



Welcome to DomaCom's Adviser Update

August 2021

Highlights

- > In this edition we recap on a couple of earlier "wins" for investors, to remind advisers how DomaCom works in relation to Sole Purpose where a residential property investment is made by a SMSF, and the Downsizer legislation that allows home equity to be used to top up super
- > DomaCom's advice based seniors home equity release, Australia's first financial product of its type, is a door to a cohort of potential new clients and a valuable addition to intergenerational planning
- > We also highlight a selection of investment opportunities
- > An exciting partnership with Crescent Finance that will involve new business potential for licensed and DomaCom Accredited advisers



A significant concession for SMSFs on Sole Purpose

DomaCom and the Australian Tax Office (ATO) reached agreement in late 2019 on the conditions under which the ATO will not apply compliance resources regarding the Sole Purpose Test (SPT) for an investment by an SMSF into a DomaCom sub-fund that owns a residential property, where a related party of the SMSF may become a tenant.

[More: DCL_ATO_Sole_Purpose_31Oct2019.pdf \(domacom.com.au\)](#)

DomaCom Downsizer – an alternative to selling and moving that still achieves the Government's superannuation top-up strategy

From July 2018 those aged over 65 can choose to make a non-concessional downsizer contribution into their super of up to \$300,000 (each spouse) from the proceeds of selling their home.

In August 2020 the ATO confirmed that a part disposal of a home for downsizer contributions can extend to DomaCom's Senior Equity Release product.

SMSF retirees can therefore sell a part of their home to top up their super under the Downsizer Contributions legislation.

The confirmation received by DomaCom for our Seniors Equity Release product, specifically the ATO's "[Administrative Binding Advice](#)" (ABA) ensures that a part disposal of a Senior's home can be made using DomaCom's Senior Equity Release to make a downsizer contribution.

Prior to this ATO confirmation it was generally considered that a person had to sell or dispose of their entire interest in their home to be eligible to make a downsizer contribution. However, the ATO confirmation on a part disposal now means that SMSF retirees can sell a part interest in their home and make a downsizer contribution thereby allowing them to stay in their home. While a residential property cannot be sold to an SMSF, a part interest of a home can be sold to DomaCom's Senior Equity Release platform which provides cash as a regular monthly payment or as a lump sum that the member may contribute to an SMSF, retail or industry superannuation fund.

Senior Equity Release (SER)

The SER is an advice-based home equity release for seniors aged 60 and over. It is Australia's first debt free financial product of its type designed for financial advisers to open the door to a vast cohort of potential new clients and give them a valuable tool in intergenerational planning.

The senior's market in Australia is extensive and under serviced from an equity release product and advice perspective.

Advisers are required by ASIC to be accredited to advise on the product and seniors must get advice to secure an equity release. DomaCom offer free accreditation [Seniors Equity Release | Adviser Resources | DomaCom Ltd](#)

There are two potential sources of equity funding, investors looking for exposure to residential property and family members who can invest either individually or via a SMSF. DomaCom are also in process of securing institutional funding.

For family investment refer to the [DCL_ATO_Sole_Purpose_31Oct2019.pdf \(domacom.com.au\)](#)

Investment opportunities

All investment opportunities are subject to a strict due diligence process that looks at contracts of sale, formal independent valuations with a strict tolerance and property inspections. Managing agents are engaged for all properties to ensure maximum tenancy and maintenance.

Rural farmland

Strong rental income plus medium to long term capital growth. DomaCom work with different specialists to identify quality farmland properties for investors looking to diversify into a "green" investment. Farmland in DomaCom typically receives 5% rental returns plus capital growth of 6%+. For further information see the [Rural Bank Report Australian Farmland Values 2021 \(ruralbank.com.au\)](#)



Renewable energy

Usually an income play renewable energy projects are also an environmental investment that may offer income returns of between 5% to 8% p.a. These may include solar, wind turbine, bio or battery installations and in some cases part of a wider community investment program offered by the energy company.

Rental Property Accelerator (RPA)

Capital growth and income can be derived from these property assets. DomaCom negotiate with developers for a rebate of between 10% and 20% in exchange for purchasing a line of stock from an individual development. The saving from sales commission and marketing costs fund the rebate which is shared between investors and tenants. Tenants receive 1% equity each year for 5 years and the balance goes to investors. Immediate uplift in value, secure tenancy and enhanced liquidity (tenants can invest and purchase units from investors using DomaCom's online secondary market) are some of the benefits.

