

5 reasons why Australians love trusts

And whether you should get
one too

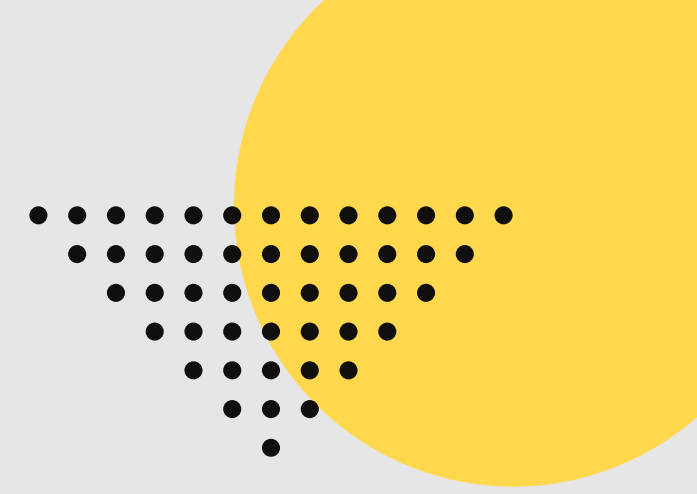
29 September 2022

Joyce Ong

Co-founder, Tax Nuggets Academy

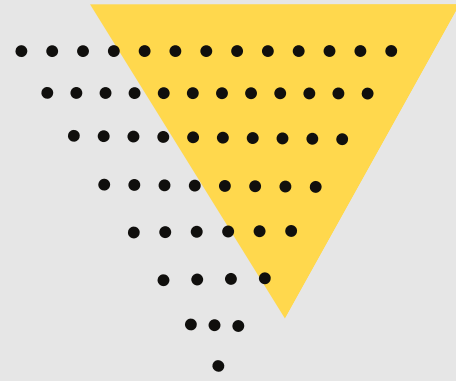


Say 'Hi' in the chat



This is an interactive workshop!

- 01 Ask questions via the chat
- 02 There'll be lots of quizzes and polls etc
- 03 Participate!



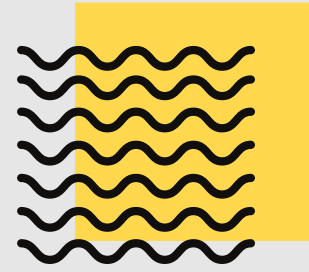
Who am I?



Joyce Ong

Co-Founder, Tax Nuggets Academy

Agenda



What is a trust?

15 min

5 key advantages

20 min

- Succession planning
- Asset protection
- Less red tape
- Privacy
- Tax planning

Common uses

15 min

Questions & Answers

will be taken throughout the session!





What is a trust?



Appointor



Trustee

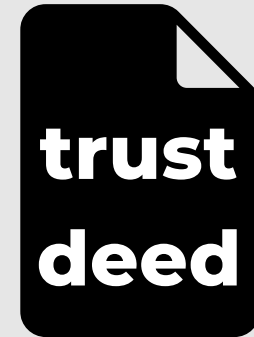


Beneficiaries



**Trust
property**

What does a trust deed look like?



A hand holding a glowing lightbulb under a desk lamp. The lamp is black with a large, white, dome-shaped shade. The lightbulb is held in the palm of a hand, and it is glowing brightly. The background is a textured, light-colored wall. In the top left corner, there is a grid of small yellow dots. In the bottom right corner, there is a yellow circle with a pattern of black dots. In the bottom center, there is a small blue triangle pointing downwards.

