

## SMSF-LRBA STATEMENT OF ADVICE & ALTERNATIVES

One of the key requirements for an SMSF applying for a Limited Recourse Borrowing Arrangement with Thinktank is the written assurance that the trustee/s and member/s have sought and obtained informed professional advice on the proposed transaction. The legal and regulatory burden placed on those in charge of managing an SMSF alongside those that additionally fall upon the lender, is wide ranging and remains in place for the duration of the loan, which may be up to 25 years. The risks associated with poor or inadequate advice are considerable. The financial penalties for non-compliance, whether un-intentional or otherwise, can lead to severe consequences for trustee/s and the member/s.

It is therefore important for loan applicants and their advisers to demonstrate within the application process that informed professional advice particular to their situation is at hand. Thinktank's set requirements in this regard are described in the table below.

Provision of **one** of the documents in the table is **mandatory** where a **property purchase** is involved. Where the loan being applied for is to **re-finance** an existing SMSF-LRBA loan, only a copy of the current Investment Strategy of the fund, accepted by the trustee/s, is required.

1. Statement of Advice (SOA)	2. Financial Adviser Certification	3. Borrower Certification
<p>An AFSL licence-holder or AFSL Authorised Representative has produced a SOA that specifically confirms:</p> <ul style="list-style-type: none"> <li>- The purchase of a property (being a "single acquirable asset") by the SMSF <b>is consistent with the Investment Strategy</b> of the fund as accepted by resolution of the trustee/s; and</li> <li>- <b>Borrowing</b> for that purpose is appropriate.</li> </ul>	<p>In the absence of an SOA being provided, an AFSL licence-holder or AFSL Authorised Representative may <b>sign a standard Thinktank declaration certifying</b> that:</p> <ul style="list-style-type: none"> <li>- Relevant LRBA financial advice has been provided to the borrower;</li> <li>- The SMSF, in entering into the transaction, will comply with SISA*.</li> <li>- The finance approval, by way of Thinktank Letter of Offer, is consistent with that advice;</li> <li>- They are sufficiently aware of the borrower's financial affairs to properly advise on the financial risks and implications of entering into the transaction; and</li> <li>- The borrower both understands the associated obligations and risks and enters the transaction willingly.</li> </ul>	<p>In the absence of 1 or 2, the following types of applicants may qualify to provide a self-certification:</p> <ul style="list-style-type: none"> <li>- Each trustee and member meets the definition of a "Sophisticated Investor" under the Corporations Act**;</li> <li>- <b>OR</b></li> <li>- The SMSF members are able to demonstrate &gt;5 years' experience in (&gt;1) commercial property;</li> <li>- <b>OR</b></li> <li>- The SMSF members have personal net (tangible) wealth &gt;\$5 million.</li> </ul> <p>The self-certification confirms:</p> <ul style="list-style-type: none"> <li>- Advice has been obtained regarding the financial risk and implications for entering into the transaction;</li> <li>- The advice has confirmed the ability of the fund to make the required loan repayments;</li> <li>- The fund will comply in all respects with SISA;</li> <li>- The transaction is consistent with the Investment Strategy of the fund;</li> <li>- Access to ongoing financial, accounting and legal advice for the purpose of maintaining the obligations and commitments of the fund; and</li> <li>- The trustee/s are sufficiently informed to assess and understand the financial risks and implications arising from entering into the loan documentation.</li> </ul>
<p><b>Notes</b></p> <ul style="list-style-type: none"> <li>- A full or scaled SOA is acceptable.</li> <li>- Refer to ASIC Regulatory Guides 90 and 244.</li> </ul>	<p><b>Notes</b></p> <p>A copy of the certification should be reviewed by the licenced Financial Adviser prior to considering this option and is available upon request.</p>	<p><b>Notes</b></p> <p>A copy of the certification should be reviewed by the trustee/s for the SMSF prior to considering this option and is available upon request.</p>
	<p>* Superannuation Industry (Supervision) Act 1993</p>	<p>** Certificate required from a qualified accountant (refer Chapter 6D of the Corporations Act 2001)</p>

We also refer you to additional information contained in the following Thinktank SMSF Commercial loan materials:

- [SMSF Loan Essentials Guide](#)
- [SMSF-LRBA Step Through Checklist](#)
- [SMSF-LRBA Glossary of Terms & Useful Tips](#)