



MACBITES

SUPER FUNDS – INSTALMENT WARRANTS AND OTHER BORROWINGS

Legislative changes made 24 September, 2007 now make it possible for superannuation funds to invest in instalment warrants.

The key feature of this is that it provides an exception to the general prohibition on borrowings by superannuation funds, and the Fund's ability to use its assets as security for such borrowings.

The legislation does not limit the borrowings to listed shares, so an opportunity may exist for your Fund to borrow to acquire an investment property, with the loan secured by that property.

This represents a very significant swing in the Government's approach to how a superannuation fund can invest.

There are a number of particular provisions that must be complied with to satisfy the new laws if a Fund is to invest in instalment warrants – but nothing that is insurmountable.

At this stage, because of the peculiarities of the manner in which the investment and loan are to be established, most lending institutions are still in the process of drafting the relevant documentation to enable such borrowings.

However, in the near future we hope and expect a number of institutions will have facilities available to enable your Fund to possibly take advantage of some great planning opportunities.

Please do not hesitate to contact Paul or Geoff if you wish to discuss further at this stage.

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