



SuperGear. Accelerate your wealth.

**A lending product for
Self-Managed Super Funds**

Product Information Booklet

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CommonwealthBank



Important Notes and Disclaimer

Issued by: Commonwealth Bank of Australia ABN 48 123 123 124 ('the Bank')
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The latest version of this Product Information Booklet (PIB) can be found on the Bank's website at www.commbank.com.au/supergear. Alternatively, you can telephone the Bank on 1800 138 363 to obtain the latest PIB and be informed of any recent changes.

The SuperGear lending product is not a financial product as defined and described within Chapter 7 of the Corporations Act 2001 (Cwlth) and the information in this booklet should not be interpreted as providing financial product advice.

The information contained within this booklet does not take into account the investment objectives, financial situation and needs of any particular individual or self-managed super fund (SMSF). Because of that, the Bank strongly recommends you assess with the help of legal, financial and taxation advice, whether a SuperGear lending product is appropriate in light of your own circumstances before acting on the information within this booklet.

Only SMSF members who are aware of and accept the risks associated with gearing into investments should apply. All applications for the SuperGear lending product are subject to the Bank's credit approval process. Fees and charges apply.

This PIB is not an offer or invitation. Applications for a SuperGear lending product can be made to the Bank and may be accepted or declined by us at our absolute discretion.

The terms and conditions of the SuperGear lending product will be contained in the SuperGear Agreements and provided to you if we issue you a SuperGear Offer Pack. The Bank strongly recommends you read, accept, and obtain legal advice, on those documents in full. Your SuperGear lending product will be governed by the SuperGear Agreements and not the information contained within this PIB.

Disclaimer

The information in this PIB has been prepared by us on the basis of our understanding of the law as at 1 July 2017.

Some words and expressions in this PIB have defined meanings which are set out in the Glossary contained in section 1.6.

Neither the Bank nor any other person recommends, warrants, guarantees or underwrites the performance of or return on any investments acquired using the SuperGear lending product.





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1.1 What is SuperGear?

SuperGear is a limited recourse lending product that allows a Self-Managed Super Fund (SMSF) trustee to purchase an investment property or refinance an existing eligible loan for an investment property. The rights of the lender against the SMSF trustee for default on borrowing (including all outstanding fees and charges) are limited to the rights relating to the original geared investment property, or a replacement asset, as opposed to the other assets of the SMSF.

Using a SuperGear lending product to borrow funds may help you diversify your SMSF investment portfolio by adding real property assets to your current investment mix. Your SMSF receives the beneficial interest associated with the investment property through the term of the loan, including net lease income and any capital growth.

1.2 Key Features

Acceptable security	Australian residential, commercial or rural real property purchased on commercial terms for investment purposes. In most cases, one SuperGear lending product will apply for each investment property.
Loan to value ratio (LVR)	Up to 70% for residential, 65% for commercial and 60% for rural. Lower maximum LVRs apply where personal indemnities are not provided or held.
Loan amount	\$200,000 minimum.
Loan term	Residential: up to 30 years. Commercial: available upon application. Rural: up to 15 years.
Interest rate	Fixed or variable (or combination of the two). Visit commbank.com.au/supergear for the current rates or contact 1800 138 363 .
Repayment	Principal and interest paid monthly in arrears. Interest only payment terms up to 5 years.
Loan redraw, top up, progressive drawdown	Not available.

1.3 Key Requirements

The table below provides a summary of the key requirements applicable to the SuperGear lending product.

