Young and Growing Families
Information Guide

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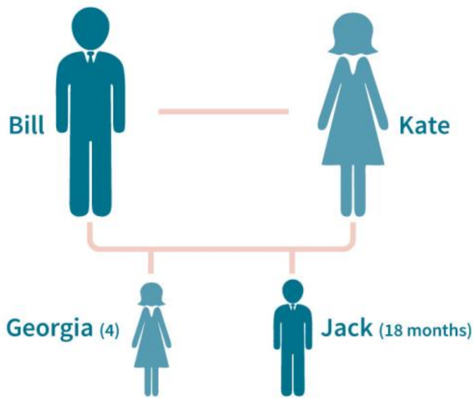
Case Study

Bill and Kate are a young couple with 2 small children, Georgia (4) and Jack (18 months). Their main assets are the family home, and their superannuation entitlements. Both have significant insurances covering their death or disablement.



Estate Planning Needs

Bill and Kate's most important asset apart from their home is their family. They want to have an estate plan that ensures the right people end up with control of the right assets when they need it most and that arrangements are in place to ensure their young family is looked after in case of an unfortunate event.

Decisions to be made

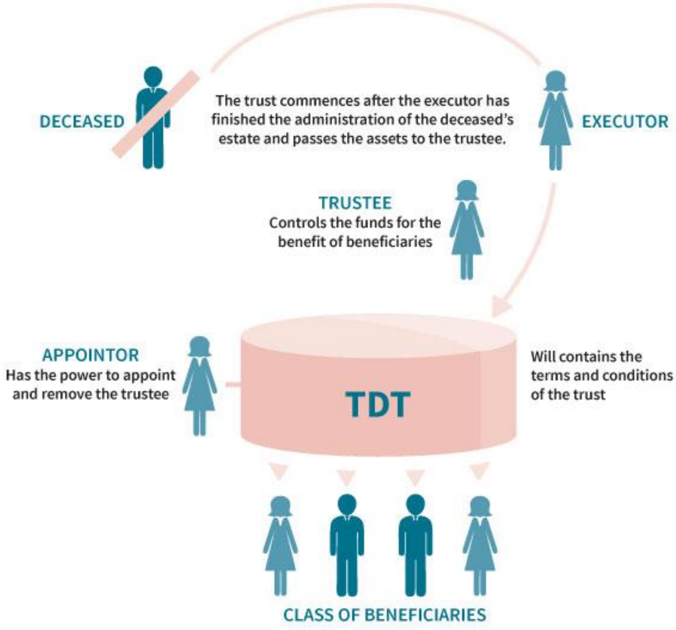
- Who will manage their estate (Executors/Trustee)? Typically in the first instance this will be the survivor. If both have died, then they appoint Bill's brother and Kate's sister jointly.
- Who will be guardians for their children if they should both die
- Who will benefit if none of the immediate family survive. Typically, they agree that their estates should be divided equally with a half share going to Bill's parents/siblings and the other half going to Kate's parents/siblings
- Who can manage their affairs whilst they are alive (Attorneys)? Typically in the first instance this will be the spouse. If the spouse cannot act, they appoint Bill's brother and Kate's sister, and both must act together.

The Young and Growing Family solution includes;

- a will per client with one testamentary discretionary trust
- a set of documents per client to appoint attorneys for financial and personal/health matters
- letter of wishes
- detailed advice letter on all aspects of the documentation
- a virtual meeting with an estate planning lawyer to provide advice and explain the documentation
- storage of final documents

What is a Testamentary Trust (TDT)

A TDT is created by the Will. The Will contains all of the terms and conditions of the Trust. The TDT commences after the death of the Testator (the person who makes the Will) when the Executor completes the Estate of Administration and passes the Estate Assets to the nominated Trustee of the TDT.



Why use testamentary discretionary trusts for young and growing families?

Tax Planning

A TDT can provide tax savings because the trustee has discretion to distribute income to beneficiaries on lower tax rates, reducing the overall tax payable.

It has the extra advantage that children (provided they come within the class of beneficiaries and are under 18) are treated like adults for tax purposes and taking advantage of the $18,000 tax free threshold.

Asset Protection

Rather than all the deceased's assets being distributed by the executor upon death, some or all of the assets remain in trust for the benefit of a specific group of beneficiaries named in the will.
The assets held in the trust are generally protected from the personal liabilities of a trust beneficiary.

For example, if a beneficiary has a personal debt then assets of the trust cannot be accessed to pay the debt.

The situation may be different where a beneficiary is involved in Family Court proceedings, as the Family Court has extremely wide powers to make orders concerning assets (including trust assets).

Opportunity to provide for beneficiaries with special needs

A beneficiary may not be capable of managing his or her inheritance because of special needs. For example, where a beneficiary has a disability, is a spendthrift or has a drug, gambling or other addiction.

The trustee can make distributions and manage the funds on the beneficiary's behalf.

Flexibility/Control

Over time the needs of the beneficiaries may change. The flexibility of the TDT allows the trustee to make distributions in a way that suits the circumstances prevailing at the time.