

Case Study

MediaLink Productions

Using debt in a Self-Managed Super Fund
to purchase commercial office premises



Background

The proprietors of MediaLink Productions recognised their burgeoning business had outgrown their premises and as such, they needed to relocate. The proprietors had previously considered purchasing their own premises however, for numerous reasons, this had never eventuated.

www.medialinkproductions.com

The Challenge

This time, the team at Koustas+Co undertook an exhaustive cost/benefit analysis that considered all available options. Because the proprietors had a self-managed super fund ("SMSF"), the analysis took into account the most appropriate ownership structure – both inside and outside of superannuation.

Ultimately, the team's evaluation work was an integral plank in supporting the financial planner's viewpoint that diversifying the SMSF's pre-existing investments in shares and cash into commercial property was a sound investment strategy. This would allow MediaLink's proprietors to purchase their own premises using the cash previously accumulated in their SMSF.

However, after using the available cash in their SMSF, there was still a purchase-price shortfall.

The Solution

The team at Koustas+Co facilitated the use of a limited recourse borrowing arrangement to fund the shortfall. Briefly explained, this strategy involves the use of borrowings to assist in the SMSF's purchase of a single, identifiable asset (i.e. in this case – a commercial building from which the MediaLink business could operate). As could be expected, there are stringent legislative requirements around this strategy so expert advice and guidance was required.



The Process

In line with the legislative requirements, the Koustas team liaised with the proprietor's solicitors to ensure that the corporate structures required to 'house' the commercial property (i.e. bare/custodian trust) were correctly implemented. It was also important that the Koustas team and the lender worked together closely on the limited recourse borrowing facility and the associated documentation.

Importantly, a robust strategy was put in place that revolved around paying-off the limited recourse borrowing as quickly as possible – thereby saving interest payments whilst at the same time, ensuring that a capital appreciating asset was held within the tax-effective confines of the SMSF and within an environment providing greater asset protection.

Additionally, the Koustas team worked closely with the lender, the SMSF's trustees and the State Revenue Office to ensure that the Stamp Duty exemption was duly ratified and provable for when the commercial property passes from the bare trust to the SMSF upon discharge of the limited recourse borrowing facility – a potentially costly step that is often overlooked.

Solicitors were then re-engaged to prepare the documents relating to the long-term lease of the newly acquired commercial property by MediaLink Productions. This resulted in a win-win outcome whereby the business was paying a commercial rent to the SMSF, which had diversified its investment portfolio to include a commercial property asset.

The Results

The whole process was turned around inside a month which enabled the proprietors to negotiate an attractive deal with the vendor of the commercial premises.

The Testimonial

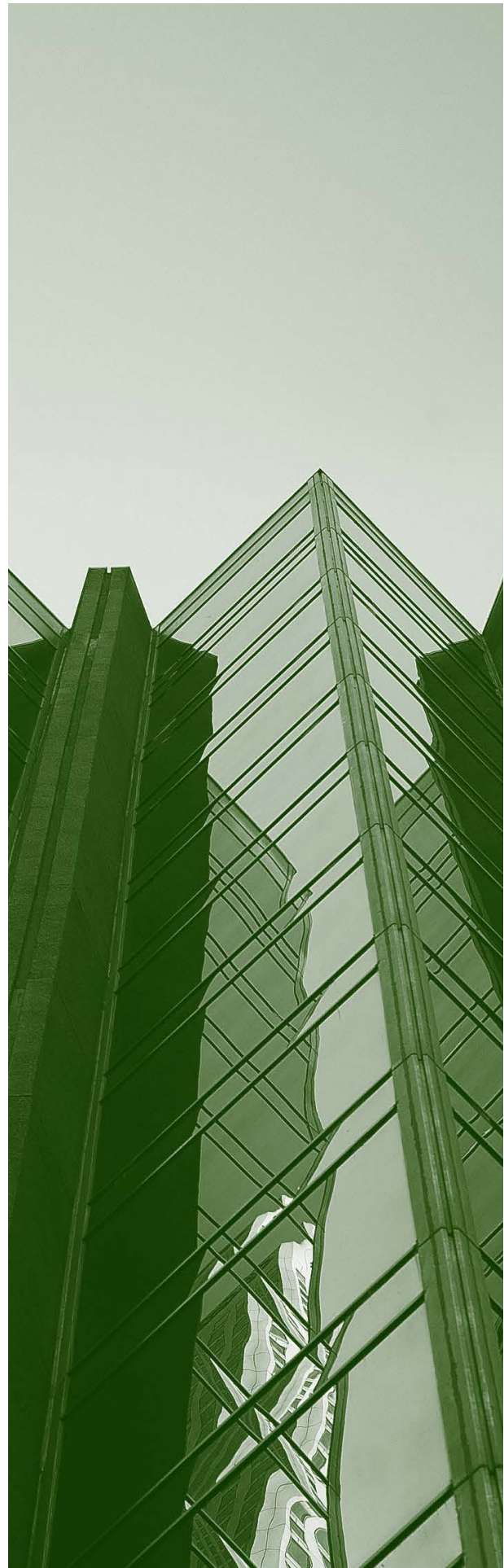
Jonathan Raymond
Managing Director
MediaLink Productions
medialinkproductions.com

"Damien and his team at Koustas+Co were outstanding in their advisory and execution roles during our self-managed super fund's purchase of commercial premises using limited recourse borrowings.

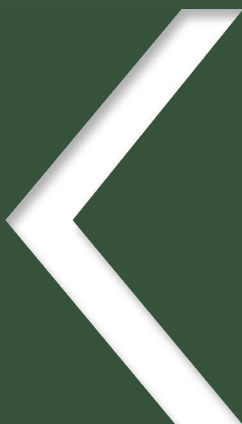
Their attention to detail and commercial outlook in evaluating our available options was without peer and the manner in which they conveyed to us the (often complex) issues at play was both refreshing and reassuring.

Rounding out the engagement was the central liaison point that Damien played between ourselves, solicitors and bankers in ensuring the necessary documentation around the limited recourse borrowing arrangement was in order and prepared to the satisfaction of all parties.

This gave us a great deal of comfort that the arrangement was properly structured. I commend Koustas+Co to anyone requiring a superior level of service and advice in relation to borrowing inside their self-managed super fund."



To learn more about how we can provide you with expert financial support, contact Matthew, our Business + Practice Development Manager.



T (03) 8530 1600

M 0413 788 715

matthews@koustas.com.au