Funds Must Never Mix

Under SIS Act section 65, SMSF members cannot lend to their own fund (outside of the LRBA structure). If personal funds — from home equity, savings, or a bridging loan — flow directly into the SMSF to cover part of the deposit, this is either a prohibited related party loan or an excess contribution taxed at 47%.

There is a compliant way to use personal funds alongside an SMSF purchase. But it requires a specific legal structure, specific documentation, and specific separation at every stage — from contract through to settlement.

> Getting this wrong is one of the most common and most expensive mistakes in SMSF property. The ATO does not need to audit your fund to find it — the paper trail is visible in the transaction records.

The structural separation is not optional and it is not something your conveyancer will flag. It requires a broker who understands where personal and SMSF transactions must be kept apart — and why.

7. Exit Strategy Is Now Mandatory

Every SMSF property purchase needs a documented exit strategy before approval. Lenders require it. The ATO expects it. And the trustees have a statutory duty under SIS Act section 52(2)(b) to act in the best interests of members — which means planning for what happens when contributions stop.

Three questions the exit strategy must answer:

1. Can the property service its own debt on rental income alone — at the assessment rate, not just the current rate?
2. What happens when a member reaches preservation age and begins drawing a pension?
3. If the property needs to be sold, what is the timeline and the expected outcome?

> If your exit strategy depends on "the market going up" — it is not a strategy. It is a hope.

BEFORE YOU PROCEED

The Five Questions

Before committing to an SMSF property purchase, you should be able to answer:

1. Is your fund balance above the threshold where this makes structural sense — after deposit, stamp duty, legals, and a six-month cash buffer?
2. Does your SMSF trust deed explicitly permit LRBA borrowing?
3. Have you compared at least three specialist SMSF lenders across all five criteria — not just rate?
4. Is the full sign sequence locked — every document, approval, and condition cleared — before any contract is signed?
5. Is your exit strategy documented and sustainable without relying on capital growth?

If you cannot answer all five with confidence, you are not ready to proceed — but you may be closer than you think.

What Happens Next

One structured session answers all five questions — matching your fund to the right lender, verifying compliance, and mapping the sign sequence before any application is lodged.

Book a Discovery Call
healthywealthyinvestor.com.au/discovery

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