



Online SMSF Masterclass 2020
Wealth Building Strategies

Introduction by
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Exclusive Resources and More!



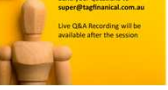
Online Resource Kit

- Session Resources – video links, presentations, case studies
- Q&A Session Resources – live webinar links, session recordings
- Resource Kit – audit kit, pensions, deeds, ready reckoner



Live Q&A
Fri 28 August, 12pm

Send your questions to super@tagfinancial.com.au
Live Q&A recording will be available after the session



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**Online SMSF Masterclass 2020
Wealth Building Strategies**


Presented by




Brenda Hutchinson, CPA
Partner

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**Wealth Building
Strategies**

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Wealth Building Strategies

Small Business CGT
 Non Standard Investments
 Related v Unrelated Trusts
 Property Development
 LRBA's

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**Case Study
Wealth Building Strategies**

Sam (54)
 Kerrie (51)

Snow Cone Family Trust
 Snow Trust
 Snow Super Fund
 Personal

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Snow Cone Family Trust

Asset	Valuation	Turnover
Business	\$ 1,850,000	\$ 2,400,000

- Self storage franchise
- Operates in 3 locations
- Self developed internet booking system
- Business profits of \$120,000 pa

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Snow Trust

Asset	Value	Cost Base
Business Property	\$ 2,300,000	\$ 359,000
Residential Property	\$ 600,000	\$ 300,000
Managed Funds	\$ 400,000	\$ 168,000
NET ASSETS	\$ 3,300,000	\$ 827,000

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Snow Super Fund

Asset	Value	Cost Base
Business Real Property	\$ 1,170,000	\$ 450,000
Cash	\$ 330,000	
Listed Shares	\$ 260,000	\$ 168,000
NET ASSETS	\$ 1,760,000	\$ 618,000

Member (age)	Account	Amount	Tax-free %
Sam (54)	Accumulation	\$900,000	60%
Kerrie (51)	Accumulation	\$860,000	63%

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S & K Personal Assets

Asset	Value	Cost Base
Family Home	\$ 3,900,000	\$ 2,150,000
Beach House - Sorrento	\$ 3,200,000	\$ 2,900,000
NET ASSETS	\$ 7,100,000	\$ 5,050,000

- Family home has been debt free for many years
- Beach house has debt of \$2,400,000
- Beach house rented over peak holiday periods

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Small Business CGT

- Turnover test – exceeded
- Asset test - exceeded

Asset	Market Value
Business Value	\$ 1,850,000
Snow Trust – property	\$ 2,300,000
Snow Trust – property	\$ 600,000
Snow Trust – managed funds	\$ 400,000
Personal – holiday home	\$ 3,200,000
Personal – loan on holiday home	(\$ 2,400,000)
NET ASSETS	\$ 6,350,000

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Using contributions to get under \$6 million test

- Add children to fund
- Make \$100,000 NCC for each S and K
- Make \$95,000 NCC for each M and B
- Make the NCC by in-specie transfer of part of property
- No stamp duty (as gifted and no change of beneficial ownership)

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Using contributions to get under \$6 million test

- Why not use bring forward provisions to get under \$6 million?
- Timing of initial contributions

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"Sale" of Property

Snow Trust	Property
Market Value	\$ 2,300,000
Less Cost Base	\$ 359,000
Capital Gain	\$ 1,941,000
Less Discounts:	
50% general discount	\$ 970,500
50% active asset discount	\$ 485,250
Remaining Capital Gain	\$ 485,250

- Apply retirement exemption to reduce gain to \$0

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Considerations of Property Transfer

- Can transfer the asset as the contribution
- Different components of transaction:
 - Capital gain
 - Making contribution to super
- Gain in Family Trust as opposed to individual names
- GST implications

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How to get rest of property in?

- Balance remaining after using exemption - \$1,814,750
- NCC of \$300,000 each x 4
- CC of \$25,000 each x 4
- Leaves \$514,750 in family trust

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Options for remaining balance of \$514,750

- Leave the remaining portion in F/T
- Fund purchase from F/T

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Costs of remaining balance of \$514,750

- If leave balance in F/T:
 - additional tax of \$7,878
- If purchase from F/T:
 - stamp duty of \$28,311
 - Potentially capital gains tax
- Payback period: 4.3 years

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Have You Thought About?

What alternatives are there to reduce the assets below the \$6 million asset test?

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Have You Thought About?

Are there any other alternatives for getting the remaining portion of the property into the fund?

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Fund Opportunity

- Max looking to be 1/3 investor in purchase of pub (property)
- Friend will be 1/3 investor
- Acquaintance will be 1/3 investor
- Purchase price - \$1.5million
- Each to contribute \$250K
- Difference to be borrowed

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How do we structure?

- LRBA arrangement
 - individually vs group borrow
 - bank lend vs related lend
- Related party
- Structure to hold investment

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Unit Trust

- Clear ownership entitlement
- Debt can sit in trust
- Trust needs to repay loan
- Can add additional unit holders
- As unrelated, trust can borrow, develop and run business

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Issues of Development

- SMSFRB 2020/1
- Shifting wealth
- Circumventing contribution rules
- Inline with investment strategy
- Dealing at arm's length

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Long term plans for pub

Considerations:

- Managing disputes with unit holders
- Entry/exit of unit holders
- Issues with running the pub

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Considerations for Fund

- Update investment strategy
- Are all trustees on board?
- Liquidity issues (including for existing properties)
- Segregate the fund
- Who will lend to the fund?

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Have You Thought About?

Are there alternative structures to hold the investment in the pub?

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Have You Thought About?

- How do you ensure a related party LRBA to purchase units in a unit trust, meets the safe harbour provisions?

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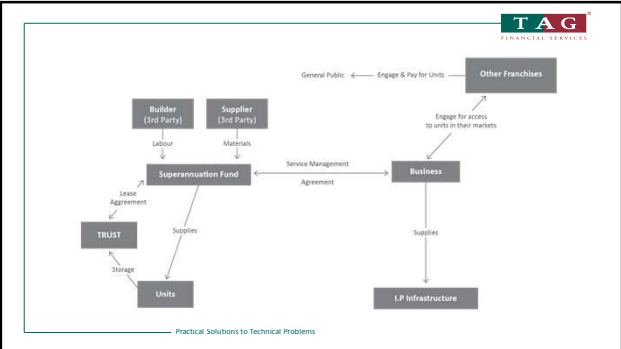


New Idea – Storage Units


- New idea - portable storage units
- \$1,000 per unit to build
- Start by building 200 units
- Use cashflow to build future units
- Could lease the units to other franchisees for \$250 pm per unit
- Charge 10% as agent/management fee
- Service agreement with franchisees
- 20% booking fee

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Cashflow from Storage Units

	\$ per annum	Assumption
200 units leased at \$250/month	\$300,000	50% utilisation
Less service fee	\$90,000	30% service fee*
Less rental costs – Snow UT	\$30,000	Rental expense
Net Income	\$180,000	
Less SMSF tax @ 15%	\$27,000	
Net income year 1	\$153,000	

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Issues & Considerations for Storage Units

- Business real property
- In-house asset rules
- Related party acquisition rules
- Arm's length rules
- Sole purpose test
- Investment strategy

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Our Role as Advisors




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