WealthDesign FP

August Newsletter

SMSF Property Borrowing Ends

On the **23rd of June 2026**, a law passed that made it so past exemption, one that allowed **Self-Managed Super Funds** to borrow money to purchase **residential investment properties**, is now **abolished**. The financial sector has long deemed this to be a **loophole**, with former Commonwealth Bank of Australia chief **David Murray** even stating that it should be closed off and amended due to the stress it caused over banking sector **stability**. With the current strains holding the economy, it's no wonder the call was made to end this loophole, however, many Australians maybe don't understand the **implications**, and how these changes are going to affect them. We're about to go through what **SMSFs** are affected, as well as checking through and seeing if these changes will affect you. After reading this newsletter, we do recommend reading up a bit more from other sources, as well as chatting to to a **licensed** SMSF adviser. We're gonna be talking about **LRBAs**, what specific changes have been changed, and more.

LRBA's

An **LRBA** is a **Limited Resource Borrowing Arrangement**, a "**structure** that allowed **SMSFs** to borrow money to buy an asset - **including residential property**". The LRBA has been a popular structure amongst property investors because it would allow you to combine the tax advantages of **Superannuation** with direct property ownership. An SMSF would borrow money from a **lender**, a trust would hold the legal title, a **taxed rental income** would flow into the SMSF, and once the loan is **fully repaid**, the title of the property would be **transferred** to the SMSFs name outright. This basic understanding is needed to comprehend the following changes.

The Changes

There are three **main changes** are as follows, in a never explored in this newsletter format of Bullet Points.

- **No New Residential LRBAs**: SMSFs can no longer take out new borrowings to purchase residential properties.
- **Existing LRBA's Grandfathered:** If your SMSF already has a loan on a residential property,, the arrangement can continue to its natural end.
- **Commercial LRBAs unchanged:** Borrowings to buy business properties is not affected

If any of the above affects you, please consider contacting a licensed SMSF adviser.

Why Now?

You're probably wondering if this loophole has existed for quite some time, why is it getting closed off now? How did it last as long as it did? As of recently, LRBAs only hold up to **1%** of all Australian home loans, with approximately **9,000 Self Managed Super Funds** holding a residential property under an LRBA nation wide. An LRBA would give trustees **financial flexibility** to invest in residential properties with super savings accumulated over decades. Experts warned if LRBAs became **widespread**, it would risk banking stability. The move to close the loophole was more of an effort to nip in the bud any **financial strain** on the Australian economy. The move to end LRBAs came as a part of **Labor's** tax package, as a **minor concession**, given its limited market footprint.

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What's Your Next Move?

With the changes to this loophole, it can be hard to tell if you'd need to **take action** or not. If your SMSF holds a residential property outright, **no action** needs to be taken. If your SMSF has an **existing residential property**, you may qualify to be **grandfathered in**, however you'd need to **review** your bare trust documents, and make sure they are current. If you are looking to use an LRBA to borrow from an SMSF to buy a r**esidential property**, your window has closed, maybe. Depending on your SMSF, the deadline may vary to acquire a **waiver**. Contact your **provider** to know when their exact deadline may be. If you are looking to buy a **commercial property** through an **LRBA**, you are **unaffected**, as long as you have the proper documents in place. If you **own an investment property** outside on your SMSF, the changes to the LRBA loophole doesn't affect you, however, you may want to look into how capital gains tax affects you and your property. So in short, unless you own a property outright from an SMSF, or you have been grandfathered into an existing LRBA, you cannot take any action, as you will not be able to enter an LRBA agreement. The law will take effect as of mid-August (now, or a week later, depending on your provider.

Super and Mortgage Fraud

A **mortgage and superannuation scam** that has affected hundreds of Australians has recently been uncovered. A **task-force** comprising of financial regulators and intelligence officers , titled **"Operation Claw"** has exposed **"co-ordinated mortgage fraud and systemic weaknesses"** across the **lending sector.** The fraud extends into **predatory tactics** being used in the superannuation and financial sector, with one Australian losing $165,000 from her Super fund. The tactics included a **clickable article** on social media, which asked for her contact details, leading to her being **hounded** for consent and access to her super funds. **Reforms** have been put into place to ensure everyday Australians aren't hounded by **predatory tactics**. These reforms come after **12,000** Australians lost, in some cases, all of their retirement savings. As always, be careful when clicking on links online, and only work with financial planners you know and trust.

First Home Buyers

There have been many **reports** on housing prices falling, and to even fall further, **incentivising** people to look into buying their **first homes**. This is not the case, however. While the **average house price** is falling, most of the ease being seen is coming from the **lower end** of the market, houses in **rough shape**, or in rough neighbourhoods, while houses in the top end are **increasing** in prices once again. The reporting comes from a **misunderstanding** of how the property market works; **not as one circle**, but rather a large circle comprised of **smaller circles.** That is to say, a **large market** comprised of **submarkets** determined mostly by location. It can be tempting to invest in a **first-home buyers loan**, but increasingly, a reverse mortgage is the more sure fire way to help a loved one acquire a home. With overall property prices expected to rise, why not contact us to see if a reverse mortgage is right for you?

Talk to us today — the right advice starts with a conversation

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