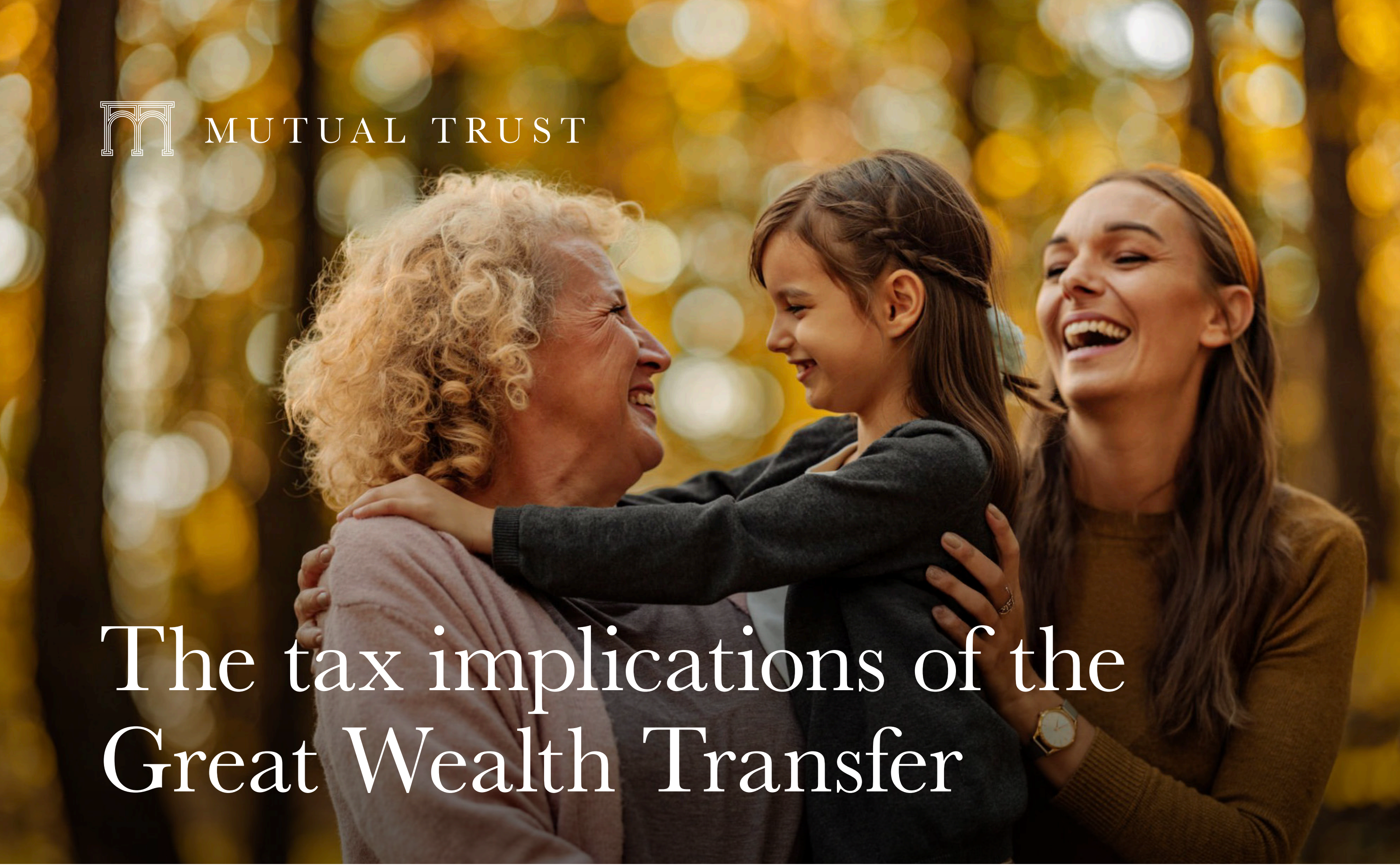


MUTUAL TRUST

The tax implications of the Great Wealth Transfer

Over the next two decades, Australia will witness an unprecedented intergenerational wealth shift – an estimated **$5.4 trillion** changing hands.

This marks a sharp rise from earlier forecasts of $3.5 trillion, driven by rising property values and expanding superannuation balances. For families of substantial wealth, this isn't just a financial transaction; it's a defining moment that will shape legacies, family relationships and impact for generations to come.

At Mutual Trust, we work alongside families to navigate this complexity every day. Wealth transfers bring both opportunities and challenges. It can transform a family's future, but only with thoughtful planning to preserve harmony, protect capital, and achieve what matters most.

George Psarrakos, Partner & Head of Tax Advisory at Mutual Trust shares his insights from over two decades of experience guiding families through complex wealth transitions. His insights focus on how to navigate wealth transfers with confidence - ensuring every decision aligns with the family's long-term Purpose of Wealth and avoids costly intergenerational restructures that could wipe out decades of growth.

