



NDIS Property Investment with Proxima



In 2024, Proxima announced the launch of a portfolio of NDIS approved properties available to Australian Property Investors. These properties have appeal largely to our self managed super fund investors, seeking both alternative financial strategies to planning for their retirement coupled with a commitment to ethical investment.



Australia's aging population, increasing life expectancy, and the financial requirements for retirement are significant factors shaping the country's future.



So let's explore the trends, the opportunities and the options for retirement, with a focus on self funded super and NDIS.

Aging Population in Australia



Demographic Shift:

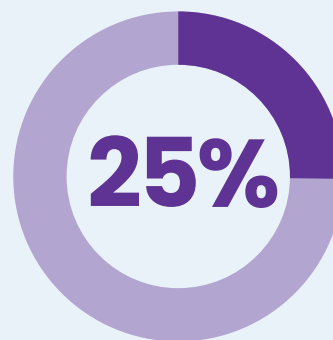
Australia, like many developed nations, is experiencing a demographic shift with an increasing proportion of older adults. As of 2024, around 16% of the population is aged 65 and over, and this number is projected to rise to nearly 25% by 2050.

Population aged 65 and over

as of 2024



by 2025



Causes:

This shift is driven by a combination of lower birth rates and higher life expectancy. The large Baby Boomer generation (born between 1946 and 1964) is now reaching retirement age, further accelerating the aging trend.



Impact on Society:

An aging population affects various aspects of society, including healthcare, social services, and the economy. There is increased demand for healthcare services, aged care facilities, and social support systems.



Life Expectancy in Australia



Current Life Expectancy:

Life expectancy in Australia has been steadily increasing due to improvements in healthcare, living standards, and medical advancements.

As of 2024, the average life expectancy is around 83 years, with women typically living longer (around 85 years) than men (around 81 years).



Future Projections:

Life expectancy is expected to continue rising, with many Australians living well into their 90s.

This longer lifespan means that people will need more savings to sustain themselves throughout retirement.

Retirement Income Sources

The main sources of retirement income in Australia include the Age Pension, superannuation, and personal savings or investments. The balance of these sources depends on individual circumstances, including work history, super contributions, and lifestyle choices.



ASFA Retirement Standard:

The Association of Superannuation Funds of Australia (ASFA) provides a guideline known as the "ASFA Retirement Standard," which estimates the annual income needed for a modest or comfortable retirement:

- **Modest Lifestyle:** Requires about **\$31,000** per year for singles and **\$45,000** per year for couples. This lifestyle covers basic living expenses with some room for occasional leisure activities.
- **Comfortable Lifestyle:** Requires about **\$50,000** per year for singles and **\$70,000** per year for couples. This lifestyle allows for a higher standard of living, including more leisure activities, travel, and better health services.



\$31,000



\$45,000



\$50,000



\$70,000

Superannuation Balances Needed:

Based on the ASFA Retirement Standard, the following superannuation balances are suggested to achieve these lifestyles (not including the Age Pension):

- **For a Modest Lifestyle:**

A super balance of approximately
\$300,000 to \$400,000

- **For a Comfortable Lifestyle:**

A super balance of around
\$545,000 | **\$640,000**
for singles | for couples

More recently, these numbers have been challenged by the market, as people plan for longer and more comfortable retirements. The Australian Government has since launched a new website to help people plan to their ideal retirement.

Planning for a Comfortable Retirement



The [MoneySmart Retirement Planner](#) is an online tool provided by the Australian Securities and Investments Commission (ASIC) to help individuals plan for their retirement. The website allows users to estimate how much money they will have when they retire and how long it will last, based on various factors like age, income, superannuation, and expected expenses. By adjusting these variables, users can explore different scenarios and make informed decisions about their financial future. The tool aims to empower Australians to take control of their retirement planning, ensuring they have enough savings to support their desired lifestyle in retirement.

