

# BOMAD Trusts

(Bank of Mum and Dad Trusts)



*A financial tool to support your children while protecting your family's financial future*

## What is a BOMAD Trust?

A BOMAD Trust is a type of discretionary trust that parents can use to help a child financially to buy a property or any other asset without compromising fairness to other children or exposing the funds to a variety of risks.

## How it works

Once a BOMAD Trust is established, the parents gift the funds to the trust. The trustee then loans this amount, either interest free or at interest, to the child.



Initially the parents will be Principal Beneficiaries and Appointors, thus controlling the trust. The parents will also be the Trustees. On their passing or resignation, these roles will transfer to the child, giving them the control.

## Features of a BOMAD Trust

### Lockdown Vs Non-Lockdown Options

**Lockdown:** The roles of Principal Beneficiary and Appointor transfer to the child upon ONE parent's death. The surviving parent cannot amend the trust.

**Non-Lockdown:** The roles remain with the surviving parent until their death or resignation. The surviving parent is still able to amend the trust.

### Bloodline Feature

This option restricts beneficiaries to only being blood relatives. Spouses of children or grandchildren are excluded, protecting the assets of the trust.

### Estate Savvy

The funds that are gifted to the trust are effectively removed from their estate and so are not subject to any inheritance disputes or Family Provisions Act claims.

### Asset Protection

Because the funds are loaned to the child from the trust, they are safeguarded against risks like divorce or creditor claims in the event of bankruptcy.

### Assign An Existing Loan

If parents have already lent money to a child, a BOMAD Trust can still be incorporated. The loan can be assigned to the trust and the same amount gifted by the parents.

## When to use a BOMAD Trust

- When parents want to financially assist one child (e.g., for a home purchase) without affecting other children's inheritance
- When parents have already lent money to a child and wish to formalize or protect the arrangement
- When asset protection from risks like divorce or financial disputes is a priority

## Why use a BOMAD Trust?

- **Fairness:** Ensures equitable treatment of all children by isolating financial help to one child
- **Protection:** Shields gifted funds from being claimed by a child's spouse or creditors
- **Control:** Parents retain control as Appointors and Principal Beneficiaries during their lifetime
- **Flexibility:** Allows for customization (lockdown/non-lockdown, bloodline feature) to suit family needs and suits both gifts and loans
- **Peace of Mind:** Reduces potential family disputes over inheritance by clearly defining the treatment of gifted funds



## How to establish a BOMAD Trust?

Setting up a BOMAD trust is easy with Macquarie Group Services. When it comes to setting up, there are a few decisions that need to be made in order to fine tune the details. Things that need to be decided include:

- Lockdown Vs Non-Lockdown variation
- Will it have a bloodline option?
- Should Appointor and Principal Beneficiary roles progress on “death” or “death or being found of unsound mind”?
- Other standard decisions for a trust like “Who is the Trustee?”, “Who is the Settlor?”, etc

Once these have been decided, ordering a BOMAD Trust from Macquarie Group Services is easy, just log in and fill in the details.

## Frequently Asked Questions

### Can existing loans be incorporated into a BOMAD Trust?

Yes, they can. The loan is an asset of the parents and as such can be assigned. A BOMAD Trust can be created and the loan assigned by the parents to the trust. Following the assignment of the loan the parents would be owed an amount from the BOMAD Trust equal to the debt. This amount would need to be gifted to the trust.

### What happens to the trust after both parents pass away?

When both parents pass away, the roles of Appointor and Principal Beneficiary will transfer to the child, giving them control of the trust.

### How does the Bloodline feature work?

In the terms of the trust, only family members related by blood are beneficiaries, such as children and grandchildren. The spouses of these individuals do not become beneficiaries, protecting the funds in the event of a divorce.

**For more information about BOMAD Trusts, call  
Macquarie Group Services on (02) 9231 5111**