Affordable Rental Property Accelerator (ARPA)

A capital growth and income investment similar to the Rental Property Accelerator, but in this model rent is reduced by 25% for Government approved essential workers. The reduced rental income is offset by a reduced Government funded debt from the National Housing Finance Investment Corporation (NHFIC). A socially responsible property investment with equally good returns in rental income and capital growth and similar benefits to the RPA.

NDIS housing

For yield seeking investors, returns can be in the order of 8%+. A constant shortage of specialist NDIS housing sees a long-term future in this sector for investors with a social focus. There is a long waiting list for disability housing placements that will underpin a long-term future for this type of residential property.

Equity Mortgage Loans – for clients wanting a secure income stream in the order of 5% + these first mortgage security loans can be created by advisers in individual sub-funds for clients seeking income. The loans can be applied to equity based property sub-funds for clients seeking capital growth from the residential or commercial market.

DomaCom partners with Crescent Finance

Advisers needed for new Islamic model Australia is home to close to 1m people of Muslim faith. This segment of our population, due to adherence to their faith, is unable to take advantage of traditional mortgage markets to fund a home purchase. Islamic faith forbids the paying of or the receiving of interest. The result of this is that home ownership among Muslims is less than half that of other Australians.

Crescent Finance, in partnership with DomaCom, is launching 2 funds with the aim of meeting much of the \$192 billion addressable market estimated by Crescent Finance over the next 5 years, and whilst run on Islamic principles they will be open to any investor looking for an equitable and ethical partnership-based approach to financing a home.

The first fund is the Crescent Growth Fund which is for investors wanting access to leveraged capital growth in residential real estate across the country. The Growth Fund will target returns of 6% – 7% pa.

The second fund is the Crescent Finance Income Fund that will give investors access to rent from the growth fund's residential properties leased to tenants with targeted returns of 3% – 4.45% pa.

Both funds will be run off DomaCom's Equity Mortgage investment option.

In addition to these new funds Crescent Finance manages Australia's only Islamic Superannuation Fund with 10,000 members since 2012.

With investments like these, there is a growing need for advice which Crescent Finance recognises and is encouraging of advisers to provide.



DomaCom Secondary Market Sub-fund Units for Sale

DomaCom operate a secondary market liquidity facility where investors and unit holders can trade units in sub-funds.

Listed below are the current sub-fund with units for sale.

For a full explanation follow this link [Online Liquidity Facility | DomaCom Ltd](#)

With investments like these, there is a growing need for advice which Crescent Finance recognises and is encouraging of advisers to provide.

APIR	PROPERTY ADDRESS	LAST VALUATION	LOWEST OFFER PRICE	UNITS ON OFFER
DMC0186AU	304/ 1009 Dandenong Road, Malvern East VIC 3145	\$1.0271	\$1.0356	39,279.0200
DMC0129AU	27 Parkfield Loop, Paralowie SA 5108	\$0.9296	\$0.8800	29,745.0000
DMC0128AU	202/ 51-53 Gaffney Street, Coburg VIC 3058	\$0.9940	\$0.9940	50,036.1932
DMC0185AU	918/ 40 Hall Street, Moonee Ponds VIC 3039	\$0.8990	\$0.8968	2,451.5600
DMC0007AU	803/ 127 Leicester Street, Carlton VIC 3053	\$0.9174	\$0.7800	7,709.3297
DMC0144AU	Doyles', Lower Coleraine Road, Muntham VIC 3315	\$1.4678	\$1.4564	11,950.5781
DMC0162AU	66 Beaconsfield Parade, Northcote VIC 3070	\$1.3023	\$1.3039	15,338.6000
DMC0154AU	123 Fernbrooke Boulevard, Redbank Plains QLD 4301	\$0.8198	\$0.8198	9,963.0400

Further information

If any of these products or strategies are of interest and you would like further information or a discussion on how you might access and use these products please contact Nat Fiennes, National Sales Manager on 0412 345 934 or email sales@domacom.com.au

domacom.com.au

DISCLAIMER | DomaCom Ltd ABN 33 153 951 770 and holder of AFSL No 444365 is authorised to provide general financial product advice. Whilst DomaCom has taken all reasonable care to produce the information in this material, it does not make any representations in respect of, or warrant the accuracy, timeliness or completeness of any of the information. The information provided in this material is general information only. It does not constitute financial, tax or legal advice or a forecast. This information has been prepared without taking into account your personal objectives, financial situation or needs. Before acting on the information or deciding whether to acquire or hold a product, consider its appropriateness and the relevant Product Disclosure Statement (PDS), available on the DomaCom Ltd website, www.domacom.com.au/thefund, or by phoning 1300 365 930.