

# Discretionary Family Trusts

## What is a Trust?

- A trust is a structure whereby an individual (or preferably a company) is the holder of an interest in property or assets on behalf of beneficiaries. The trustee "controls" the assets of the trust for the benefit of the beneficiaries.
- Ownership of the trust's assets is separated from the owners - the trustee holds the assets "on trust" for its beneficiaries.

## Set Up Procedure and Cost:

- **HYD Advisory charge a fixed fee to establish the trust and trustee company.** This includes meeting with you to explain the operational requirements of the trust, ensuring it is the most appropriate structure for you and attending to all ATO and ASIC requirements.

## General Comments:

- Many business owners and investors use a discretionary trust structure for asset protection benefits and in order to minimise income tax and capital gains tax.
- We recommend to our clients if they use the trust to accumulate investment assets for the benefits outlined above, then their trading business is operated through a separate entity, being another trust or a company depending on their circumstances. This achieves the goal of protecting investment assets from trading risk and liabilities.

## Advantages:

- **Limited liability** - we strongly recommend that the trust be established with a corporate trustee to achieve this goal.
- **Asset protection** - investment and/or business assets are sheltered within the trust and are protected from outside attack.
- **Tax planning** - the flexibility to distribute income and profits to family members and other entities to lower your overall family tax liability.
- **On-cost savings** - Distributions from the trust are not subject to workers compensation insurance, payroll tax or superannuation contributions charge.
- **Capital gains tax savings** - CGT discounting flows through the beneficiaries - allows future tax saving opportunities.

## Disadvantages:

- **Establishment cost, ongoing maintenance and compliance requirements** - however, HYD Advisory make this easy for you.
- **Trustee responsibilities and duties** - however, HYD Advisory explain the requirements to you in a simple and easy to understand way in "plain English".
- **Land tax** - the trust is not entitled to the tax-free threshold if it owns property.

***For more information on the benefits of trusts, contact HYD Advisory.***

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