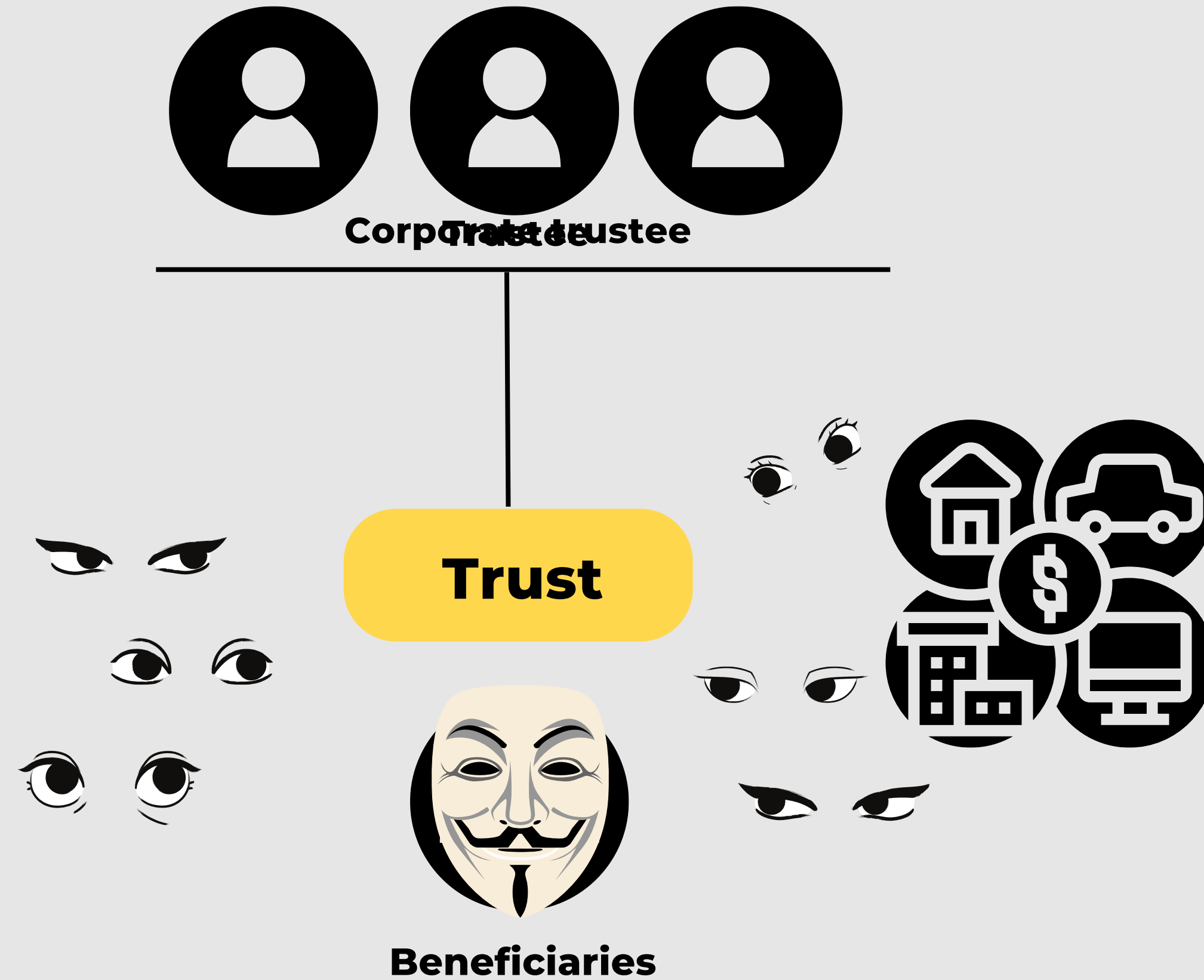
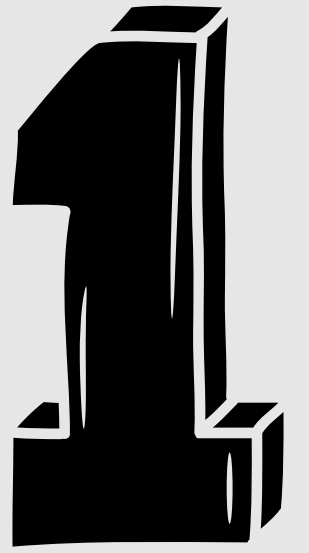
5 advantages of using a discretionary trust

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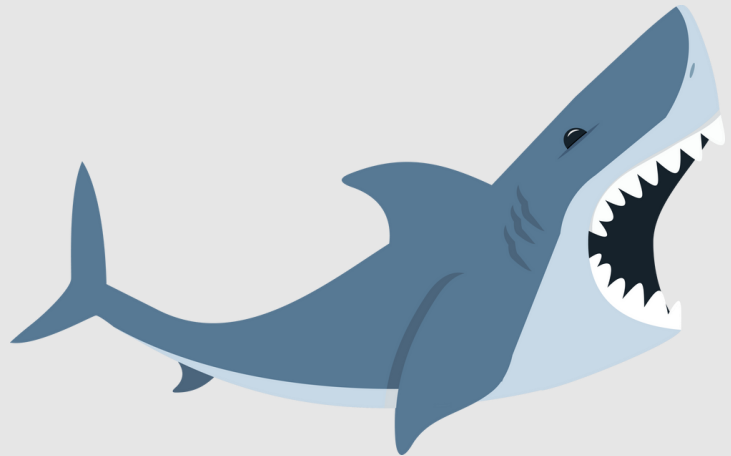
Which of the following is NOT a reason to setup a trust?