To make it even easier, ASIC states that to plan for your retirement, if you own your own home, a rule of thumb is that you'll need **two-thirds (67%) of your pre-retirement income every year of your retirement** to maintain the same standard of living.

Two areas of risk should be considered when you do this calculation:



Longevity Risk:

With increasing life expectancy, there is a risk of outliving retirement savings, known as "longevity risk." This is why it's crucial to plan for a longer retirement period, possibly up to 30 years or more.



Inflation and Healthcare Costs:

Inflation, especially in healthcare, is a significant consideration. As people age, healthcare needs tend to increase, and these costs can rise faster than general inflation. Planning for healthcare expenses, including potential aged care, is an essential part of retirement planning.

Trends in Australian Financial Planning

- **Increasing Reliance on Super:** As the compulsory superannuation system matures, more Australians are entering retirement with substantial super balances. This shift means that fewer retirees will need to rely solely on the Age Pension, allowing them to enjoy a higher standard of living in retirement.
- **Growth in SMSFs:** SMSFs have grown in popularity, particularly among those who want more control over their investments. As of now, SMSFs hold nearly a third of Australia's total superannuation assets, reflecting their appeal to a significant portion of the population.



- **Property as an Investment:** Many Australians use their superannuation to invest in property, especially through SMSFs. This trend is driven by the belief that property offers stable, long-term returns, particularly in a market like Australia's, where property values have historically risen.
- **Retirement Age Trends:** With increasing life expectancy, many Australians are choosing to work longer, either out of necessity or preference. This trend is leading to a shift in how retirement is perceived, with more people transitioning gradually rather than stopping work entirely at a set age.
- **Focus on Sustainability and Ethical Investments:** There is growing interest in ethical and sustainable investments within super funds. Many Australians are now choosing investment options that align with their values, such as those that focus on environmental sustainability or social impact.



Strategies to Ensure Adequate Retirement Savings

- **Maximizing Superannuation Contributions:** Making additional voluntary contributions to superannuation can significantly boost retirement savings. This can be done through salary sacrifice or after-tax contributions, both of which have tax advantages.
- **Investment Strategies:** A diversified investment strategy can help grow retirement savings over time. Balancing risk and return according to one's age and risk tolerance is crucial.
- **Downsizing:** Some retirees choose to downsize their homes to free up equity, which can then be added to their superannuation or used for living expenses.
- **Government Incentives:** The Australian government offers various incentives to boost retirement savings, such as the "downsizer contribution" and co-contribution schemes, which can be beneficial to explore.



Additional Considerations



- **Uncertainty in Markets:** Market volatility can impact the value of superannuation and other investments. Retirees must be prepared for potential fluctuations in their retirement income.
- **Aged Care:** Planning for potential aged care costs is increasingly important as life expectancy rises. These costs can be substantial, and including them in retirement planning is essential to avoid financial strain later in life.
- **Accessing Superannuation:** The timing of when to access superannuation is crucial. Withdrawing funds too early can deplete savings, while delaying access may increase financial security in later years.



Your Opportunity

Proxima has been researching this area for our community of agents and mortgage brokers, as we look to ensure our portfolio of properties represents the needs of clients today.

With Retirement planning a key priority, and SMSF on the rise, one opportunity continually presented itself to us: NDIS Property.

What is NDIS?



The National Disability Insurance Scheme (NDIS) in Australia is primarily a support system for individuals with disabilities, but it also creates opportunities in property investment, particularly for those looking to invest in the NDIS Specialist Disability Accommodation (SDA) market.

Let's explore the key areas you need to know about when assessing this opportunity for you.



The Government Departments involved:



NDIS:

The National Disability Insurance Scheme provides support and services to people with disabilities. It includes various funding supports, one of which is for Specialist Disability Accommodation (SDA).



SDA:

Specialist Disability Accommodation is a component of the NDIS designed to support individuals who need housing solutions that are specifically tailored to their needs. This could involve housing that is specially designed or modified to support people with high support needs or complex disabilities.



