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MEDIA RELEASE

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Review investment structures when circumstances change; says Centric Wealth

Managing and protecting assets an essential part of the financial planning process

Investors looking to maximise the effectiveness of their assets need to ensure they are being held and managed using the right investment structure. Additionally, these structures must be aligned not only with the investor's current financial and family circumstances, but also encompass how circumstances may change over time.

According to Adam Pearsall of Centric Wealth, all investors should regularly view their investment structures to ensure they are getting the best out of their financial assets.

"Broadly speaking there are four main types of investment structures including personal, company, trust, and superannuation ownership. Depending on your particular circumstances, one structure may be more suitable than another," said Mr Pearsall.

For example, some structures are better for tax effectiveness while others can help protect assets from creditors or other claims.

"The right investment structure is an essential part of the financial planning process because it dictates how your assets work for you, now and in the future," explained Mr Pearsall.

"Because investment structures control how your investments are legally owned, it is vitally important you review them when your financial or family circumstances change due to a bereavement, inheritance, divorce or changes to your employment status."

Mr Pearsall said when choosing which investment structure suits your particular circumstances, the key objective must be to ensure assets are protected, and kept in the most appropriate and tax-efficient structure in order to maximise your after-tax income.

"The five most common reasons for using different investment structures are tax effectiveness, protection of assets, estate planning, risk mitigation and delegation of control. The majority of investors use a combination of investment structures to meet their particular needs. It is very rare for an investor to have only one investment structure for all of their assets."

Mr Pearsall said the simplest and lowest cost investment structure is personal ownership, which Centric Wealth tends to recommend for clients who are on a low marginal tax rate and likely to remain so in the future. "This investment structure is also best suited to those investors who want unrestrictive access to their income and capital," he said.

According to Centric Wealth, company ownership has one of the highest set-up and compliance costs. It is most often used for business rather than investing purposes, although it can be a worthwhile approach if the investor is on a high marginal tax rate or acts as a beneficiary of a discretionary family trust.

"One of the main advantages of investing via a company is that income and capital gains derived by a company are taxed at a flat rate of 30 per cent which is significantly less than the maximum marginal personal tax rate plus medicare levy of 46.5 per cent," said Mr Pearsall.

“Another advantage is that a company has limited liability which is great for investors looking for asset protection.

“It is important to remember, however, that a business and personal investments should not be owned within the same structure. Otherwise this may expose the investments to risks associated with the business. It may also expose the investments to the creditors of the business.”

When it comes to trust ownership, discretionary and fixed trusts are the most popular due to their ability to provide asset protection, maximise tax-effectiveness, and assist with estate planning (testamentary trusts).

Trusts can also be a very useful structure for continuity of asset ownership because assets held in a trust do not form part of a person’s will. Assets owned by a trust continue to be owned by that trust in the event of the death of the controller of that trust.

“Like company ownership, trusts can be relatively complicated to set-up and maintain,” said Mr Pearsall. “They also have higher set-up and compliance costs. We generally recommend trusts for clients who want to maintain control of their investments, add a layer of asset protection and tax-effectively stream income or capital gains.”

The other option for investors looking to manage their assets is superannuation which many people believe is a type of investment rather than a structure.

Mr Pearsall said the two main uses of superannuation include accumulation of assets in a low-tax environment for the provision of retirement benefits, and holding of assets in potentially a zero tax environment for payment of a tax-effective income stream in retirement.

“The biggest advantage of superannuation is the favourable tax treatment it receives. Once fund members start receiving a pension, they are likely to pay no tax on either income or capital gains.

“Superannuation as an investment structure is governed by a number of strict rules, which change regularly. These rules affect the amount of money an investor can contribute, how contributions, income and lump sum withdrawals are taxed, when investors can access their funds, and when death benefits are paid out and to whom.”

Mr Pearsall said that as each investment structure is very different, it is vital that investors seek professional advice when choosing how their assets are going to be held and managed.

“Investors should seek professional help to review their investment structures on a regular, if not on-going, basis. This will help ensure their assets are working as effectively as possible to meet their current and future financial objectives.”

About Centric Wealth

Centric Wealth is a leading high-end wealth advisory firm with offices located in Sydney, Melbourne, Brisbane, Canberra, and Newcastle. Centric Wealth has a network of advisers across financial planning, risk insurance, corporate benefit services, lending services, general insurance and family office services. Centric Wealth has approximately $4.1 billion in assets under advice (AUA). The group manages billions of dollars of life insurance coverage and has over $1.3 billion in loans under advice and other debt instruments. The group has one of the highest AUA per adviser, but with one of the lowest number of clients per adviser in the Australian financial planning industry. Centric Wealth has no institutional ownership.

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