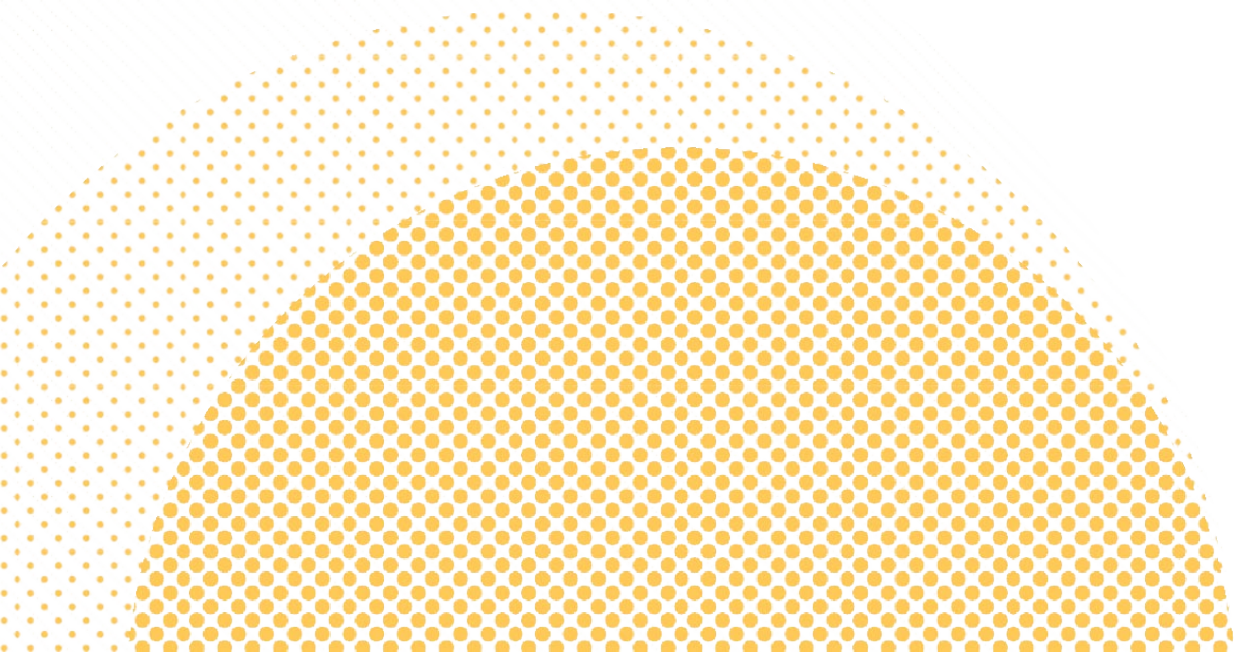


# RESOURCE GUIDE



## The Parallel Strategy

This article is brought to you by our parent group, Concepts & Results. With expertise in Accounting, Financial Planning, Estate Planning, and Bookkeeping, Concepts & Results offers comprehensive financial solutions to support your needs.



The Parallel Strategy

# A Smart Approach to Eliminating Capital Gains Tax & Being Debt-Free in Retirement



CONCEPTS & RESULTS

## Introduction

### Overview

When planning for a comfortable and financially secure retirement, property investment often stands out as a lucrative option. However, the challenge lies in navigating the complexities of capital gains tax, reducing debt levels, and maximizing income streams in retirement.

Enter "*The Parallel Strategy*," a sophisticated approach designed to help you achieve a debt-free retirement with no capital gains tax and a steady income stream from an investment property. Here's how it works.



### What is The Parallel Strategy?

The Parallel Strategy involves purchasing two investment properties: one within a Self-Managed Super Fund (SMSF) and another in your name as an individual. This dual approach leverages the unique advantages of both ownership structures, resulting in a synergistic effect that maximizes benefits and minimises liabilities.

# Step-by-Step Breakdown of The Parallel Strategy

## 1. Establish a Self-Managed Super Fund (SMSF)

Why an SMSF? An SMSF provides greater control over investment choices and can offer significant tax advantages. Within an SMSF, investment earnings and any contributions which are taxed at a concessional rate of 15% can be reduced significantly with the tax benefits derived by owning a property, and capital gains are only taxed at 10% if the fund is in accumulation phase and at zero rate when in retirement.

**Purchase an Investment Property:** Use the funds within your SMSF to purchase a carefully selected investment property. Ensure it meets the SMSF's investment strategy and complies with regulatory requirements.

## 2. Purchase a Second Investment Property Personally

**Leverage Personal Borrowing Capacity:** Utilise your individual borrowing capacity to purchase a second investment property. This allows you to benefit from tax deductions on the interest only payments and other property-related expenses.

**Debt Reduction Focus:** Allocate rental income and employer and any personal contributions towards repaying the mortgage on your SMSF owned property. Aim to pay down this debt as quickly as possible. (in some cases 7 to 10 years).

## 3. Optimise Rental Income and Cash Flow

**Maximise Rental Returns:** Ensure both properties are well-maintained and attract high-quality tenants to secure steady rental income.

**Efficient Cash Flow Management:** Direct rental income from the SMSF property plus employer and personal superannuation contributions towards covering its expenses and focusing the SMSF income on debt reduction.

## 4. Capital Gains Tax Strategy

**SMSF Property:** If you hold the property within your SMSF until it is paid off and you are in retirement, it can be sold tax-free in the pension phase. As you will be retired you can also take a retirement benefit from the proceeds personally and allocate this lumpsum payment towards reducing the mortgage on your personally owned property and hopefully paying this property off, thus leaving a property in your name, you don't have to sell it and eliminating the necessity of selling the property and incurring any capital gain tax.

## 5. In Retirement

**Debt-Free Status:** By the time you retire, your personally owned property should be mortgage-free, and your SMSF property can be sold without incurring capital gains tax, given the right conditions.

**Income Stream:** The rental income from your debt-free property will provide a reliable income stream during retirement, supplementing any other retirement savings you have.

## Benefits of The Parallel Strategy

**No Debt:** Aggressive debt repayment strategies ensure you enter retirement without the burden of property loans.

**No Capital Gains Tax:** Strategic use of the SMSF structure allows for potential capital gains tax-free property sales in retirement.

**Steady Income Stream:** A mortgage-free property ensures a steady rental income, contributing to your financial stability in retirement.

## Considerations and Risks

**Regulatory Compliance:** Ensure your SMSF complies with all legal requirements and investment regulations to avoid penalties.

**Market Risks:** Property investments carry inherent market risks. Diversify your portfolio and conduct thorough market research.

**Financial Advice:** Consult with our financial advisors to tailor the strategy to your specific financial situation and retirement goals.

# Conclusion

The Parallel Strategy is a powerful approach to property investment that can pave the way for a financially secure and debt-free retirement. By leveraging the benefits of both SMSF and personal property ownership, this strategy aims to minimise taxes, maximize income, and ensure peace of mind in your golden years. Start planning today to take control of your financial future with The Parallel Strategy.

## See how it could work for you

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