

# Family Trusts 101: Your Guide to Setting Up a Family Trust

Protect your assets for  
family members in the way  
you desire.



While setting up a family trust might seem complicated, engaging expert advice can make the process seamless.



# Contents

1. Decide if a family trust is right for you
2. Learn more about family trusts
3. Structure your family trust
4. Decide what to put in the trust
5. Timing your trust
6. Find a good lawyer
7. Establish the trust
8. Manage the trust
9. Start transferring assets into the trust
10. Administration of a trust
11. Next steps

# Step One & Two

## Is a family trust is right for you?

There are many reasons why placing assets in a trust may be advisable for your family. Assets can be put at risk in a variety of different ways—including business failure, legal action, or relationships breaking down. The future may bring about many new risks for the assets we've fought so hard to acquire! A Family Trust can protect your assets for family members in the way you desire. By transferring ownership of certain assets to the trusts, an individual might be able to undertake higher-risk endeavours without worrying that their assets will be at risk

## Learn more about family trusts

It's important to be as informed as possible when creating a family trust — The more knowledge you have the better prepared you can be. You can find out more about trusts from a range of online sources, or by contacting our team — we're always happy to help.

To get you started: A New Zealand family trust has three parties: the settlor (or donor), who puts assets into the trust; the trustee, who manages those assets according to the terms of the trust agreement; and the beneficiaries, who benefit from those assets according to the terms of the trust agreement.



# Step Three & Four

## Structure your family trust

A trust is created by creating and signing a trust deed. The deed will identify the Settlor, Trustees, and Discretionary Beneficiaries.

A common way of structuring family trusts is by providing for multiple beneficiaries who share the proceeds from the trust property. These trusts can be established for any size group, such as brothers and sisters, nieces and nephews, children, grandchildren or more distant relatives.

You may organise your family trust in a variety of ways to meet your needs but it's best to speak with a lawyer to determine which form would work best for your situation.

## Decide what to put in the trust

This is where you come up with an estimation of how much you want in the trust.

There are many factors that go into this, including how much money you earn currently, what assets do you own and what your future earning potential might be.

Some common things that are included in trusts include homes, holiday homes, family heirlooms, business ventures or any number of investments.



# Step Five

## Timing the set up of your trust

As time goes by, your reasons for having a trust will change and therefore it is important that you access your needs today and for the future.

While there is no steady fast rules, as a general guide If your main concern is:

To ensure there are no claims against your estate after you die - then give as much as possible to a trust during your lifetime.

A claim by a possible future spouse or partner - then any possible relationship property later on needs to be in a trust before the relationship starts

Future creditors, then you should gift as much as possible to your trust while still retaining enough in your own name to meet current known liabilities.



# Step Six & Seven

## Talk to our team

Setting up a family trust involves sound advice and legal expertise. Our team of specialist trust lawyers can help you create a family trust that fits your needs. Because our team keep a close eye New Zealand Trust laws, once your trust is set up you can sit back knowing that if anything changes in the legal space, we'll contact you and make updates accordingly.

## Establish the trust

The decision to establish a family trust will have a significant impact on the way you manage your family assets. It is therefore important that the trust is established to meet your needs today and to recognise that those needs may change.

If you're thinking about setting up a family trust then there are some things that you need to think about first before making any decisions: Who will be the trustee? Who will be the beneficiaries and what will be their priority? What should be the rules in the trust deed? What will be the trust assets? Take these questions as a starting point and then talk to our team about how your particular situation would work best!



# Step Eight & Nine

## Manage the family trust

This is the most important step! Make sure you've considered all of your options when it comes to managing your money. Do you want one person to have total control over the account, or do you want everyone in the family to have equal access? How often do you plan on making transactions? What are your priorities with regard to investment management? All these questions will help determine what type of account will work best for your family's needs. The good news is that there are plenty of different types of accounts out there that can be tailored to your needs.

## Transfer assets into the trust

By this point, you will have made a list of all the assets that need to be transferred into the trust. Transferring assets is important because it establishes your status as an eligible beneficiary (of the trust) and helps limit any public knowledge about your family's finances.

Once you've finished transferring the assets, it's time to tell people! You'll need to tell your spouse, children and other beneficiaries, as well as executors, lawyers and accountants. Make sure to provide them with documents for their files.

# Step Ten

## Administration of your trust

This step is typically the last step in setting up a trust. Depending on how your trust was set up, you will either appoint someone else to administer it or you can do it yourself. If you are administering the trust, they need to know that they are responsible for preserving the assets of the trust and investing them so that they can grow in value over time. They also need to keep detailed records of all the transactions and distributions that have taken place within the trust during their administration. They should also provide an annual report about how much money is still left in the trust at the end of each year.



# What's next?

With the right planning, a family trust can protect the wealth you've built up together and give you peace of mind that your children and grandchildren will have access to your loved ones when they are gone. I hope this guide has helped you better understand how an estate plan could help your family.

If you're wanting more information or are ready to set up your family trust, get in contact with our team today. Let's chat!

## Get in touch with our team:

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