

## **SUBMISSION OF SMSF SCHEME**

In line with the terms of reference, this proposal will allow the banks to source a new form of capital which they can utilize to invest/lend to other sectors of the economy, instead of seeking offshore capital.

The banks are always seeking new sources of capital and this proposal will partly fulfill their demand on capital.

Elements of the scheme

- SMSF
- BANKS
- HOME LOANS
- NEW SMSF INTEREST OFFSET ACCUMULATOR ACCOUNT

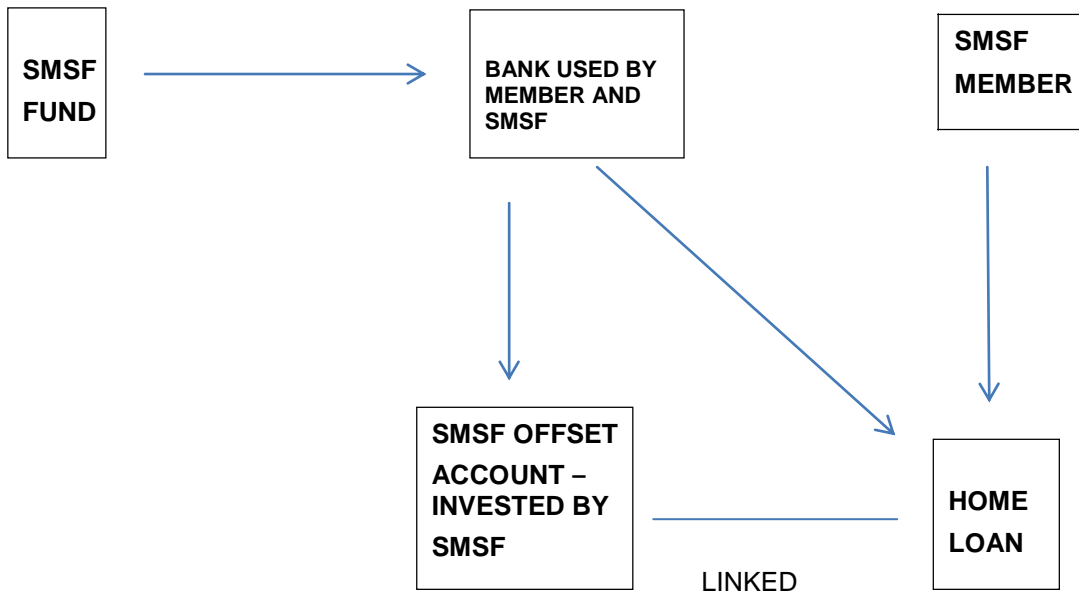
### **Details of SMSF accumulator offset account**

The product works similar to a standard home loan offset account.

The differences of the new product to the standard offset account are as follows:

- SMSF offset account will actually receive the interest paid by the member to his home loan and does not offset the interest payable by the member as in the traditional home loan offsets;
- The product will only be provided by lending institutions;
- The SMSF trustee has then a choice to add the interest physically received to the offset account or deposit the amount directly in the SMSF bank account.

Diagram of the scheme



**N.B SMSF WILL PHYSICALLY BE PAID INTEREST AT THE HOME LOAN INTEREST RATE**

#### **BENEFITS TO SMSF**

- Higher rate of interest with no increase in risk;
- The investment will be at call;
- The member will continue to make the regular interest plus interest repayments to the home loan, except that the proportion of investment in the offset account will receive interest and the balance of the interest will be received by the bank - the home loan will still be reduced as the standard principal repayments will be made;
- The banks may charge the SMSF normal bank charges to have this SMSF offset account;
- The SMSF will effectively receive up to 1.5% to 2.5% extra interest on its investment;
- If the interest is compounded, the SMSF will earn tens to hundreds of thousands of dollars over the life of the Home loan;
- The SMSF offset account is bank guaranteed;
- The interest physically received by the SMSF can be reinvested into the SMSF offset account or banked directly in to the SMSF bank account;
- Adds to the investment armory of SMSF where **to safely invest its money; and**
- Encourage people from all ages to invest more money into superannuation accounts, thus potentially reducing any future calls on the social security system to fund the taxpayers retirement.
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Lastly, the proposal does not breach the SIS Act.

