

# Setting up a SMSF: Corporate Trustee v Individual Trustee

A self-managed super fund (SMSF) is a trust arrangement and requires appointed trustee to manage the fund. This may be a corporate trustee with all members as directors, or individual trustees where all members are trustees.

The table below sets out some important differences when considering trustee arrangements for an SMSF.

| Issue                      | Individual Trustee   | Corporate Trustee  |
|----------------------------|--|--|
| Set-up fee                 | Arrangements are generally less costly as there is no need to establish a company.   | Arrangements are generally more costly because a company must be established.  |
| Annual fees                | ATO supervisory levy   | ASIC annual review fee<br>ATO supervisory levy   |
| Change of members          | As all members are trustees, the names that each asset of the fund is held in must be changed every time a member is added, dies or leaves. This can involve substantial cost and inconvenience. | Unless the company acting as trustee of the fund changes, the name that each asset of the fund is held in never needs changing – that is, on addition, death or resignation of a member there is simply a change of directors of the corporate trustee rather than the trustee itself. |
| Single member fund         | An individual cannot be a single trustee of their own fund and requires an additional person to act as co-trustee of the fund.   | A single director corporate trustee may be a simpler structure for a single member fund.   |
| Separation of assets       | Great risk that fund assets could be potentially mixed with personal assets, making the fund non-compliant.  | Separation of assets is clearer as the company is a separate entity from the members.  |
| Asset protection           | Members are jointly and severally liable for their actions and each individual's personal assets may be at risk where a party sues the trustee for damages.                                      | As companies are subject to limited liability, a corporate trustee may provide greater protection where a party sues the trustee for damages.  |
| Penalty unit regime        | Each individual will be individually liable for each contravention which increases the total cost if penalties apply.  | Each director is jointly and severally liable for the penalty but it is levied at just the company as one entity, regardless of how many directors the company has.  |
| Limited recourse borrowing | Banks may not lend to an SMSF with an individual trustee structure.  | Banks may require a corporate trustee structure when lending to an SMSF.   |