Key insights from George Psarrakos, Partner & Head of Tax Advisory

01 Define your purpose of wealth before tax planning

Good succession starts with clarity. Families should agree on their Purpose of Wealth and establish a Family Strategy early. This reduces the risk of wealth erosion and costly restructures. Flexibility matters—sometimes splitting wealth across family branches is better than keeping everything together. Liquidity and diversification are essential here, especially when wealth is tied up in illiquid assets like a family business, commercial real estate or farms.

02 Think two generations or more ahead

Planning beyond the current generation avoids traps like outdated structures, vesting trusts, and unintended tax costs. Many older arrangements now create challenges. Align ownership structures with long-term family needs to prevent stress and expensive fixes.

03 Plan by lifecycle

Each stage of the lifecycle brings opportunities and risks. Birth, deaths, divorces, and cross border relocations create new tax and succession considerations. Think beyond annual tax planning to these natural life events. The same applies to the lifecycle of a business, investment and wealth creation. Life doesn't begin or end on each 30 June.

04 Sometimes paying tax is the better option

Fear of triggering tax often leads to paralysis. Smart families model the cost of restructuring versus maintaining the status quo. Sometimes, writing a cheque to the tax office is a small price for family harmony and future flexibility.

05 Embrace tax-aware investing

Tax-aware investing goes beyond annual tax planning and asset classes. It starts with asset protection and ownership structures, ensuring decisions align with the family's Purpose of Wealth. This approach maximises after-tax returns and avoids costly intergenerational restructures.

06 Simplify, empower and educate the next generation early

Complex structures, intra-group loans and other legal arrangements create uncertainty and angst. Simplify where possible and prepare inheritors through education and governance frameworks. The Next Gen should understand their roles as directors, trustees and stewards. Communication and trust are critical to sustaining wealth across generations, so talk to your kids early.

07 Prepare for life-changing events – the "big stuff"

When managed well, major transformative liquidity events — such as selling a business - can save **20–50% of the family's financial capital**. Imagine the socio-economic impact your family can have by preserving that family capital. Beyond tax structuring, families should plan for reinvestment, philanthropy, and entrepreneurial pursuits at these times, to preserve wealth and, more importantly, fulfil the family's Purpose. If you want your family to flourish, this is one of the critical times to get it right.

Key insights from George Psarrakos, Partner & Head of Tax Advisory

08 Implement effective tax governance

Tax governance is not just compliance—it's future-proofing. A robust framework builds "Justified Trust" with the ATO, reduces risk, and is critical to timely decision-making. It's not just about paying less tax – it's about paying the correct amount in line with the law and in the interest of the community. Teaming with a Multi-Family Office can also provide cost effective access to key tax and accounting talent and infrastructure.

09 Protecting the legacy

Wealth often dissipates by the third generation. Dynasty structures, governance and licensed trustees can help preserve wealth for multiple generations while accommodating life events, blended families, and philanthropic goals. For these families, it's about the 'great wealth stewardship'.

10 Anticipate the future of tax

Expect complexity. Themes include:

- Greater ATO engagement and real-time reporting and payment of tax
- Loss of privacy with public ownership registers
- Fewer pre-CGT assets and more trusts vesting
- Greater impact by families via philanthropy and charities
- Inheritance tax? Australia already has one.

Change is inevitable in all aspects of life. Successful families are always ready to act when opportunities arise.

An intergenerational wealth transfer is more than a financial event, it's an opportunity for families to secure their legacy and strengthen relationships for generations to come. With thoughtful planning and clear governance, families can navigate complexity with confidence and preserve what matters most.