The SDA portfolio



The range of dwellings covered by SDA

SDA properties are typically classified into categories based on the level of accessibility features provided. These include:



Improved Livability:

For people who need a higher level of accessibility but are relatively independent.



Fully Accessible:

For individuals who require wheelchair access and have significant mobility issues.



High Physical Support:

For those with very high physical support needs, often requiring more advanced modifications.



Robust:

For people requiring durable and secure environments for their physical protection.

Financial Business Case



Funding and Payments

SDA funding is provided to eligible participants in the form of a rental subsidy, which is paid directly to the property owner or manager. This funding is part of the participant's NDIS plan.



Why Invest in SDA Properties?



Stable Income:

SDA properties often provide a steady income stream because the rental payments are funded by the NDIS, offering some stability and predictability compared to traditional rental markets.



Government Support:

The NDIS is a government-funded scheme, so there is a level of security associated with the rental payments. The government backs these payments, reducing the risk of rent arrears.



Growing Demand:

With an increasing number of people qualifying for SDA and a growing awareness of the need for suitable disability housing, demand for SDA properties is expected to rise.

Considerations for Investors of NDIS Properties

- **Property Specifications:** SDA properties need to meet specific design and accessibility standards. Investors often need to work with builders and designers who specialize in disability housing to ensure compliance with SDA requirements.
- **Regulations and Compliance:** Investors must understand and comply with NDIS regulations, which include property design standards and participant needs. The NDIS Quality and Safeguards Commission oversees these standards.



- **Management:** Managing SDA properties may require additional expertise. Some investors choose to engage specialized property managers who have experience with disability accommodation and the unique needs of SDA tenants.
- **Long-Term Commitment:** Investing in SDA is often a long-term commitment. It requires an understanding of the needs of people with disabilities and an investment in appropriate property modifications.

What is Self Managed Super Fund?



Curious about how to make your retirement savings work harder for you? You're not alone! As more Australians take control of their financial future, Self-Managed Super Funds (SMSFs) are becoming a popular choice for savvy investors.



614,000+

SMSFs are active in Australia today,
with around

590 new funds

being set up each week.

Nearly

\$1 trillion

in assets are under management,
including

1.8 billion

dwellings.

How can you unlock greater potential with your SMSF?



A key strategy to unlock greater potential with your SMSF is with Limited Recourse Borrowing Arrangements (LRBAs). Surprisingly, only 11% of SMSFs are taking advantage of LRBAs.



What is a Limited Recourse Borrowing Arrangement (LRBA)?

An LRBA is a special type of financial arrangement that allows your SMSF to borrow money to purchase an asset, usually property. What makes it unique is the "limited recourse" aspect. This means that if your SMSF defaults on the loan, the lender can only claim the specific property purchased with the borrowed money, not any other assets in your fund.

Here's a quick breakdown:

Limited Recourse: The lender's claim is restricted to the purchased asset, protecting the rest of your SMSF's investments.

Separate Trust Structure: The property is held in a separate trust until the loan is fully repaid, ensuring it's safeguarded within your SMSF.

Purpose: LRBAs empower your SMSF to leverage its existing assets to acquire a more valuable property than it could with cash alone.

Compliance: The Australian Taxation Office (ATO) has strict rules to ensure LRBAs are used appropriately, so it's important to stay within the guidelines.



Why Consider an LRBA?



LRBAs offer several benefits, especially if you're looking to invest in property as part of your retirement strategy:

Leverage: Your SMSF can borrow money to buy a larger or more valuable property, potentially leading to greater capital growth.

Tax Benefits: Income generated from the property is taxed at the lower superannuation rate. Plus, if the property is sold when your fund is in the pension phase, capital gains can be tax-free.

Asset Protection: Since the property is held in a separate trust, it provides an additional layer of security for your SMSF.

