

SMSF Offset Sub-account Guide

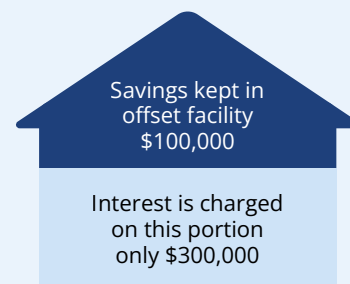
Key Facts and SMSF Offset Facility rules

What is an SMSF Offset Facility?

Your SMSF offset facility is a transactional sub-account linked to your SMSF home loan. Any balance held in this sub-account helps reduce the interest charged on your loan by offsetting your loan balance for daily interest calculations.



Outstanding home loan
amount \$400,000



Interest is charged
on this portion
only \$300,000

Savings kept in offset
facility \$100,000
You'll only pay interest on
\$300,000

Key Features

- 100% Offset** Every dollar in your offset facility (sub-account) reduces interest payable on your SMSF loan.
- Non-Interest Bearing** The offset sub-account itself does not earn interest.
- Offset Benefit** Interest is calculated on the loan balance minus the offset sub-account balance.
- Legal Separation** The offset sub-account must not be embedded within the loan sub-account. We structured and recorded it as a distinct sub-account in the SMSF's name.
- Transactional Limitations** The sub-account can only be used for SMSF-related inflows and outflows, as permitted under the Superannuation Industry (Supervision) Act 1993 (SIS Act).
- No SMSF Loan Redraw Feature** SMSF Loan redraws are strictly prohibited. Offset sub-account redraws are allowed provided the withdrawal is permitted under the SIS Act. Any access to previously applied repayments for personal or business use may be treated as new borrowings, breaching SIS Act restrictions.
- Sole Benefit Use** Funds in the offset sub-account must only be used in line with the fund's investment strategy and must not benefit any member personally before retirement.
- Visibility & Control** Full access is available via Online Access and Mobile Access. Transaction statements for accounting and audit purposes are available in Online Access and Mobile Access.

Examples of permitted SMSF offset facility transfers (inflows and outflows):

- Transfers to your SMSF's nominated cash management sub-account.
- Receiving rental income from SMSF property.
- Repayments to your SMSF loan.
- Receiving allowable contributions or rollovers (where permitted by your SMSF setup).
- Withdrawals which are permitted under the SIS Act including, for example:
 - repairs and maintenance (but not improvements) of the mortgaged property;
 - expenses incurred in relation to borrowing or purchasing the mortgaged property; or
 - a refinance (including any accrued interest) in relation to the mortgaged property.

SMSF offset facility transfers not allowed under the Superannuation Industry (Supervision) Act 1993 (SIS Act):

- Pay Anyone.
- ATM access, debit cards, or cheque usage.
- Payments to personal, unrelated third-party accounts or business use outside the SMSF.
- Early withdrawals before meeting a condition of release.

SMSF Trustee Compliance Obligations

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|------------------------------------|--|
| • Sole Purpose Rule | All transactions must be for the sole purpose of providing retirement benefits to members (or their dependents in the case of death). Any personal or non-SMSF use is strictly prohibited. |
| • Preservation of Funds | Withdrawals from the SMSF (including via the offset sub-account) are not allowed unless a valid condition of release has been met (e.g. retirement, reaching age 65, terminal illness). |
| • No Financial Assistance | You cannot use SMSF funds in any way that provides direct or indirect financial help to members or related parties. |
| • Arm's Length Transactions | Any transaction must be conducted on commercial terms, even when dealing with related parties (e.g. rent, property management fees). |
| • Audit & Documentation | All transactions must be clearly documented and consistent with your fund's investment strategy. You are responsible for ensuring proper records are available for annual audits and ATO review. |

Consequences of Non-Compliance

- Misuse of this sub-account may result in the offset feature being revoked and the matter reported to the ATO.
- Breaching SIS Act rules can lead to serious consequences including loss of fund compliance status, trustee disqualification, and heavy tax penalties.

Disclaimer

Like any investment, investing in property using a Self-Managed Super Fund (SMSF) involves risks. It's important for investors to seek independent advice and thoroughly evaluate any proposals presented to them. Please refer to the ATO website <https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/self-managed-super-funds-smsf> for the most up to date information on SMSF investments considerations and obligations.