Privacy



Asset protection

2



Creditors
Banks
Lawsuits

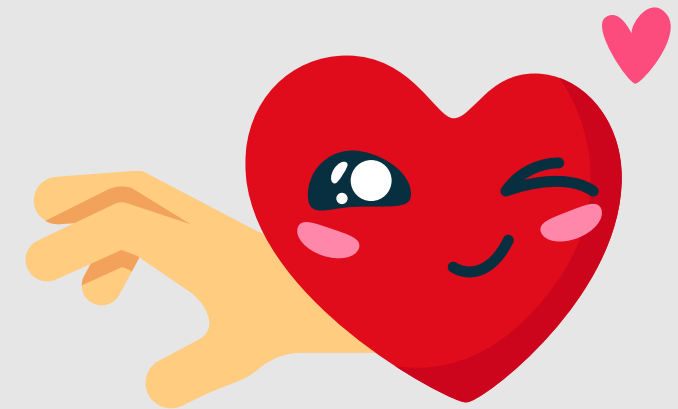


Corporate trustee

Trust



Beneficiaries



Flexibility



Trustee



Flexibility



Trustee

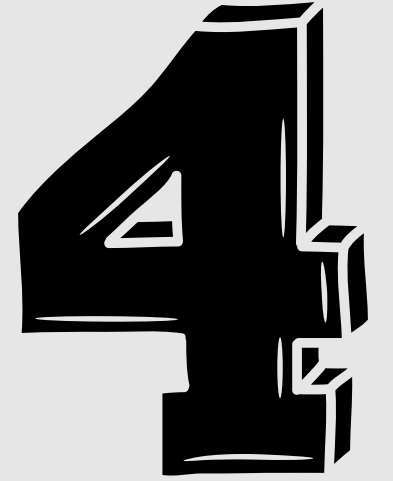


John

Trust



Less compliance



Companies

Trusts

Register with ASIC



Lodge annual reports*



Independent audits*



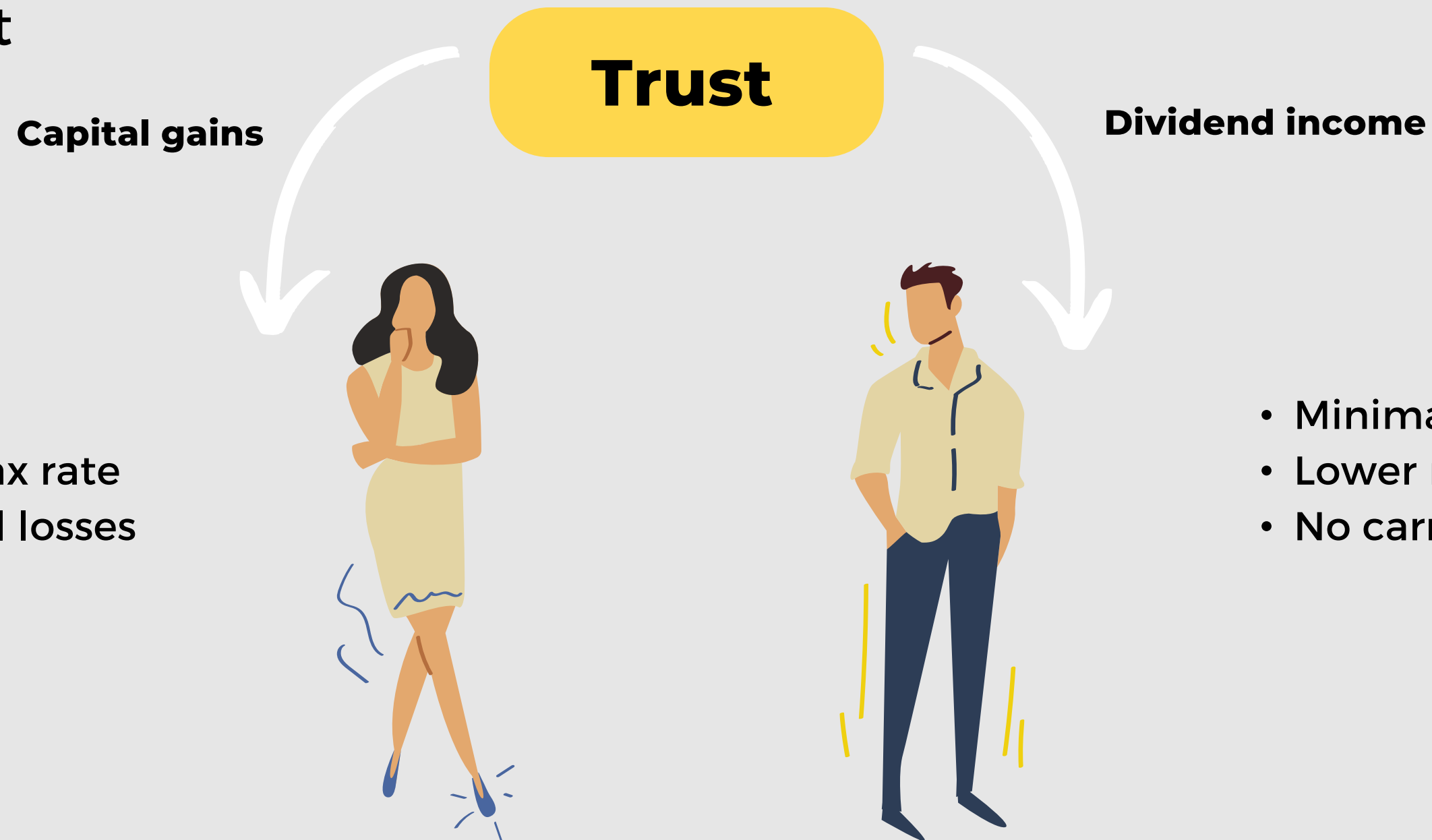
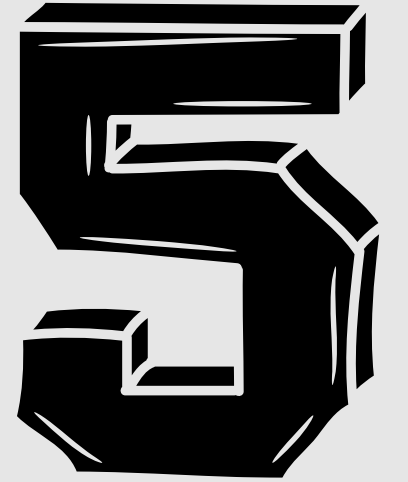
*When certain thresholds are met

