

## Good Trust, Bad Trust.

*If you're going to have a trust then our advice is to do it well or don't do it at all. The cost of getting it wrong is too high!*

Bad Trusts	Good Trusts
<p><b><i>What things do Bad Trusts do that leads to them exposing the assets of the trust?</i></b></p>	<p><b><i>What things do Good Trusts do that helps them to better protect the assets held?</i></b></p>
<ul style="list-style-type: none"> <li>• The original settlement (usually \$10 or \$100) was never physically paid to the trust.</li> <li>• Saving tax is the primary purpose.</li> <li>• They have no independent trustee or trustees.</li> <li>• Trustees make decisions that aren't impartial between beneficiaries.</li> <li>• There is little or no distinction between assets supposedly held in trust and assets of the settlor.</li> <li>• Trustees 'rubber stamp' documents without the full knowledge of the circumstances or requirements of the trust.</li> <li>• Trustees never meet.</li> <li>• There are no resolutions kept in respect of any decisions made by the trust.</li> <li>• There are no records of the financial performance nor statements of position (financial statements) for the trust.</li> <li>• The trust only prepares gift duty certificates for the Inland Revenue Department and no deeds of gift, nor acknowledgments of debt are kept.</li> <li>• The trust is managed without any reference to the trust deed and/or memorandum of wishes.</li> <li>• The settlor was insolvent at the time of creating the trust and was made bankrupt within five years of the trust's creation.</li> <li>• Any 'family home' is provided rent free without express trust deed approval.</li> <li>• Separate property becomes relationship property.</li> <li>• <b>NOT CREATED NOR MANAGED PROPERLY</b></li> </ul>	<ul style="list-style-type: none"> <li>• The original settlement (usually \$10 or \$100) has been paid into a trust bank account.</li> <li>• Any tax savings are purely incidental.</li> <li>• They have an independent trustee, or trustees.</li> <li>• Trustees make decisions that are impartial between beneficiaries.</li> <li>• There is a clear distinction between assets held in trust as opposed to assets owned by the settlor.</li> <li>• Trustees genuinely take part in the decisions of the trust and are aware of the circumstances and requirements of the trust.</li> <li>• Trustees meet regularly.</li> <li>• Resolutions are kept documenting the decisions of the trust.</li> <li>• Records of the financial performance and statement of position (financial statements) have been prepared at least annually.</li> <li>• Deeds of gift and acknowledgments of debt are kept for any gifting done.</li> <li>• The trust is managed in line with the trust deed and/or memorandum of wishes.</li> <li>• The settlor was solvent at the time of creating the trust and has not been adjudged bankrupt within five years of the trusts creation.</li> <li>• Any 'family home' is made available rent free as allowed by trust deed, or alternatively on commercial terms.</li> <li>• Separate property stays separate property.</li> <li>• <b>CREATED AND MANAGED PROPERLY</b></li> </ul>

***We'd be happy to talk with you more about your trust if you have any concerns, or if you're considering setting up a new trust.***