SMSF trustee and Custodian	The SMSF must have a corporate trustee. The Custodian must be a separate company.
SMSF members	All SMSF members should be in Accumulation Phase when the SuperGear lending product is funded.
Minimum net assets	The SMSF must have \$200,000 or more in net assets prior to purchasing the property.
Ownership	Legal title to the property is held by a Custodian set up by you for the duration of the loan, subject to a mortgage in favour of the Bank. You are responsible for all expenses and liabilities of the property. Upon repaying the loan in full, your fund can obtain legal title to the property.
Insurance	Full property and public liability insurance cover from an insurer acceptable to the Bank is required during the term of the SuperGear lending product.
Lease	The property must be leased or available for lease on commercial terms at all times. Net lease income from the property must be directed toward servicing the minimum monthly loan and fee repayment amounts.
Personal Indemnities	Personal indemnities (similar to guarantees) are usually required from all eligible SMSF members including where there may be a reliance on member contributions to help demonstrate servicing.
Risk Disclosure Form	All SMSF members must complete and sign the Risk Disclosure Form included in this booklet.
Notification of Review Events	<p>The SMSF Trustee must notify the Bank of all Review Events relevant to their SMSF or the property during the term of the SuperGear lending product. Review Events are in addition to the SuperGear events of default which are set out in the SuperGear Agreements. Examples of Review Events requiring immediate notification are:</p> <ul style="list-style-type: none"> • Exceeding the maximum SuperGear LVR limits on the most recent independent property valuation review; • Events negatively impacting on, or likely to negatively impact on, the current or future value of the property or its capacity to receive or maintain lease income at or above the amount estimated at purchase; • An intention to sell the property; • A court order being made in relation to the property; • Any change in law or any other circumstances that adversely affects, or likely to adversely affect the Bank's assessment of the risks of financing or owning the property or the terms of the contract or any other document referred to in the SuperGear Offer Pack; • A change in the investment strategy of the SMSF; • Any new borrowing transaction conducted by the SMSF trustee on behalf of the SMSF; • All transactions involving the acquisition or disposal of assets that represent more than 25% of the value of the SMSF's total assets; • The SMSF commencing its Pension Phase, the retirement of a SMSF member or any other event giving rise to a benefit payment entitlement from the SMSF; • The death or permanent disability of one or more SMSF members; and • The change, addition, or departure of one or more SMSF members.

1.4 Key Risks

NOTE: The Bank strongly recommends that you first obtain financial and taxation advice before you commit to the purchase of any property. By accepting the risks, costs and obligations, you are then in a better position to determine if this strategy is right for you and your SMSF.

This financial and taxation advice should take into account your current financial status and objectives, and allow for future changes that may impact your ability to meet the proposed loan repayments and fees.

The following table outlines some of the main risks that you need to consider. In addition to these, there are also general market and economic risks that may impact on your ability to generate adequate returns and avoid financial loss.

Impact on the investment strategy and objectives	Borrowing to purchase property through a SuperGear lending product may impact your SMSF and ultimately the financial status of all SMSF members. As a result, it is essential that you take into account the current financial status and objectives of your SMSF and all of its members to ensure the investment using SuperGear is appropriate, it is in alignment with your SMSF investment strategy and it is able to adequately cover circumstances that may result from Review Events being triggered.
Property settlement and funding	The Bank reserves the right not to execute the SuperGear Agreement and fund the SuperGear lending product based on our lending policies including the failure to meet any conditions of funding. This may result in you incurring a loss including your deposit if you are unable to obtain alternative finance to complete the acquisition.
Borrowing risk	Borrowing to invest increases the risks associated with an investment, including the risk of loss of capital. Interest rates and fees typically change over time, which can impact on your ability to meet your contracted loan repayments and the costs associated with holding property.
Default or Review Events	Where a Default or a Review Events occurs, this may result in the Bank instructing the SMSF trustee to repay the outstanding loan balance in part, or in full, and incurring termination costs including the payment of all applicable fees, charges and other costs. This may also result in the sale of the property, which could see a loss on your investment, and where applicable, a requirement that the individuals providing Personal Indemnities make payments directly to the Bank equal to the amount required to satisfy the outstanding SuperGear lending product obligations in part, or in full.
Cash flow and liquidity	<p>When you own a property, there will be ongoing costs including insurance, body corporate fees, land tax, property management fees, and repair and maintenance costs. Net lease income available to the SMSF may fluctuate through the term of the SuperGear lending product.</p> <p>The SMSF trustee should ensure that sufficient funds from alternative means are available as necessary to cover any variations in net lease income and the ongoing costs including meeting their SuperGear obligations.</p>



Fall in market value

As well as increases, the market value of property may fall or depreciate over time. The reasons for this are varied but may include the property's location; its quality and condition; the tenancy arrangements; current and forecast yields; current and forecast market interest rates and the real estate market for the area in general.

If the market value of the property falls relative to its capital cost base (includes costs of acquiring and improving the property) you may make a loss on your investment if the property is eventually sold.

You should obtain independent real estate valuation advice to understand and help address the factors impacting the value of the investment property prior to the purchase and as appropriate for the duration of the SuperGear loan term.

Trustee compliance obligations

The SMSF trustee is responsible for ensuring the SMSF is compliant with all relevant laws and regulations on an ongoing basis. Superannuation laws are generally complex and penalties for non-compliance can be severe. Prior to purchasing property, a SMSF trustee should obtain their own advice to ensure the investment and borrowing is permitted by law. This advice should be reviewed and updated on an ongoing basis, for example if legislation changes, or following additional guidance from the applicable regulatory authorities as this may adversely impact property investments purchased using SuperGear.

