

The DomaCom Fund – Case Study 5

Friends/ Family Buy a Property



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Case Study 5: Friends/ Family want to buy a property

- James and Emma, a brother and sister, want to buy a property as an investment with the help of their parents and in conjunction with Rob, an old school friend of James' with the flexibility should they want, to rent the property themselves in the future
- They are considering the best way to structure this based on their situation now and in the future
- Some options they are considering:
 - Buy the property with each person named on title
 - Set up a trust/ shareholder agreement
 - A tenants-in-common arrangement
 - A third-party structure

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- The property they have identified is a 3-bedroom apartment for \$650,000 with the proposed funding to come from:
 - Loan - \$390,000
 - James - \$20,000
 - Emma - \$20,000
 - Rob Growth SMSF - \$130,000
 - Forever Young SMSF - \$90,000
- Considerations:
 - How do they each ensure maintenance of ownership/ avoid conflicts e.g. a future divorce or a change in circumstances for James and Emma's parents
 - How do they deal with a situation if one wants to exit
 - What happens in the future if one of the owners gets married/dies (how are individual interests protected)
 - What options might enable James and Emma to live in the property in the future given their parents SMSF owns part of the units in the investment

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- Undertaking an investment using a DomaCom sub-Fund provides:
 - Defined unit holdings/ ownership
 - A robust legal structure of a retail Managed Investment Scheme governed by a Product Disclosure Statement with an independent Trustee and the asset held by a Custodian
 - Secondary market providing exit options in the case of a number of possible scenarios (without a Stamp Duty event):
 - One investor wanting to exit
 - Family issue e.g. death/ divorce
 - The flexibility for James and Emma to live in and rent the property should they decide to do so in the future (as long as the parents' SMSF has signed the Sole Purpose Test declaration when opening their DomaCom account)

NOTE: This scenario could also apply to business partners acquiring a commercial property

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