Tax planning

Income splitting

Streaming

50% CGT discount



- High income
- High marginal tax rate
- Prior year capital losses

- Minimal income
- Lower marginal tax rate
- No carried forward losses



- Losses are trapped in the trust
- Not good for negatively geared assets

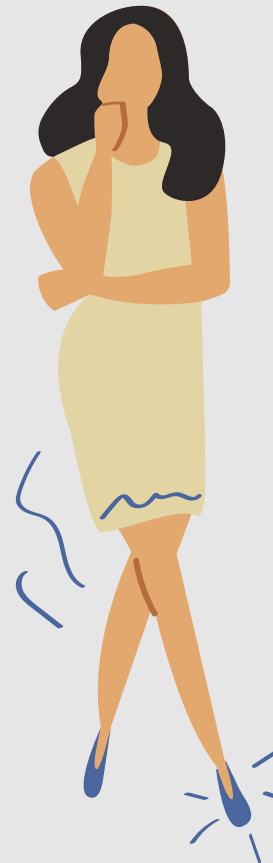
Quiz!

Your neighbours ask you...

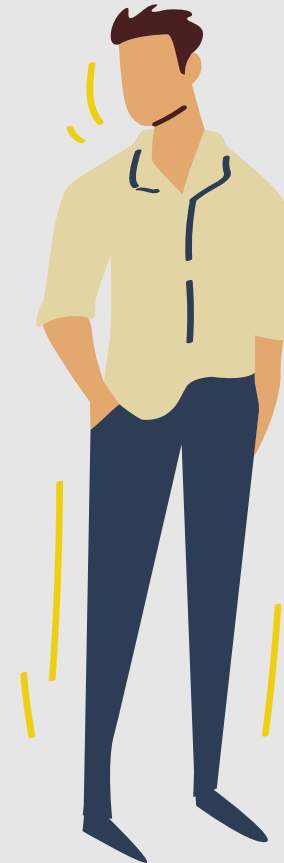


Trust

They want to buy a rental property that will be negatively geared for 10 years. They want to reduce the tax they currently pay. How should they structure the purchase?



- High income
- High marginal tax rate



- High income
- High marginal tax rate

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How should the property purchase be structured?

Question

Your neighbours ask you...

They want to buy a rental property that will be negatively geared for 10 years. They want to reduce the tax they currently pay. How should they structure the purchase?

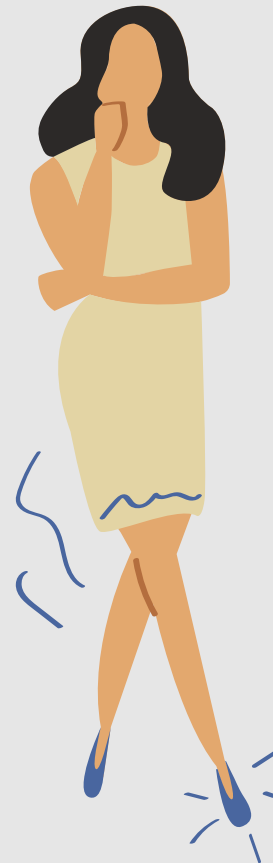


Trust

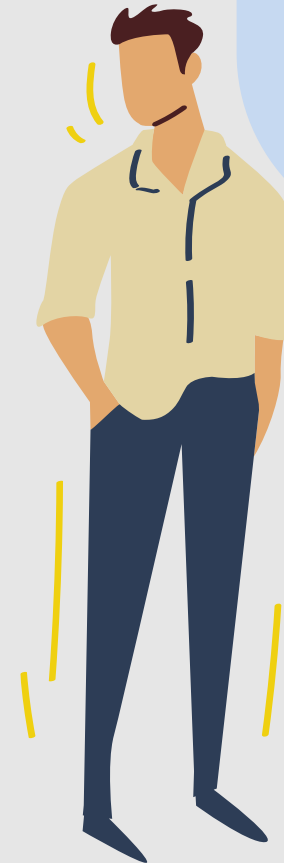
Answer

They should hold the property in their own names so they can offset the rental loss against their personal tax.

Losses are trapped in a trust. If held in a trust, the rental losses would be trapped and cannot be offset against their personal taxable income and cannot reduce their personal tax.