1.5 Interest Rates and Fees

To make an informed decision on whether to purchase a property using the SuperGear lending product, it is important that you consider all the costs that you are likely to incur. These include any costs associated with purchasing, managing and maintaining, and selling or transferring legal title of a property.

Key costs for SuperGear include:

Category	Type	Value	Purpose
Set-Up	Establishment Fee	Residential: \$1,500 Commercial and rural: available upon application	To establish the SuperGear lending product.
	Valuation Fee	At cost	May be required to determine the lending value of the proposed security.
	Security Processing Fee	\$350 - \$1,100	To partial offset the expenses incurred by the Bank in generating, lodging and/or presenting security documents. The final fee amount will depend upon the number of personal indemnities required.
Ongoing	Interest	Applicable interest rate multiplied by the outstanding loan balance.	Fixed or variable interest rate. Interest is generally payable monthly in arrears and forms part of your minimum monthly loan repayment amount.
	Loan Service Fee	Residential: \$10 per month. Commercial & Rural: \$20 per month.	To support ongoing administration costs required to maintain the SuperGear loan.
Early Termination	Fixed Rate – Early Repayment Adjustment (ERA)	Actual net cost.	An adjustment applicable to a Fixed Rate SuperGear loan calculated based on the present value of the difference between what the Bank would have earned less what it can now earn on the loan prepayment amount up until the fixed rate maturity date set out in the SuperGear Offer Pack.
	Fixed Rate – ERA Administration Fee	\$300	Applicable to a Fixed Rate SuperGear loan to support additional administrative costs associated with concluding the loan before the expiry of the fixed rate loan period.
Conclusion	Document Execution Fee	\$275	Charged when using the Bank’s custodian for Lands Titles documents that cannot be executed under Power of Attorney and instead must be executed by a panel law firm.

For the latest interest rates, please visit commbank.com.au/supergear.

Other non-bank costs to consider:

- **Advisory/service costs** - including financial, legal, conveyancing, and independent property valuation costs including those costs incurred to conclude the loan and help transfer legal title to the investment property from the Custodian to the SMSF Trustee.
- **Stamp Duty, registration and land tax** - paid to the relevant Australian state/territory tax authority.
- **Property management costs** - ongoing costs to manage and maintain the investment property to a sufficient standard to enable it to be available for lease on commercial terms at all times.



1.6 Glossary

The following terms have the following meanings in this PIB. Terms not defined in this Glossary or otherwise in the remainder of the SuperGear PIB have the meaning given to them in the terms and conditions set out within the SuperGear Agreements.

Glossary	
Accumulation Phase	The period during which a SMSF member is not in Pension Phase and is endeavoring to build up their investment portfolio and generally make contributions toward their SMSF in preparation for their retirement.
Custodian	A company nominated by the SMSF trustee to act as custodian to hold legal title to the property for the duration of the loan in accordance with the terms of the documents provided by you to us.
Pension Phase	The period during which a SMSF member is receiving a ‘pension’ (as defined in the Superannuation Industry (Supervision) Act 1993) from the ‘segregated current pension assets’ (as defined in the Income Tax Assessment Act 1997) of their SMSF.
SuperGear Agreements	Agreement and documentation incorporating loan terms and conditions within the SuperGear Offer Pack issued by the Commonwealth Bank including the Customer Agreement, Loan Agreement, Mortgage and Individual Indemnities.
SuperGear Offer Pack	Documents we provide to you outlining the terms and conditions of an offer for finance, setting out the particulars, or indicative particulars, of a product, or variation of which (including any similar replacing an earlier document signed by us) we offer you, including the SuperGear Agreements.

SuperGear Risk Disclosure Form

Guide to Completing the Risk Disclosure Form

There are significant risks associated with borrowing to purchase an investment property inside your Self-Managed Super Fund (SMSF). That is why we strongly recommend that you first obtain financial and taxation advice before you commit to the purchase of a property. By accepting the risks, costs and obligations, you are then in a better position to determine if this strategy is right for you and your SMSF.

The SuperGear Risk Disclosure Form is split into the following sections:

Section 1

1.1 Fund and Property Details

To disclose the name of your SMSF and details of the property being purchased or refinanced.

1.2 Product Information Booklet

To help you understand some of the key risks of gearing inside your SMSF and some of the product features and conditions of SuperGear, we require that you read and accept the information contained in the SuperGear Product Information Booklet before applying for a SuperGear loan. A copy is available by visiting our website www.commbank.com.au/supergear or calling **1800 138 363**.

