



Benefits of Corporate Trustee vs Individual Trustee in SMSFs

A corporate trustee is generally considered more beneficial than individual trustees for a Self-Managed Super Fund (SMSF) in Australia. Below is a summary of the key advantages, including a comparison table and detailed explanations.

Key Benefits of Corporate Trustee

Simpler Asset Ownership and Administration

Corporate trustee: All SMSF assets are held in the name of the company. If a member joins or leaves, only the directorship changes—asset titles remain unchanged.

Individual trustees: Assets must be held in the names of all individual trustees. If a trustee changes, every asset title must be updated, which is time-consuming and can incur extra costs.

Succession and Estate Planning

Corporate trustee: The company continues even if directors change or pass away, ensuring smooth succession and ongoing control of the SMSF.

Individual trustees: If a trustee dies or leaves, a new trustee must be appointed and asset titles updated. This can create delays and complications.

Single Member SMSFs

Corporate trustee: A sole member can be the sole director of the company, maintaining full control.

Individual trustees: A single-member SMSF must have at least two individual trustees, meaning another person must be involved.

Borrowing and Limited Recourse Borrowing Arrangements (LRBAs)

Corporate trustee: Preferred by most lenders for SMSF borrowing arrangements, making it easier to obtain finance.

Individual trustees: Lenders are less likely to approve loans, and if borrowing is needed, the SMSF may need to convert to a corporate trustee anyway.

Asset Protection and Separation

Corporate trustee: Provides better separation between personal and fund assets, reducing the risk of accidental mixing of assets.

Individual trustees: Higher risk of mixing personal and SMSF assets, which is a compliance breach.



Administrative Penalties

Corporate trustee: Penalties for breaches are generally applied once to the company.

Individual trustees: Each trustee can be fined separately for the same breach, potentially multiplying the penalty amount.

Overseas Members

Corporate trustee: Easier to demonstrate that the SMSF's central management and control remains in Australia, which is important for compliance.

Individual trustees: Harder to prove central management and control if members move overseas.

Long-Term Cost Savings

Corporate trustee: Higher upfront and annual ASIC fees, but can save money in the long run by reducing administrative burdens and costs associated with changes in membership.

Individual trustees: Lower setup costs, but potentially higher costs over time due to asset title changes and compliance risks.

Comparison Table

Feature	Corporate Trustee	Individual Trustees
Asset title changes	Not required	Required for each change
Succession planning	Seamless	Complicated
Single member SMSF	Simple	Needs second trustee
Borrowing	Preferred by lenders	Not preferred
Penalties	Once per company	Once per trustee
Asset separation	Clearer	Higher risk of mixing
Upfront cost	Higher	Lower
Long-term cost	Lower	Higher (potentially)

Summary

While individual trustees may be cheaper to set up, a corporate trustee offers significant advantages in terms of administration, flexibility, asset protection, succession, and compliance. Most SMSF professionals recommend a corporate trustee for long-term efficiency and peace of mind.

Need SMSF Support That's Built on Integrity and Expertise?

Let's talk. Whether you're starting fresh or refining your fund, 7 Bells is here to simplify the complex and deliver clarity you can count on.

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www.7bells.com.au | info@7bells.com.au | +61 490707177

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