- High income
- High marginal tax rate



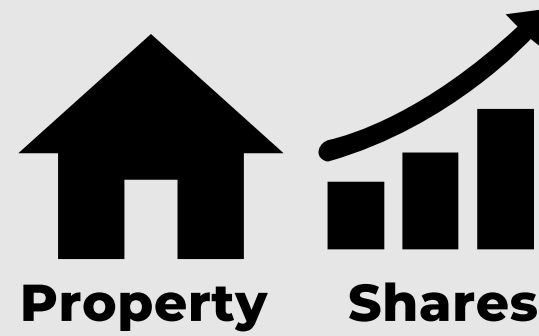
- High income
- High marginal tax rate

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Common Uses of Trusts

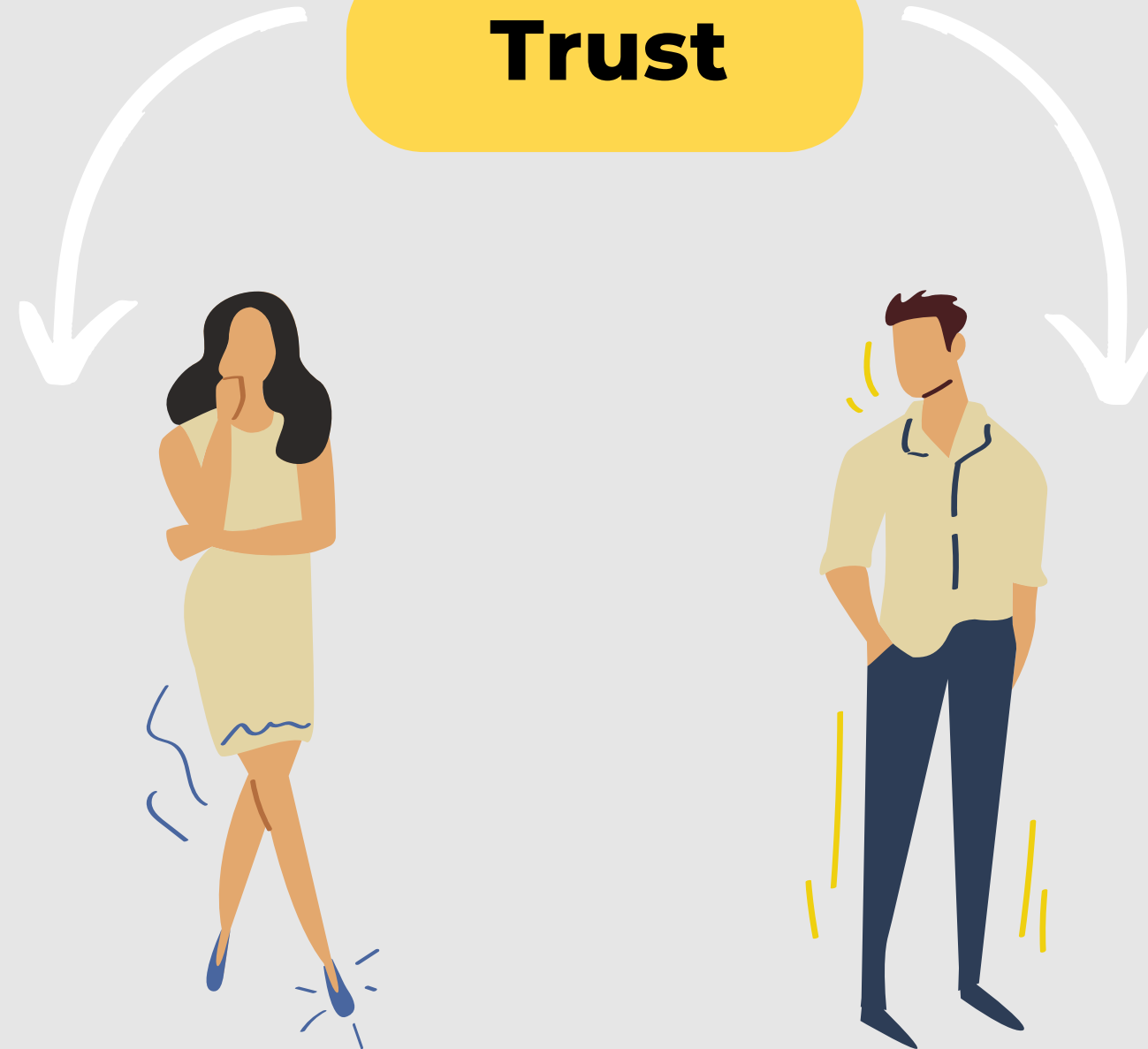
Long term investment vehicle

50% CGT discount
Income splitting
Streaming



Not negatively geared

Trust

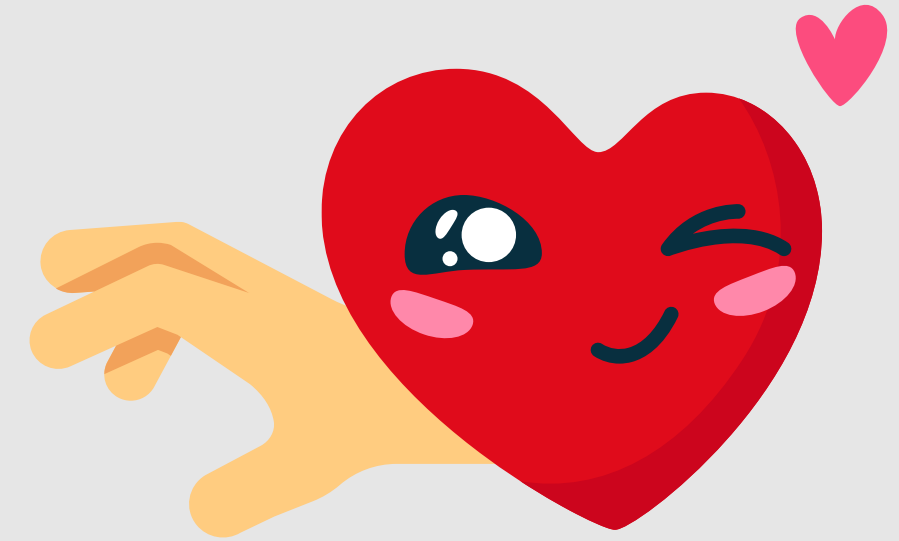


Succession planning

Flexibility

Adult tax rates for minors

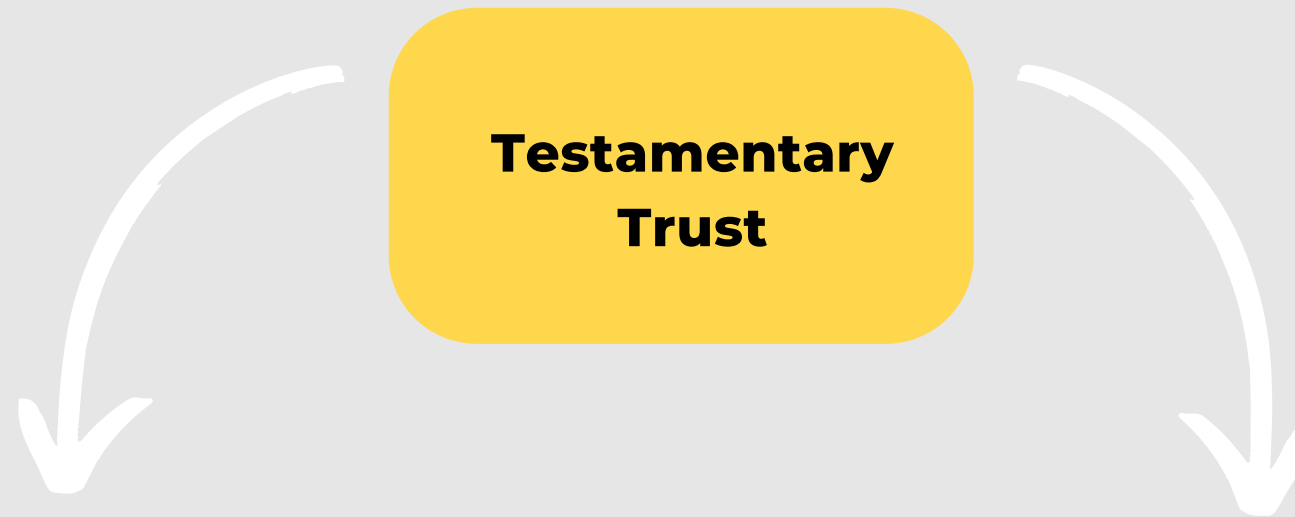
