

BONAP Trusts

(Bank of Nan and Pop Trusts)



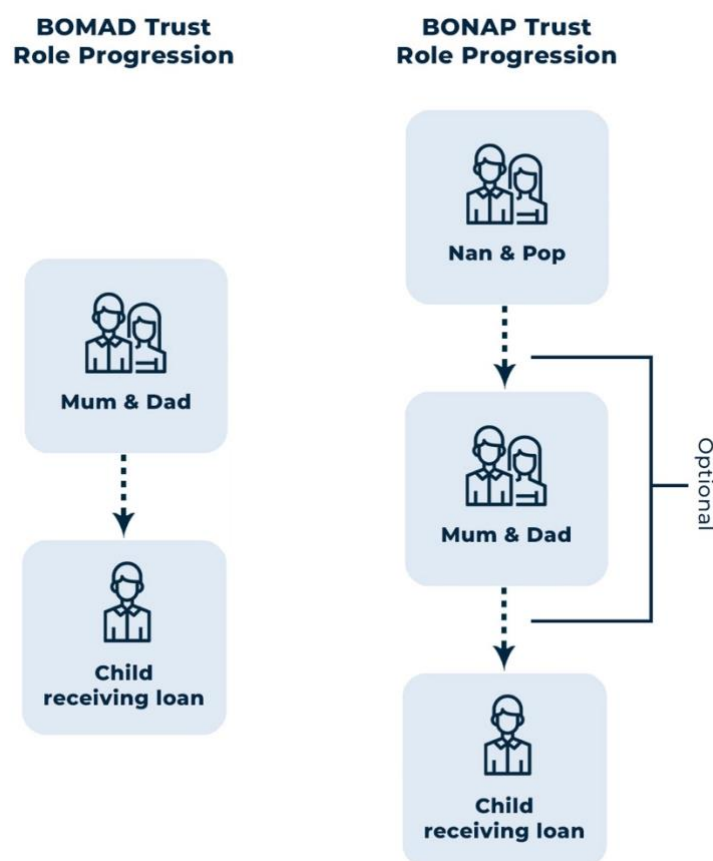
A financial tool to support your grandchildren while protecting your family's financial future

What is a BONAP Trust?

A BONAP Trust is a type of discretionary trust that grandparents can use to help a grandchild financially to buy a property or any other asset while securing their legacy and protecting family wealth from a variety of risks.

BOMAD Vs BONAP Trusts

A BONAP Trust functions similarly to a BOMAD Trust but with key distinctions. While a BOMAD Trust involves parents gifting funds and controlling the trust, a BONAP Trust is set up by grandparents who gift funds to the Trust for their grandchildren. This introduces an additional level in the progression of the roles of Principal Beneficiary and Appointor in the trust, if the parents are to be included. To provide flexibility for each family's unique needs, the Lockdown Vs Non-lockdown option can be chosen independently at each level for Grandparents and Parents.



A BONAP Trust allows grandparents to directly support grandchildren, bypassing parents if desired, while maintaining similar asset protection and estate planning benefits to a BOMAD Trust.

How it works

Once a BONAP Trust is established, the grandparents gift the funds to the trust. The trustee then loans this amount, either interest free or at interest, to the grandchild.



Initially the grandparents will be Principal Beneficiaries and Appointors, thus controlling the trust. They will also be the Trustees. On their passing or resignation, these roles will transfer either to the grandchild directly, or the grandchild's parents depending on the chosen option.

Features of a BONAP Trust

Decide who is included as Beneficiaries

Parents can either be included or excluded from the progression of Principal Beneficiary and Appointor roles. If parents are included, these roles fall to them on the passing of the grandparents. If parents are not included, the grandchild who received the loan from the BONAP Trust will become Principal Beneficiary and Appointor at this time.

Lockdown Vs Non-Lockdown Options

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

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

These options can be selected independently at both Grandparents and Parents levels when establishing a BONAP Trust. For example, Lockdown at the Grandparents level and Non-lockdown at the Parents level.

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 BONAP Trust can still be incorporated. The loan can be assigned to the trust and the same amount gifted by the parents.

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.

When to use a BONAP Trust

- When grandparents want to financially assist one child (e.g., for a home purchase) without affecting other family members' inheritance
- When grandparents wish to preserve their legacy for the younger generations by assisting family members with a major purchase like a property
- When grandparents seek to either involve or bypass parents in the trust's progression

Why use a BONAP Trust?

- **Financial Security:** Protect the grandchild's loan and the grandparents' estate planning
- **Protection:** Shields gifted funds from being claimed by a child's spouse or creditors
- **Family Harmony:** Minimises disputes by isolating financial assistance and clarifying inheritance

- **Flexibility:** Allows for customization (lockdown/non-lockdown, bloodline feature) to suit family needs

How to establish a BONAP Trust?

Setting up a BONAP 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 at Grandparents and Parents level
- 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 BONAP Trust from Macquarie Group Services is easy, just log in and fill in the details.

Frequently Asked Questions

How does a BONAP Trust differ from a BOMAD Trust?

A BONAP Trust is established by grandparents for their grandchildren, with an option to include parents. Control of the trust transitions from grandparents to parents and then to the grandchild who received the loan. In contrast, the BOMAD Trust has a more direct progression, simply from parents to the child.

What happens if I don't include parents in a BONAP Trust?

If there are no parents included in a BONAP Trust, on the passing of the grandparents, the grandchild who received the loan from the trust becomes the Principal Beneficiary and Appointor, controlling 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 BONAP Trusts
call Macquarie Group Services on (02) 9231 5111**