

## Setting up a Trust – What is a “Settlor”?

The setting up of a trust goes back to the medieval days, when ancient laws said that a “settlor” is required to set up a trust.

### Who / what is a settlor?

A settlor is someone that creates the trust. A settlor is also someone that is required to donate a sum of \$100, and sign the trust deed, to “create” a trust.

### What makes a good settlor?

A settlor cannot be the trustee, the appointor, or the beneficiaries, nor should they be related to these person(s). This is because a settlor can never accept any distributions or any amounts from the trust. A settlor, preferably, should be a friend or a stranger (unless you intend to become a relative of this stranger!). The use of an anonymous bank cheque or postal order does not suffice.

### Method of payment

The settlor needs to understand that \$100 is a non-refundable and non-tax-deductible donation. This should be made by cheque, and deposited to a newly set-up Bank Account of the trust, so that the trust is formed in substance.

Cheques should be written in the form of “Trustee Name *as trustee for* My New Trust”

A cash sum is not preferred as it provides lesser proof of actually setting up the trust; however a statutory declaration can be provided by the settlor to indicate that \$100 has been provided.

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