Diversification: LRBAs allow you to diversify your SMSF's portfolio, spreading risk across different asset classes.

Control: You have direct control over investment decisions, from selecting the property to managing it and deciding when to sell.

Potential for Long-Term Growth: Property is often seen as a solid long-term investment, making it a good fit for superannuation.



Notation

While LRBAs can be a powerful tool, they do come with risks, such as market fluctuations, borrowing costs, and the complexity of complying with superannuation laws. That's why it's crucial to seek professional advice to determine if this strategy aligns with your financial goals.

Choosing a partner for NDIS properties

When choosing an NDIS housing provider, there are a number of areas to consider:

1 Accreditation and Compliance

- Ensure the provider is NDIS-registered and meets all necessary legal and regulatory requirements.
- Check if they comply with the NDIS Practice Standards and Quality Indicators.

2 Experience and Expertise

- Look for providers with experience in disability housing and a deep understanding of the needs of NDIS participants.
- Consider their track record in delivering high-quality services and supports.

3 Range of Services

- Assess the variety of housing options available, such as Specialist Disability Accommodation (SDA), Supported Independent Living (SIL), and Short-Term Accommodation.
- Understand if the provider offers additional services like assistance with daily activities, community participation, and health care.



4 Personalization and Flexibility

- Evaluate how well the provider can tailor their services to meet individual needs and preferences.
- Consider their flexibility in adapting to changes in a participant's circumstances or needs.

5 Quality of Housing

- Inspect the quality of the properties, including accessibility, safety features, and the overall living environment.
- Ensure the housing is well-maintained and in a location that supports the participant's lifestyle and access to community amenities.

6 Support and Staff

- Look into the qualifications, experience, and availability of the support staff.
- Ensure that staff are trained to provide the specific types of support needed, such as personal care, mobility assistance, and communication support.

7 Participant Satisfaction

- Seek feedback from current or past participants about their experiences with the provider.
- Look for testimonials or case studies that reflect the provider's ability to meet participants' needs effectively.

8 Transparency and Communication

- Assess how open and transparent the provider is regarding costs, services, and changes to agreements.
- Ensure they have effective communication channels and are responsive to queries or concerns.



9 Cultural and Social Considerations

- Consider whether the provider respects and accommodates cultural, linguistic, and social preferences.
- Look for providers who promote inclusivity and respect for diverse backgrounds.

10 Long-Term Stability

- Evaluate the financial and operational stability of the provider to ensure they can offer long-term support.
- Consider their reputation within the industry and among other service providers.









Choosing the right NDIS housing provider or partner is crucial for not only ensuring you achieve your ethical investment objectives, it is also absolutely essential to ensure a safe, supportive, and fulfilling living environment for participants. Taking the time to evaluate these factors can lead to better outcomes and improved quality of life.

Proxima has considered all ten of these areas, when presenting our network with NDIS properties.

Property Snapshots



Postcode: 3000 | **State:** Victoria | **Suburb:** Melbourne | **Property Type:** House & Land

STREET LINE 1	GARRAGE	CAR SPACE	BEDROOM	BATHROOM	LOUNGE
165 Cerrado Street	1 	2 	3 	3 	2 
109 Affogato Crescent	1 	2 	3 	3 	2 
1046 Grillies Street	1 	2 	3 	3 	1 
323 Cottonwood Drive	1 	1 	3 	3 	2 
2210 Luxembourg Avenue	1 	2 	3 	3 	2 
2235 Chitway Street	1 	2 	3 	3 	2 



Getting Started



Research:

Start by researching the specific requirements for SDA properties and the current demand in your desired area.



Consult Professionals:

There are highly experienced and dedicated companies offering SDA approved housing in this space. Proxima can help you connect with highly experienced and reputable companies who specialise in developing and managing SDA properties.



Financial Planning:

Assess the financial aspects, including initial investment, potential returns, and ongoing costs. Ensure that the financial benefits align with your investment goals.