

Standard Will **vs**



Testamentary

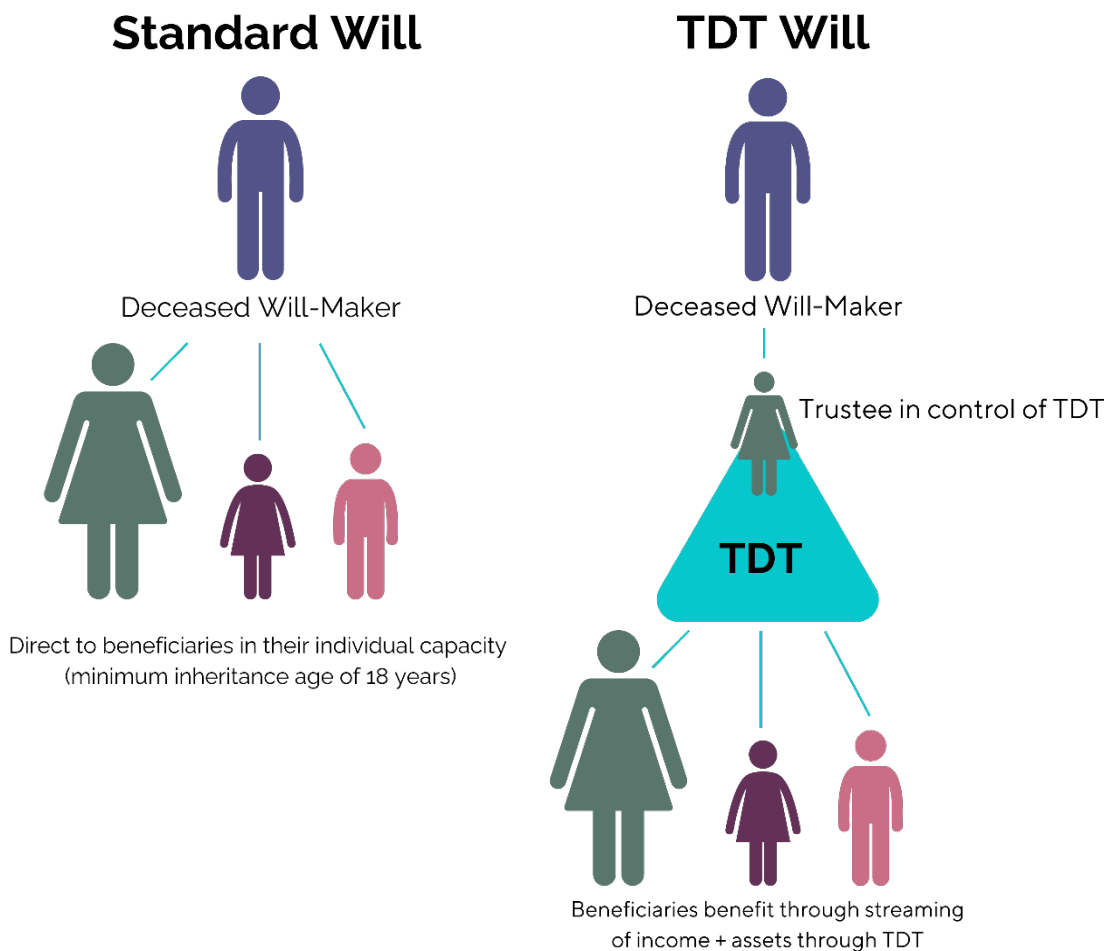
Discretionary Trust Will

	Standard Will	TDT Will
Gifts your assets + belongings	✓	✓
Only comes into effect after death	✓	✓
Appoints executor of your estate: the person in charge of your estate and finalizing the gifts under your Will.	✓	✓
Appoints guardians of young children (ie. kids under 18 years of age)	✓	✓
Ongoing administrative costs once trust established post-death (eg. preparing tax return and financial records for trust)	✗ However, if an inheritance is held on trust for a child beneficiary, administrative costs will apply.	✓
Generational tax savings and benefits	✗	✓
Entitlement of beneficiary certain or fixed	✓	✗ Trustee in powerful position to control flow of income and assets from trust to beneficiary.
Tax-free income for family needs: beneficiaries under 18 years of age can receive approx. \$20,000 tax free income each year for things like education and living expenses.	✓	✓ Plus potential to benefit multiple generations.
Income tax flexibility: ability to stream income depending on each beneficiary's individual tax rate.	✗	✓
Targeted assistance: trustee can allocate more financial support to beneficiaries with greater needs.	✗	✓
Protection from relationship risks (such as divorce or separation)	✗	✓ (subject to structure of trust and view of the Court)

<p>Protection from bankruptcy risks: Safeguards beneficiaries in high-risk occupations, such as self-employed individuals, directors, or professionals prone to negligence claims (eg. accountants, financial advisors, lawyers, engineers, health professionals).</p>	✗	✓ (subject to structure of trust and view of the Court)
<p>Protection from mismanagement: inheritance is safeguarded if a beneficiary may not manage or could potentially waste their inheritance.</p>	✗	✓
<p>Flexibility to transfer control: transition asset and income control to beneficiaries once they are financially mature.</p>	✗	✓

How does it work?

In a standard Will, your gifts go directly to your chosen beneficiary, like your spouse or child, who becomes the owner of that gift. With a TDT Will, your assets go into a trust managed by a trustee. The beneficiaries of the trust, like your spouse and children, receive benefits like income and assets from the trust, but they don't personally own the trust's assets.



How does a testamentary discretionary trust work?

The main players
Will maker: who the Will is made by.
Trustee: person in control of the trust.
Beneficiaries: people nominated by the Will-maker to benefit from the Will-maker's estate.
Trust property: assets held on trust by the trustee for the beneficiaries.

What is it?
In a standard Will assets pass from the deceased Will maker direct to the beneficiaries in the Will (such as a spouse and children) who become the owner of that asset. If a beneficiary is under the minimum inheritance age their gift is held on trust for them until they reach the inheritance age. This kind of trust is called a 'trust' trust. It does not offer the same advantages of a testamentary discretionary trust (TDT). Once the beneficiary has reached the inheritance age they are given their inheritance and own the asset.
In a TDT Will assets pass the deceased Will-maker into a trust structure (the TDT). The TDT is controlled by the trustee who manages the investment and sale of assets, and the flow of income and assets to the beneficiaries of the TDT (such as a spouse and children). The beneficiaries receive benefits from the TDT, but they don't personally own the trust's assets.
The trustee has duties and obligations they must meet when acting as trustee. For example, they must act in the best interests of the beneficiaries and must give full and genuine consideration to the needs of beneficiaries when distributing income or the TDT.
A TDT is more flexible environment than a standard Will and offers many more advantages and options for the beneficiaries of the TDT.

START NOW

Book our heart-to-heart consult

Testamentary discretionary trusts can be a powerful tool for estate planning. The advantages of a testamentary discretionary trust may not suit every individual's circumstances. The exact workings of a testamentary discretionary trust depend on the terms drafted in the Will.

You must receive legal advice to determine whether your estate may benefit from a testamentary discretionary trust. This document is general in nature only and is not legal, financial, or taxation advice.