Asset protection



Created by will
upon death



Testamentary
Trust



Complex and
expensive to
administer

Holding shares in a company



Dividends

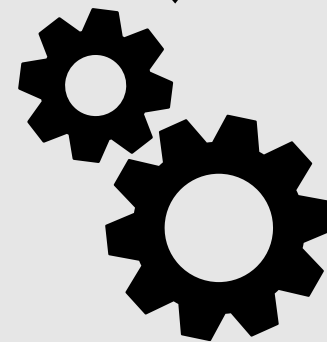
Capital gain
50% CGT discount

Trust

100%

Capital gain
50% CGT discount

Company



Business

All the advantages of running the business in a company but the benefit of flexible distributions via a trust



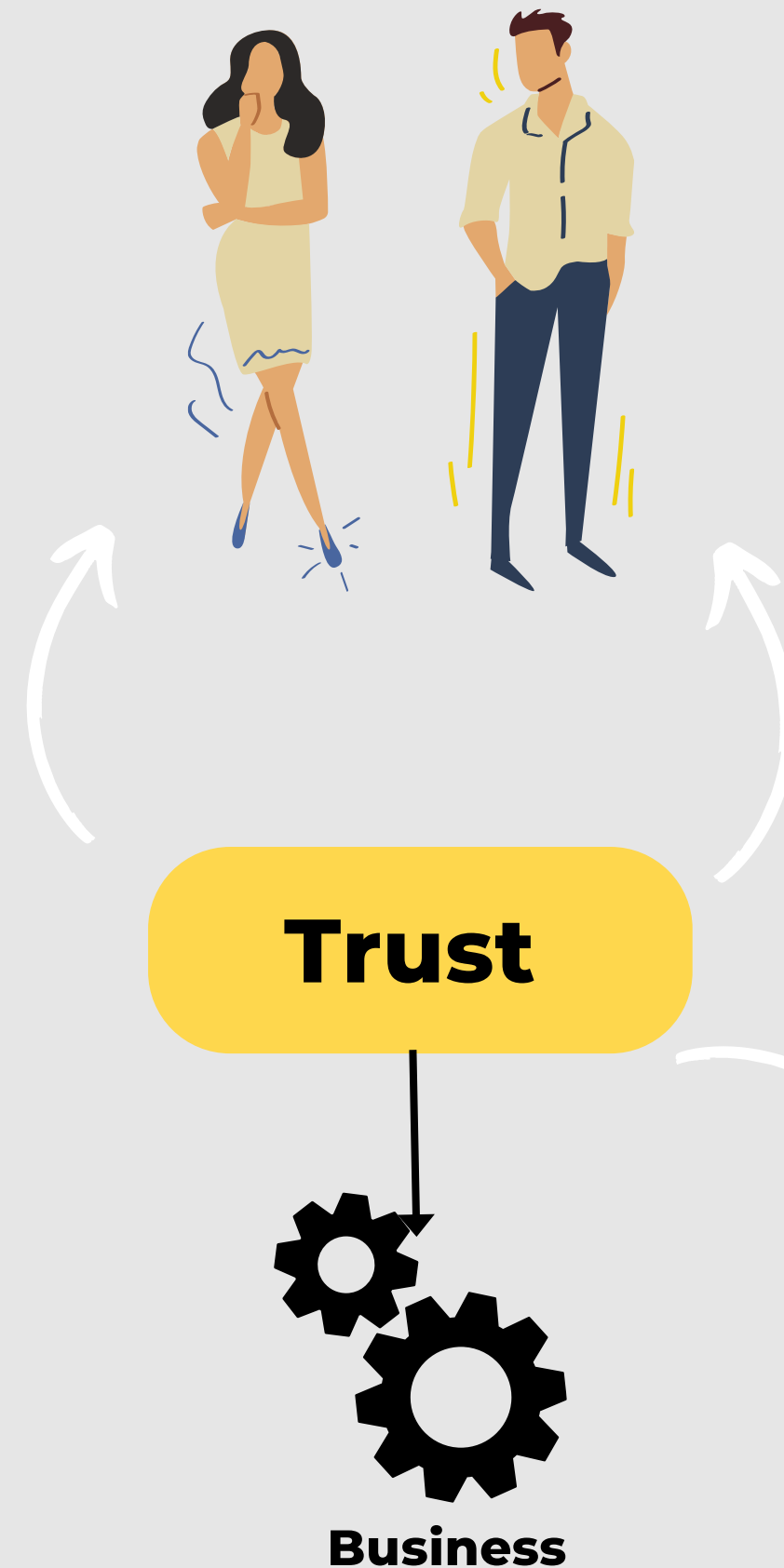
Carrying on a family business (maybe)

