

Corporate Trustee vs Individual Trustees – which one is right for me ?

One of the big decisions to make when establishing your SMSF is to decide whether to use individuals as trustees or set up a corporate trustee.

What is a “trustee” of a self managed superannuation fund?

A trustee is the person/entity that has control over the fund and is responsible for everything that happens within the fund. In a SMSF the trustee either needs to be the members of the fund or a company which has the members of the fund as the directors of the company.

Outline of individuals as trustees

- An individual trustee structure is cheaper to set up as there are no fees for company registration.
- As all assets of the SMSF need to be in the name of the trustees, when changing members you will need to change the ownership details of every asset held by the fund.
- A trust cannot have a single individual as both the trustee and beneficiary, so there must be more than two members.
- In the event of a member death, changing asset holdings will be required.

Outline of a corporate trustee

- A corporate trustee requires use of a company. This has added cost.
- The company will be the name on all assets, so when changing members there is no need to change ownership details for each asset held by the fund.
- If there is a single member, a corporate trustee is required.
- If investing in property, a corporate trustee is generally recommended as.
 - The company, rather than individuals, are named on the certificate of title. In the event that you need to change the trustee or member, there is no need to amend the certificate of title which means you avoid the related cost.
 - Many banks prefer company as a trustee for borrowing purposes.
 - If individuals are trustees, the bank can only provide up to 70% loan but if a company is a trustee, the bank can provide up to 80% loan.

So which one should I choose?

It comes down to a variety of factors. Generally the determination can be made by asking three questions:

1. Do you have only one member?
2. Are you planning on investing in property or borrowing funds?
3. Do you foresee any need to change the members of the fund in the future?

If you answered yes to any of the above, then a corporate trustee is generally recommended.