What is a Minors Trust?

A Minor's Trust is designed to manage and protect assets for a child until they reach a specified age. Some minor trusts are intended to provide funds to benefit a minor during childhood. Others may not allow any expenditure, with the goal being simply to hold and protect funds until the minor reaches adulthood.

Some trust deeds specify that trust funds may only be used for specific purposes, such as education, or medical expenses, particularly in instances where a minor has a disability or illness.

Why is a Minors Trust created?

There are a number of ways that a trust can be created for a minor. These include:

- A minor inherits assets from an estate, and the Will specifies that the beneficiary’s inheritance is to be held in trust until they reach a particular age.
- Funds have been set aside by a family member for the benefit of the minor, for example, an education fund
- Funds have been awarded to a minor as compensation for the death of a relative
- Superannuation benefits have been paid to a minor from the entitlements of a family member who has died
- An insurance company or the Courts award money to a minor as compensation for an injury or for a civil or criminal act.

Who can be the beneficiary of a Minors Trust?

Generally any child who is under the age of 18 years can be the beneficiary of a Minor’s Trust. The trust can have multiple beneficiaries.

Who can be a trustee?

Parents, siblings or friends of the beneficiary, who are over 18 years of age and Australian residents, can be appointed the trustee. You may also like to appoint a professional Trustee Company such as State Trustees, or a corporation that specialises in legal, accounting or financial planning.

In cases where compensation is involved, the Court will decide who is best placed to be the trustee.

Often trustees interact with the beneficiary’s parent or guardian in matters relating to the trust, until the beneficiary turns 18 years of age.
How long can the trust operate?

The term of the trust will depend on the individual trust deed governing the trust, however the majority of trusts end when the minor reaches a specified age. This is usually 18, 21 or 25 years of age.

The trust may also end when a specific event occurs or milestone is achieved, like the completion of tertiary education for example.

What can the trust funds be used for?

All expenditure from the trust must benefit the minor. When a request for funds is made, the trustee should consider:

- The amount of funds in the trust and how long the trust funds need to last
- The needs of any other beneficiaries
- Any specific rules about what purposes the funds may be used for, as outlined in the trust deed.

Often funds may be released for:

- Educational expenses
- Medical expenses
- Recreational activities.