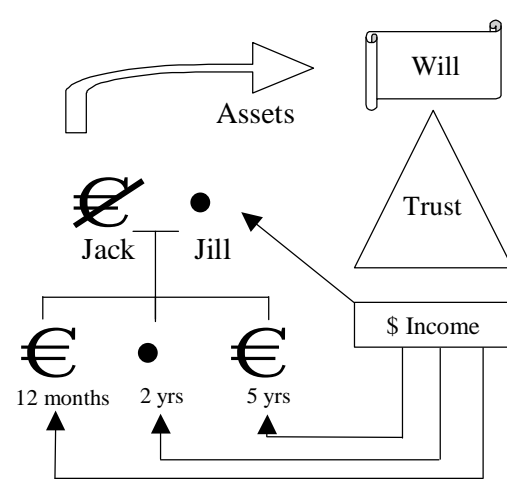


*Testamentary Trusts for income splitting - families with young children*

**An Estate Planning Strategy**

<p><b>Of Benefit...</b></p> <ul style="list-style-type: none"> <li>i For families with small children</li> <li>i Where extra income would be needed to support the surviving family members should a parent die</li> <li>i Where minimising tax is important</li> </ul> <p><b>How does it work?</b></p> <ul style="list-style-type: none"> <li>i A testamentary trust is simply a trust established by someone's Will.</li> <li>i Rather than all the deceased's assets being distributed by the executor upon death, some or all of the assets remain in trust for the benefit of a specific group of beneficiaries named in the Will.</li> <li>i Trust income distributed to children of any age, will be taxed at adult rates rather than the penalty rates that normally apply to minors unearned income.</li> <li>i The trustee can have full discretion as to who receives trust income and capital or restrictions can be provided.</li> </ul>	<p><b>Example</b></p>  <p>The diagram shows a flow of assets from Jack to a Trust via his Will. Jill is the trustee of the Trust. The Trust generates income, which is then distributed to Jack, Jill, and three children at intervals of 12 months, 2 years, and 5 years.</p> <ul style="list-style-type: none"> <li>i Jack included a testamentary trust in his Will.</li> <li>i When he died, Jill used the trust to distribute income to herself and the three children.</li> <li>i Jill was the trustee.</li> <li>i She was able to receive \$24,000 tax free each year for herself and the children.</li> </ul>
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**Reference:**      *āEstate Planning Specialists Pty Limited and AMP Limited*

Disclaimer

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