Advantages

- Can distribute to most tax advantaged beneficiary each year
- Can distribute to adult children with lower marginal rate (?)
- Flexible



Maybe for family business providing services?



Disadvantages

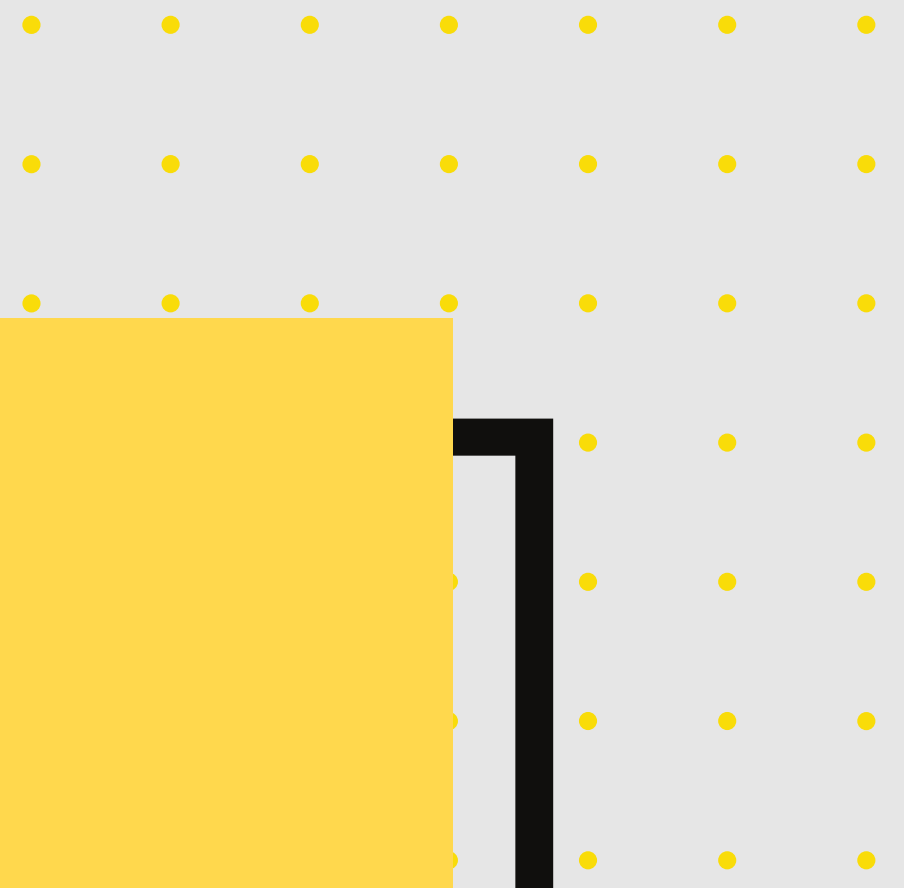
- Must distribute all income otherwise penalty tax
- Difficult to introduce new investors
- Losses are trapped
- Complex!



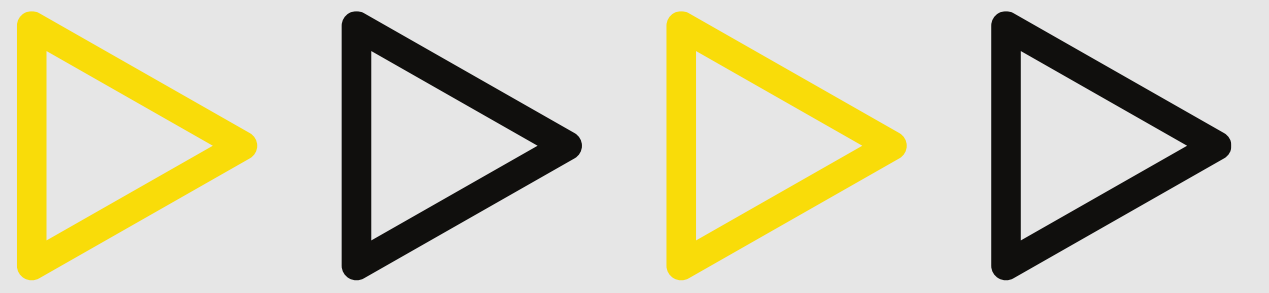
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Why would you choose to run a family business through a trust rather than a company? (purely from a tax perspective)



