



moores
here for good

Protecting
Vulnerable
Beneficiaries

Protecting Vulnerable Beneficiaries

Planning to provide for a loved one who may have a disability or have some other form of vulnerability such as a drug addiction, susceptible to financial exploitation or pressure from undue influence can present many challenges. Often, there is a need to find a balance between ensuring that the beneficiary is looked after for their lifetime and ensuring that they do not have control over the funds.

When planning for vulnerable beneficiaries, there are a number of matters that need to be considered when determining the appropriate provision and structure for the beneficiary.

Where there is a disability involved, the beneficiary may be in receipt of a government disability pension and in this case, one of the key objectives in an estate plan may be to preserve pension eligibility.

Special Disability Trusts (SDTs) and Protective Trusts are two types of trusts that may be considered as a means of benefitting a vulnerable beneficiary. A SDT and Protective Trust can be established by deed or via Will. Moores can advise on the appropriateness of either of these types of trusts having regard to the particular circumstances and needs of the beneficiary.

Special Disability Trusts

The purpose of this trust is to provide for the care and accommodation of a person with a severe disability whilst minimising (even altogether) any impact on their Centrelink entitlements. Moores can help you establish a special disability trust either now or as part of your Will to hold an inheritance.

Assets worth up to \$694,000 (as at 1 July 2020) in a special disability trust and the income generated from these assets are exempt from the Beneficiary's Centrelink assessment, meaning they may then be able to receive full Centrelink benefits (also applies to Department of Veteran's Affairs entitlements).

Exemptions are also available so that close family members such as parents could immediately improve their own pension eligibility by being able to donate up to \$500,000 into a special disability trust.

In addition to the advantages for pension eligibility, special disability trusts also help prevent the beneficiary's inheritance from getting into the wrong hands once you have passed.

Protective and other

Testamentary Trusts

A Protective Trust is another type of trust that can be established to financially protect a vulnerable beneficiary who has not been assessed by Centrelink as having a severe disability. A Protective Trust is free of the constraints of a SDT which means that it can be used for broader purposes such as providing financial support for recreation, entertainment, holiday travel, personal furniture and fittings and personal belongings.

The Protective Trust may be more suited where pension eligibility is not a priority and decisions regarding the distribution of income and capital distribution are made by someone other than the principal beneficiary. For example, a protective trust may be established with an independent controller to provide for a beneficiary who has a drug or alcohol addiction.

map — moores agreed pricing

With **map** you know exactly what you're getting and what it will cost. We make sure we understand your needs. We offer you options. Together we'll decide on the best solution at an agreed price.