1.3 Risk Disclosure

To confirm you are aware and accept the key risks, costs and obligations of gearing inside your SMSF.

1.4 Conflict of Interest Declaration

To assist in your loan application and to help determine if your SMSF trust deed has the required clauses when we complete a trust deed investigation, we need to ask you some questions about the purchase you intend to make or have already made. If you have not yet identified which property you intend to purchase, then please leave this section blank and we will ask for this information at a later date but prior to the funding of any loan.

1.5 Members Financial Position

This section should be completed by the members of the SMSF to help the Bank assess the application:

- Total Assets: include properties, home contents, non-super investments and motor vehicles.
- Total Liabilities: include balances on any existing loans in personal names including credit cards.
- Monthly Repayments: repayments on those liabilities listed under 'Total Liabilities'.
- Gross Monthly Income: include salaries, investment income, government support payments and distributions from businesses and trusts.

Section 2

This section is to confirm you have sought and received financial advice before deciding to apply for a SuperGear loan.

Section 3

Acknowledgement that you and any other members of your SMSF have read and accept the Risk Disclosure Form by signing this section.

Section 1

1.1 Fund and property details

Self-Managed Super Fund Name

Property being purchased/refinanced (or general details of the type of property including purchase price range)

1.2 Product Information Booklet

I/ We have read and accepted the information contained in the SuperGear Product Information Booklet

Yes

No

1.3 Risk Disclosure

The Bank strongly recommends that prior to signing this document and before you purchase a property you should seek your own financial and taxation advice to ensure you:

- Are aware of your current financial status and objectives to ensure they are taken into account
- Accept the risks and costs associated with real property acquisition
- Accept the risks of borrowing in that it magnifies the gains but also the potential losses from falls in the value of the property including the risk of a significant capital loss
- Accept your obligations as SMSF Trustee and the role of the Custodian in holding title to the property
- If you are providing a personal indemnity to support the SuperGear loan, you accept your obligations

Section 1 (continued)

- Accept the risks associated with a change in circumstances, such as, an extended vacancy of the security property, or a change in law(s) impacting your ability to make contributions to your SMSF to help service the loan or one of the members leaving the SMSF
- Ensure this strategy of borrowing to purchase an investment property aligns with your SMSF's investment strategy

I/We are aware of and accept the costs, risks and responsibilities associated with gearing inside our SMSF to purchase/refinance the above mentioned property, including those listed above.

Yes

1.4 Conflict of Interest Declaration (leave blank if property unknown)

I/ We declare that we are not purchasing this property from a party related to any of the members of the above mentioned SMSF.

Yes

No

I/ We declare that no party related to any of the members of the above mentioned SMSF will receive a direct personal benefit from the purchase including by way of receiving any commission, referral fee or other payment.

Yes

No

A “**related party**” means a relative of any member or where a company or trust is involved in the purchase, any shareholder of the company or any beneficiary of the trust who is a relative of any member. It excludes the existing members of the above mentioned SMSF.

A “**relative**” means a spouse, de facto spouse, parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descendant or adopted child of that individual or of his or her spouse or of his or her de facto spouse.

Where the vendor is a trustee of a trust, this declaration extends to include any related party who is a beneficiary or unit holder of that trust. Where the vendor is a company, it extends to include any related party who is a director or shareholder of that company.

1.5 Members Financial Position

Please complete a summary of each members' financial position, including members interests in related companies and trusts:

Non-Super				
Total Assets	\$	\$	\$	\$
Total Liabilities	\$	\$	\$	\$
Monthly Repayments	\$	\$	\$	\$
Gross Monthly Income	\$	\$	\$	\$

Section 2

I/We confirm that I/we have received advice from the following financial planner or accountant that included the risks, obligations and responsibilities associated with gearing inside our SMSF for the purchase/refinance of the property listed in Section 1.1.

Adviser/Accountant

Print full name

Name of Firm

Section 3

I/We acknowledge that I/we have read and accept this Risk Disclosure Form by signing below.

SMSF Member 1

Print full name

Signature

Date

SMSF Member 2

Print full name

Signature

Date

SMSF Member 3

Print full name

Signature

Date

SMSF Member 4

Print full name

Signature

Date

Please print additional copies of this form if you wish to provide a separate form for each member.



If you require additional information or would like to commence your SuperGear Application, please contact the Commonwealth Bank as outlined below:

Call **1800 138 363**

Email smsf@cba.com.au OR

Refer to www.commbank.com.au/supergear