

# Family Trusts



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## What is it?

A discretionary family trust is another valuable tool used in tax and succession planning. To setup a family trust, a person, referred to as a settlor, transfers property to the trustees to be held for the beneficiaries. The trustees have authority to allocate income or capital to the beneficiaries, and a discretionary trust allow the trustees to allocate income or capital to any beneficiary, however they wish (i.e. equally between all beneficiaries, 100% to one beneficiary, or any other desired allocation). The beneficiaries of a family trust can also include yourself, your spouse, future children, corporations, future corporations, or even future trusts.

## Advantages

- Provides ultimate flexibility on the distribution of capital or income.
- Multiplication of the capital gains exemption on the sale of a qualified small business corporation (can use the capital gains exemption for every individual beneficiary of the trust)
- If the trust is discretionary, it provides tremendous family law protection.
- The trustees maintain control of how the wealth is distributed among the family.
- Due to multiple beneficiaries, you avoid probate fees upon death
- Reduces and defers taxes upon death (can defer taxes up to 2 generations)

Can defer taxes for up to 2 generations through a family trust

## Disadvantages

- Professional Fees for the planning and implementation of the family trust. (including tax and legal work)
- Annual fees for the preparation of the Trust tax return.
- A family trust can be complicated to some, so it is important to discuss with a tax accountant or a lawyer to gain a better understanding.

## Who is it for?

- Individuals aged 45 or older who would like to significantly reduce and defer the taxes and probate fees on death and transfer the future growth to the next generation
- Businesses with high-growth potential and can benefit from multiple capital gains exemptions
- Individuals looking for family law protection
- Individuals looking to successfully transition the business to the next generation on a tax-deferred basis without losing control of how the wealth will be distributed.

**Transition the business to the next generation on a tax-deferred basis without losing control of how the wealth will be distributed.**

