

## FACTS ON FEES

Details of NSW Trustee and Guardian's (NSWTG) new fee structure (from 1 July 2009) are given below.

Important details about the new fee structure are:

- In most cases, an NSWTG client will pay only two fees – a **Management Fee** and an **Investment Fee**.
- The Management Fee is a percentage of the total value of the estate NSWTG is managing (excluding the client's principal place of residence). The Investment Fee is a percentage of the total amount invested in NSWTG's investment funds.
- The fees are calculated daily and deducted at the end of each month.
- The preparation of a financial plan and most income tax returns for clients whose estates are managed by the NSW Trustee and Guardian are covered by the annual management fee. No additional fee is charged.

NSWTG also deducts amounts paid to third parties, such as banks, solicitors and authorised visitors, on behalf of an NSWTG client.

The *NSW Trustee and Guardian Regulations 2008* sets out the fees NSWTG can charge. NSWTG's management fees do not attract any GST liability because they are included in the exemptions nominated in "A New Tax System (Goods and Services Tax) (Exempt Taxes, Fees and Charges) Determination 2000 (No. 2)".

### MANAGEMENT FEE

For the management of a person's estate NSWTG charges:

Establishment fee – 1% of chargeable assets capped at \$3,300

Annual Management fee 1.1% (capped at \$15,000)

### INVESTMENT FEE

For the management of an investment for a person in an NSWTG investment fund NSWTG charges each year:

0.5% of the value of the investment.

NSWTG may also charge the additional fees set out in the *NSW Trustee and Guardian Regulations 2008* for other services provided to a client.

Clients with limited funds and only income being a pension will have little or no change to fees charged.

The \$15,000 cap on management fees will effect clients with over \$1,364,000.

### For example:

#### Client with pension only and little spare cash

A new client whose only income is a Disability Support Pension has \$500 in their account at NSWTG throughout the first year.

The fee payable by this client in the first year of management would be:

$\$500 \times 1.0\% = \$5.00$  (establishment fee)

$\$500 \times 2.1\% = \$10.50$  (management fee)

$\$500 \times 0.5\% = \$2.50$  (investment fee)

This gives a total of \$13.00 or about \$1.09 per month.



For every year after the first year, if the client's assets remain the same, the fee payable by the client would be:

$$\$500 \times 1.1\% = \$5.50 \text{ (management fee)}$$

$$\$500 \times 0.5\% = \$2.50 \text{ (investment fee)}$$

This gives a total of \$8.00 or about \$0.67 per month.

### **Client with her/his own home, cash and other assets**

A new client owns her/his own home valued at \$600,000; has \$850,000 in cash; and owns an investment property valued at \$280,000. These assets remain the same throughout the first year. The total assets upon which a fee would be payable is  $\$850,000 + \$280,000 = \$1,130,000$  (the value of the client's home is not included).

The fee payable by this client in the first year of management would be:

Establishment fee -  $\$1,130,000 \times 1.0\%$  - capped at \$3,300

Management fee -  $\$1,130,000 \times 1.1\%$  - \$12,430.00

Investment fee -  $\$850,000 \times 0.5\% = \$4,250$

This gives a total of \$19,980 or about \$1,665 per month.

For every year after the first year, if the client's assets remained the same, the fee payable by the client would be:

Management fee -  $\$1,130,000 \times 1.1\% = \$12,430$  (capped at \$15,000)

Investment fee -  $\$850,000 \times 0.5\% = \$4,250$

This gives a total of \$16,680 or about \$1,390 per month.

### **Broken interest rate**

Where a client ceases to be under the financial management of NSW TG and all funds are withdrawn, NSW TG will pay interest on those funds from the date of the previous interest distribution to the date of withdrawal.

This interest rate is called the broken interest rate and is an estimate of the interest rate which will be paid at the next distribution. While this interest rate is marginally below the interest rate declared for the 6 months ending December/June, NSW TG has to be mindful that it does not know what the future direction, or level of interest rates will be in Australia and needs to factor this into consideration when setting the broken interest rate.

Fact sheets are also available on the various investment funds offered by NSW TG.

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