

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 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.