

The DomaCom Fund – Case Study 4

SMSF Investor and a Dual Contract Property



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Case Study 4: SMSF investor and dual contract property

- Tim and Sarah have a SMSF with combined assets of \$1,200,000
- They set up their SMSF to have control of their investments, as well as transparency
- They always wanted to own direct property within their SMSF and identified a house and land package in Rossmore, NSW with a total value of \$600,000
- Issue:
 - the transaction involves a land contract and a separate build contract
 - An investment like this will likely involve concentration and cash flow risks (single asset investing)
- The clients ask whether you have a solution that would enable them to continue with this proposed investment

Case Study 4: SMSF investor and dual contract property

- Considerations:
 - Is the House and Land package a single acquirable asset?
 - Do they leverage the investment?*
 - Do they seek co-investors to reduce their single asset risk?*
- *Dealt with in subsequent Case Studies
- Solution:
 - You can recommend the DomaCom Fund to purchase the property
 - You feel that having a single substantial asset within their SMSF breaches required asset allocation for the SMSF and leaves them without proper diversification
 - An investment by the SMSF into units in a DomaCom Sub-Fund is a single acquirable asset i.e. the SMSF own units in a Sub-Fund and it is the DomaCom Fund that enters the dual contracts
 - Tim and Sarah, through their adviser (or via friends and family), have the option to find additional investors so that they can invest across other properties if they wish

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