PUBLICATION The Australian Financial Review **DATE** 25 November 2016

This SMSF investor isn't selling property ahead of super changes

Larry Schlesinger

Former Brumby's Bakeries boss Michael Sherlock says he won't be selling down property investments to avoid super changes that start on July 1.

Many self-managed funds have rushed to sell property: commercial agent CBRE said more than one-quarter of the properties listed in November and December in Melbourne were owned by super funds.

But Mr Sherlock, who derives most of his retirement earnings from property and has a super balance of more than $1.6 million, said he was better off keeping all his money in his super fund and paying the 15 per cent tax on his retirement earnings than paying the top marginal rate outside of super.

"If there's a chance you can pay less than 15 per cent outside of super then good luck to you. But for most of us having it in super is still the best option. So I just have to adjust to paying tax [on my retirement earnings]," he told the *Australian Financial Review*.

Since selling out of Brumby's in 2007, Mr Sherlock has invested through his SMSF in more than 20 property syndicates run by investment firm Sentinel Property Group, where he is also the chief marketing officer.

Warren Ebert, Sentinel's chief executive, said he had 614 investors in funds worth $1.2 billion and not one investor has yet mentioned the super changes.

"The average age of our investors is 59 and 58 per cent of our investors have a self-managed super fund. Some have more than $50 million, but no one has said a word.

"Our investors are in it for the income. If we can pay them a 9 per cent return and they get their equity back at the end, it's better than most," Mr Ebert said.

Financial adviser Sam Henderson said SMSFs choosing to sell their property holdings to reduce their super retirement balance may be adopting an ill-conceived strategy.

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> Michael Sherlock, former Brumby's Bakeries boss

"Super remains very tax effective. They need good advice," said Mr Henderson, CEO at finance firm Henderson Maxwell.

Peter Hogan, head of technical at the SMSF Association, said it was telling its members to get appropriate advice around how their particular fund will be affected, now the rules are known before going down the path of selling up assets. "The concern among our members prior to these rules become law was that they had to sell their assets if they had more than $1.6 million in their super fund. The answer is 'no', they don't have to."

Mr Hogan said the new laws included capital gains tax relief for members who are required to move assets out of pension phase back to the [taxable] accumulation phase before July 1 to get under the new transfer balance cap. "It is not necessary for an SMSF to sell these assets which are in excess of the cap immediately. It is acceptable to transfer them back to accumulation phase and account for them accordingly."

Capital gains relief include an allowance for an adjusted cost base to be calculated and applied to assets based on their market value at June 30 leaving them no worse off from a CGT treatment perspective than if they had been retained in the pension phase.

He added that tax was just one among a number of factors SMSF's need to consider before deciding to dispose of assets by June 30.

"The appropriateness of the asset for the long term investment returns, risk-weighting and asset allocation would also be relevant," Mr Hogan said.

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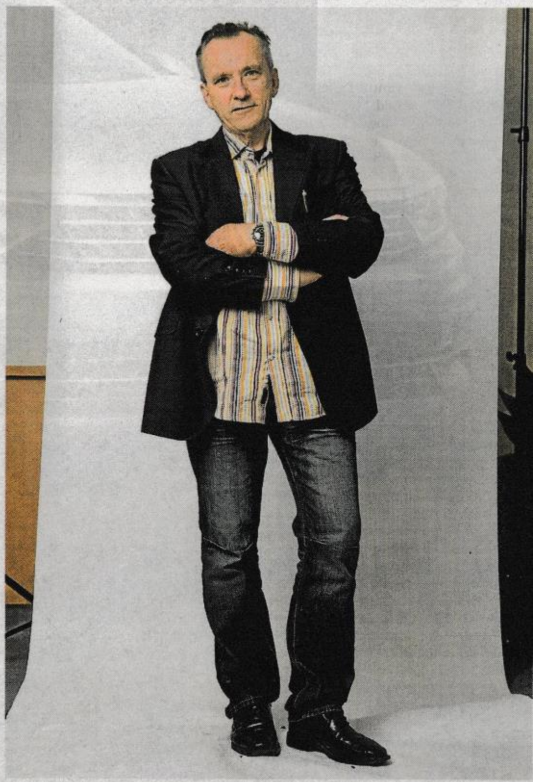

Michael Sherlock, the former boss of Brumby's, is not planning to move his money out of his fund. PHOTO: GLENN HUNT