



Should your self-managed superannuation fund have a corporate trustee or individual trustees?

A self-managed superannuation fund (SMSF) can either have a corporate trustee or individual trustees.

A SMSF can have up to four members, and generally speaking, the members must be the same as the individual trustees (or the same as the directors of a corporate trustee).

We generally recommend that a SMSF have a corporate trustee, rather than individual trustees. The major disadvantage of a corporate trustee is the up-front cost of establishing the company. However, there are longer-term benefits of establishing a company, which generally outweigh the extra costs. These benefits can be summarised as follows:

Corporate trustee	Individual trustees
<p data-bbox="277 954 617 984">Continuous succession</p> <p data-bbox="277 1114 1016 1247">A company has an indefinite life span; in other words, it cannot die. Therefore, a corporate trustee can make control of a SMSF more certain in the circumstances of the death or incapacity of a member.</p>	<p data-bbox="1058 954 1335 984">Ceases upon death</p> <p data-bbox="1058 1114 1814 1279">If the SMSF has individual trustees (e.g., a mum and dad SMSF), then timely action must be taken upon the death of a member to ensure the trustee/member rules are satisfied. (SMSF rules do not allow a sole individual trustee/member SMSF.)</p>

<p>Administrative efficiency</p> <p>When members are admitted to, or cease, membership of the SMSF, all that is required is that the person becomes, or ceases to be, a director of the corporate trustee. The corporate trustee does not change as a result. Therefore, title to all the assets of the SMSF remains in the name of the corporate trustee.</p>	<p>Extra and costly paperwork</p> <p>To introduce a new member to a SMSF with individual trustees requires that person to become a trustee. As trust assets must be held in the names of the trustees, this will require the title to all assets to be transferred to the new trustees when a member is admitted to or exits the fund.</p>
<p>Lump sums and pensions</p> <p>A SMSF with a corporate trustee can pay benefits either as pensions or as lump sums.</p>	<p>Lump sums only payable on commuting pension</p> <p>The SMSF rules require that a lump sum can only be paid by commuting a pension, which gives rise to extra paperwork. You cannot simply pay a lump sum benefit.</p>
<p>Sole member SMSF</p> <p>You can have a SMSF where one individual is both the sole member and the sole director.</p>	<p>Sole member SMSF</p> <p>A sole member SMSF must have two individual trustees.</p>

<p>Greater asset protection</p> <p>As companies are subject to limited liability, a corporate trustee will provide greater protection where a party sues the trustee for damages.</p>	<p>Less asset protection</p> <p>If an individual trustee suffers any liability, the trustee's personal assets may be exposed.</p>
<p>Estate planning flexibility</p> <p>A corporate trustee ensures greater flexibility for estate planning, as the trustee does not change as a result of the death of a member.</p>	<p>Extra administration and costs</p> <p>The death of a member requires a change of trustee, and this gives rise to considerable administrative work and costs at an inopportune time.</p>

Please carefully consider setting up the correct structure from the beginning, as significant costs and administrative effort is involved in any future change of trustee