



Corporate vs individual trustee.

Navigating your SMSF.

Secure, Build, Succeed.

A choice of trustee options

SMSFs have become very popular, with more than one million members now representing the fastest growing segment of Australia's superannuation market.

Under the Superannuation Industry (Supervision) regulations, a SMSF must either have a company act as trustee of the fund or the trustee can be a group of individuals.

Trustee requirements

SMSFs with individual trustees adhere to the following requirements:

- only allowed up to four members
- each member is a trustee (provided they are over the age of 18) no member is an employee of another member (unless they are relatives)
- no trustee is paid for performing their duties or services as a trustee.

SMSFs with a corporate trustee will adhere to the following requirements:

- also only allowed up to four members
- each member of the fund is a director of the corporate trustee (provided they are over the age of 18)

- no member is an employee of another member (unless they are relatives)
- the corporate trustee is not paid for its services as a trustee
- no director of the corporate trustee is paid for performing their duties or services as a director in relation to the fund.

Single member funds

You can set up your SMSF with only one member, although some of the requirements are more restrictive.

If your single member fund has individual trustees:

- there must be two trustees;
- one trustee must be the fund member; and
- if the fund member is an employee of the other trustee, the two must be relatives.

If your single member fund has a corporate trustee:

- the trustee company can only have one or two directors;
- the fund member must be either the sole director or one of the two directors; and
- if there are two directors and the fund member is an employee of the other director, the two must be relatives.

None of the trustees or directors can be paid for their services as a trustee (or as director of the corporate trustee) in relation to the fund.

Trustee trends

Recent data from the Australian Taxation Office shows almost 75% of SMSFs have individual trustees.* The up-front cost and added complication of establishing the corporate trustee are the main reasons for this trend.

Which trustee structure is best?

As with all decisions around SMSFs, there are pluses and minuses when it comes to deciding whether to have a corporate trustee or individual trustee(s).

Set-up costs – ongoing administrative requirements and establishment costs can be less for individual trustees than those associated with a corporate trustee. Upfront and annual establishment fees are payable to ASIC in the case of a corporate trustee.

Changing trustees – with individual trustee structures, if you remove or add another trustee to your SMSF, you must change the titles of the fund's assets as these are held in the trustee's name. This can be costly and time-consuming. However, with a corporate trustee structure, member and director changes can be made without the need to change titles of the fund's assets, as these are in the name of the corporate trustee.

Separation of assets – the use of a corporate trustee with a separate identity, reduces the risk of personal assets becoming intermingled with fund assets, as can be the case with individual trustees. Also, as companies are subject to limited liability, a corporate trustee will provide greater protection if a party sues the trustee for damages.

Penalties – if there has been a breach of the super law, administrative penalties will be levied on each trustee within a SMSF, whereas the same penalty only applies to one person in the case of a corporate trustee.

Succession planning – a fund with individual trustees is not likely to continue to operate as usual when changes in trustees occur, unless an appropriate succession plan has been prepared. With a corporate trustee however, control of an SMSF and its assets is more certain in the event of the death or incapacity of a member.

More information

Choosing the right trustee structure is just one of the many decisions you will need to make when setting up a self-managed super fund. There are many considerations that are best addressed with SMSF-specialist advice. So please talk to your SMSF financial adviser for specific information related to your SMSF needs first.

* Self-managed super funds: A statistical overview 2012-13, Australian Taxation Office.



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