

## Why should your SMSF have a Corporate Trustee?

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Appointing a company as the trustee for a SMSF can provide significant benefits.

### **Why do so many SMSFs have individual trustees?**

According to ATO statistics, in mid-2013 around 76 per cent of all SMSFs had individual trustees. These statistics are not encouraging given the many advantages of having a corporate trustee for an SMSF.

### **Some of the key advantages of having a corporate trustee include:**

- ✦ **Continuous succession.** A company has an indefinite life span and a company makes succession to control more certain on death or incapacity. A company with an appropriately worded constitution can offer a smooth succession to control.
- ✦ **Administrative efficiency.** On the admission or cessation of membership, a person becomes or ceases to be a director of the company. Thus, the title to all assets remains in the trustee company's name. The situation is vastly different with individual trustees. Each admission or exit of a member, who is also a trustee, involves considerable time and paperwork.
- ✦ **Sole member SMSFs.** You can have an SMSF where one individual is both the sole member and the sole director, as opposed to sole member funds with individual trustees where you must have two individual trustees.
- ✦ **Greater asset protection.** As companies have limited liability, they provide greater protection. The limited liability feature of a company can save the directors from losing all their personal assets including their family home and being rendered bankrupt. The advantages of limited liability should never be underestimated.
- ✦ **Administrative penalties.** There are a number of penalties that can readily be imposed under section 166 of the Commonwealth *Superannuation Industry (Supervision) Act 1993* by the ATO where no questions are asked, i.e. strict liability offences where intent or excuses are not relevant (e.g. contravening the sole purpose, provision of financial assistance to members and in-house asset rules). Each individual trustee is subject to a penalty of up to \$10,800 per offence. In comparison, a company is only liable to one penalty amount per offence.

It should also be noted that companies whose sole purpose is to act as an SMSF trustee are eligible for a special discount to the usual ASIC annual fee.

The initial set up costs of establishing and running a trustee company could result in overall savings in the long term.

For further information or clarification on the above, please contact our office to arrange an appointment to discuss if these options would suit your requirements.