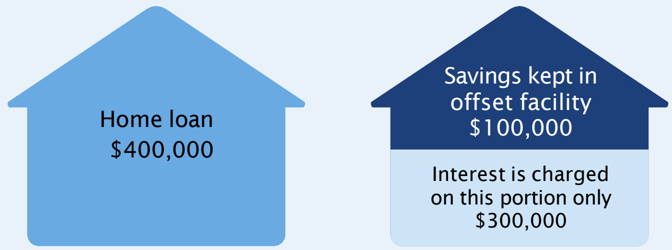
EXCEL FUNDING GROUP

SMSF Offset Sub-account Guide
Key Facts and SMSF Offset Facility rules

What is an SMSF Offset Facility?

Your SMSF offset facility is a transactional sub-account linked to your SMSF home loan. Any balance held in this sub-account helps reduce the interest charged on your loan by offsetting your loan balance for daily interest calculations.



Outstanding home loan amount $400,000

Savings kept in offset facility $100,000

You'll only pay interest on $300,000

Key Features

- **100% Offset** — Every dollar in your offset facility (sub-account) reduces interest payable on your SMSF loan.
- **Non-Interest Bearing** — The offset sub-account itself does not earn interest.
- **Offset Benefit** — Interest is calculated on the loan balance minus the offset sub-account balance.
- **Separate Sub-account** — Your offset facility is a distinct sub-account recorded in the name of your SMSF and is not embedded within your loan sub-account. It is a feature of your loan that reduces the balance on which interest is charged. It is not a deposit account, is not an everyday transaction account and is not covered by the Financial Claims Scheme.
- **Transactional Limitations** — The sub-account is a transactional sub-account of your SMSF loan and is not intended to operate as an everyday transaction account. Outgoing transactions are limited to BPAY payments and online redraws to the Cash Management Account (CMA) held in the same name as your SMSF loan. Pay Anyone and transfers to third party accounts are not available. Access to payment functionality may be restricted, or subject to our approval, from time to time. As trustee, you and your advisers remain responsible for ensuring each transaction is consistent with your fund's obligations, including under the Superannuation Industry (Supervision) Act 1993 (SIS Act).
- **No SMSF Loan Redraw Feature** — A redraw facility does not form part of your SMSF loan. This applies despite any other provision of your loan agreement or the General Terms and Conditions. Funds held in your offset sub-account may be accessed through the permitted channels set out above, subject to our approval of the drawing and provided the withdrawal is permitted under the SIS Act. Accessing previously applied loan repayments for personal or business use may be treated as a new borrowing and contravene the borrowing restrictions in the SIS Act.
- **Sole Benefit Use** — Funds in the offset sub-account must only be used in line with the fund's investment strategy and must not benefit any member personally before retirement.
- **Visibility & Control** — You can view your balance and transaction history through Online Access and Mobile Access. The transaction functions available on SMSF accounts are limited to the permitted channels described above.

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What Your SMSF Offset Facility Cannot Be Used For

- The offset sub-account is not intended to operate as an everyday transaction account.
- Access to payment functionality may be restricted or subject to approval from time to time.

Examples of permitted SMSF offset facility transfers (inflows and outflows):

- Transfer funds to your SMSF Cash Management Account held in the SMSF's name.
- Receiving rental income from SMSF property.
- Repayments to your SMSF loan.
- Receiving allowable contributions or rollovers (where permitted by your SMSF setup).
- Withdrawals which are permitted under the SIS Act including, for example:
  - repairs and maintenance (but not improvements) of the mortgaged property;
  - expenses incurred in relation to borrowing or purchasing the mortgaged property; or
  - a refinance (including any accrued interest) in relation to the mortgaged property.

Transactions and features that are not available on your SMSF offset facility:

- Pay Anyone.
- ATM access, debit cards, or cheque usage.
- Payments to personal, unrelated third-party accounts or business use outside the SMSF.
- Early withdrawals before meeting a condition of release.

These are product controls applied under the terms of your loan, to keep the facility operating consistently with its terms and intended purpose. They are not a direction given to you under the SIS Act. Responsibility for your fund's compliance with the SIS Act, including the sole purpose test, the preservation rules and the borrowing restrictions, rests with you as trustee, together with your advisers.

SMSF Trustee Compliance Obligations

- **Sole Purpose Rule** — All transactions must be for the sole purpose of providing retirement benefits to members (or their dependents in the case of death). Any personal or non-SMSF use is strictly prohibited.
- **Preservation of Funds** — Withdrawals from the SMSF (including via the offset sub-account) are not allowed unless a valid condition of release has been met (e.g. retirement, reaching age 65, terminal illness).
- **No Financial Assistance** — You cannot use SMSF funds in any way that provides direct or indirect financial help to members or related parties.
- **Arm's Length Transactions** — Any transaction must be conducted on commercial terms, even when dealing with related parties (e.g. rent, property management fees).
- **Audit & Documentation** — All transactions must be clearly documented and consistent with your fund's investment strategy. You are responsible for ensuring proper records are available for annual audits and ATO review.

Consequences of Non-Compliance

- Where the sub-account is used inconsistently with your loan terms, we may change, suspend or cancel the offset facility, or restrict access to payment functionality, in accordance with those terms. We will tell you if we do. We may also report a matter to a regulator or law enforcement agency where we are required or permitted to do so.
- Contraventions of the SIS Act are reportable to the Australian Taxation Office by the fund's approved SMSF auditor and by trustees. A contravention can have serious consequences for your fund, including loss of complying fund status, trustee disqualification, administrative penalties and additional tax. If you are unsure whether a transaction is permitted, speak with your accountant or SMSF adviser before you make it.

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