



SMSF investing

SMSF investment requirements you must meet to ensure you comply with superannuation law.

SMSF investment requirements



About SMSF investment requirements, including the sole purpose test, and additional support.

Ownership of SMSF investments



Recording your SMSF as the owner of its assets and when you need to update ownership documentation

Restrictions on SMSF investments



Revised Restrictions on SMSF investment assets and the consequences that can apply.

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SMSF investment requirements

About SMSF investment requirements, including the sole purpose test, and additional support.

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About SMSF investing

Investments you make for your self-managed super fund (SMSF) must be in accordance with your fund's trust deed and superannuation laws.

Super laws require you to prepare an **investment strategy** for your SMSF, which is your plan for making, holding and realising assets. It should set out why and how you've chosen assets to meet your fund's investment objectives and members' retirement goals.

There are investment requirements that trustees must follow. Your investments must:

- meet the [sole purpose test](#)
- be made on a commercial arm's length basis and always reflect true market value
- show clear legal ownership by the fund
- meet specific restrictions on investments.

Sole purpose test

Any investment your SMSF makes needs to be made and maintained for the **sole purpose** of providing retirement benefits to your members, or to pay death benefits if a member dies before retirement.

A contravention of one or more of the super laws may indicate that there has been a breach of the sole purpose test. This can include if you or a related party obtains more than an incidental personal financial benefit when making investments, for example:

- if the asset provides a pre-retirement benefit to a related party, such as holidaying in your SMSF investment property
- if you or a related party receive a personal reward when investing your fund's assets in a particular investment group

- if the fund invests in collectables such as art or wine, and a trustee, member or related party displays or stores these assets in their private residence.

A contravention will occur if your investments do not meet the sole purpose test. This means your SMSF will not be eligible for tax concessions and the trustees of the SMSF could face a range of compliance actions such as **penalties**.

Additional support

You need financial and legal knowledge and skills to manage your SMSF investments.

Before making any decisions about investments, consider getting help from a licensed financial advisor or SMSF professional.

You can also request SMSF specific advice to understand how superannuation law applies to a particular transaction or arrangement.

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Recording your SMSF as the owner of its assets and when you need to update ownership documentation

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<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfi6z96>

Who to record as the owner of assets

Your self-managed super fund (SMSF) must be the legal owner of all fund assets.

Investments must be held separately from any personal or business assets.

By keeping the ownership separate, you are:

- protecting the assets from creditors
- preventing disputes over proof of ownership.

Insurance should also be in the name of the SMSF.

Recording SMSF ownership

Depending on your SMSF's structure, where possible, fund assets should be held in the name of either:

- the individual trustees 'as trustees for' the fund – for example, 'Micah and Grace Tari as trustees for the Tari Family Super Fund'
- the corporate trustee 'as trustee for' the fund – for example, 'ABC Pty Ltd as trustee for the Tari Family Super Fund'.

Assets that can't be held in the SMSF's name

Some state and territory laws may prevent your SMSF from holding assets using the fund's name.

If assets can't be held in the SMSF's name, fund ownership must be clearly established. You can do this by either:

- executing a caveat
- creating an instrument or declaration of trust.

Trustees should seek legal advice about how they can do this.

If possible, documents such as sale agreements should be executed in the name of the trustees 'as trustees for' the SMSF.

If other situations prevent holding assets in the SMSF's name, such as share trading accounts that don't allow multiple trustees to be listed, document the names of all individual trustees in your fund's records as owners of the shares.

If trustees join or leave the SMSF

If an individual trustee joins or leaves your SMSF, you must change the names on the ownership documents for each fund asset. Document this change in your records, along with clear evidence to support the SMSF's ownership of the asset.

If you have a corporate trustee structure and there is a change in directors, you don't need to change the names on the SMSF's ownership documents. This is because the corporate trustee of the SMSF has not changed.

Limited recourse borrowing arrangements

If your fund uses a limited recourse borrowing arrangement (LRBA) to purchase an asset, the asset is held in a separate trust outside of the SMSF to ensure the other fund assets are protected if the loan defaults.

If the asset is:

- currently under an LRBA, the holding trust must be listed as the owner
- no longer under an LRBA, the SMSF must be listed as the owner.

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We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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