



Taxman pays for education

Save thousands of dollars on private education with savvy estate planning.

Take advantage of legal tax benefits and save on education costs with a trust. O'Keefe Mahoney Bennett estate planning manager Richard Dawson says trusts are established in a will and funded by assets of a deceased estate or payments to an estate.

"A testamentary discretionary trust (TDT) is often referred to as a bloodline trust," he says. "The trust is controlled by a trustee. The trustee is usually the primary beneficiary and able to enjoy the benefits of the trust," Richard says.

He says TDTs often include other beneficiaries. "These may be the children and grandchildren of the primary beneficiary. Tax legislation allows the proceeds of a trust to be distributed to beneficiaries.

"These may be the mother, father, child, or grandchild of the deceased. Beneficiaries pay tax on trust proceeds at normal marginal tax rates.

Tax savings result when the trustee distributes gains to the beneficiaries with the lowest marginal tax rate in a particular financial year.

"These beneficiaries are usually children as they are unlikely to be earning an income. Significant tax savings can be gained by distributing trust income to children. Children aged under 18 years are taxed at marginal adult rates. Adults on high incomes pay higher tax rates," Richard says.

Tax savings from trust income can subsidise children's education costs and living expenses. Estate planning can ensure the taxman pays for education and lifestyle.

For more information on tax effective estate planning contact O'Keefe Mahoney Bennett Solicitors.



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