Q & A



**What was
your no.1 key
takeaway?**

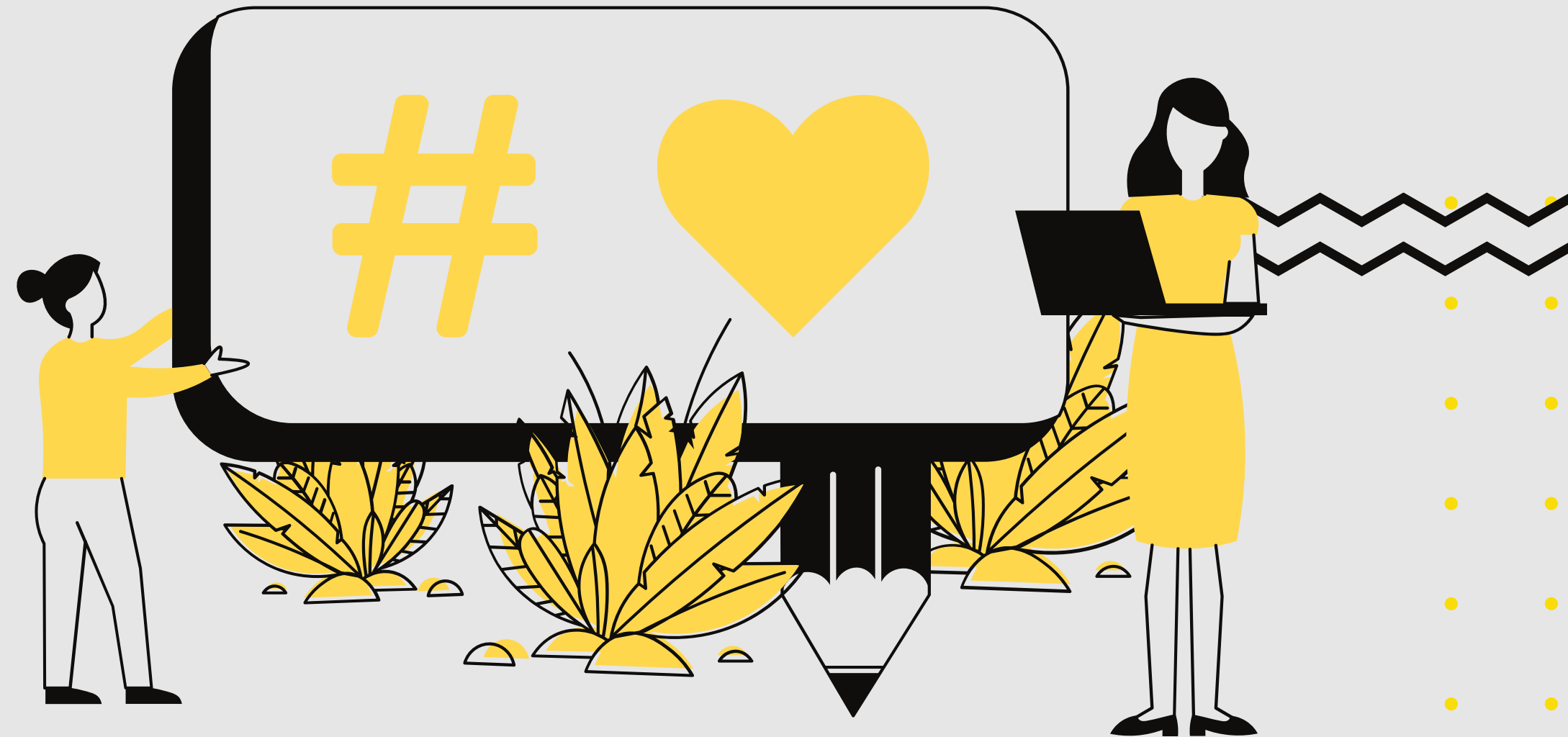
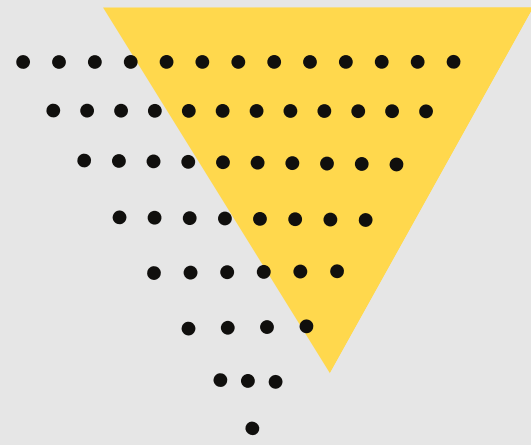


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What was your number 1 key takeaway from today's session?

**How would you rate today's session?
Any feedback?**



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How would you rate today's session?



THANKS!

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