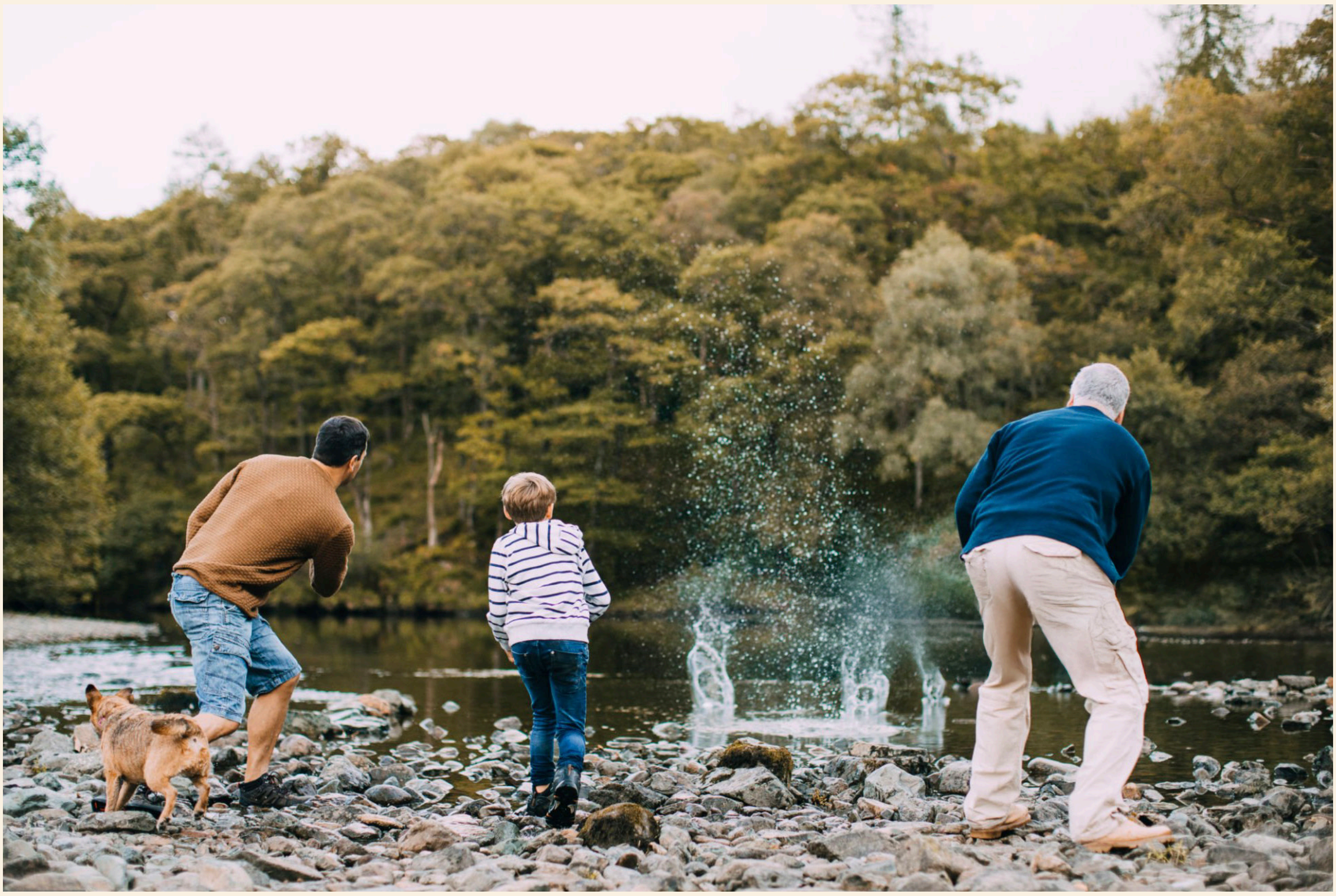
At Mutual Trust, we partner with families to design strategies that protect wealth, align with values, and create lasting impact. Start the conversation today — let's work together to ensure your wealth serves its purpose for the next 100 years and beyond.

"We've had two or three generations of prosperity and we've got this massive tidal wave of succession coming over the next couple of decades. Each family's story is unique but their fundamental question is the same – how do I get this right for my kids and grandkids?"

George Psarrakos
PARTNER & HEAD OF TAX ADVISORY

CASE STUDY

Navigating Wealth, Family and Legacy



The Ariti* brothers are prominent figures in Australia's property and hospitality sectors. Over decades, they've built substantial wealth and a respected business legacy, with holdings across the East Coast and three iconic hospitality venues. Each brother is married (one for the third time), and together they share a blended family with children across generations.

The recent passing of their mother marked a turning point. Mum lived and oversaw a farming business on the family's legacy agricultural property "Golden Acre Estate" – a deeply cherished inter-generational asset, valued at $38m – which carried both emotional weight and financial complexity. Amid their grief, the Ariti brothers faced difficult decisions they hadn't considered until now: succession, tax implications and how their financial lives connect across generations.

Understanding complex structures

The brothers' portfolios are multi-faceted: properties held privately and through trusts, hospitality businesses with intricate ownership structures; and exposure to capital gains, income streams and intergenerational interests. The decision to sell or retain their mother's property introduced additional complexity:

- Capital gains and tax planning
- Agricultural considerations
- Allocation and investment of proceeds
- Estate responsibilities (now resting with the brothers as executor)
- Emotional and financial considerations across children, stepchildren and partners
- Need for integrated and holistic guidance

*Family name changed to protect privacy

CASE STUDY

Navigating Wealth, Family and Legacy

Following a conversation with their legal advisor, the brothers recognised the need for advice beyond traditional accounting and legal services. Mutual Trust was recommended, not just for financial expertise, but for the ability to integrate legacy, tax strategy and family dynamics.

From the outset, Mutual Trust took a fresh, human-centred approach, seeking to understand:

- Family values, aspirations and relationships – not just assets
- Business holdings, personal wealth, estate responsibilities and future plans
- The entire balance sheet, to uncover opportunities for better structure and alignment

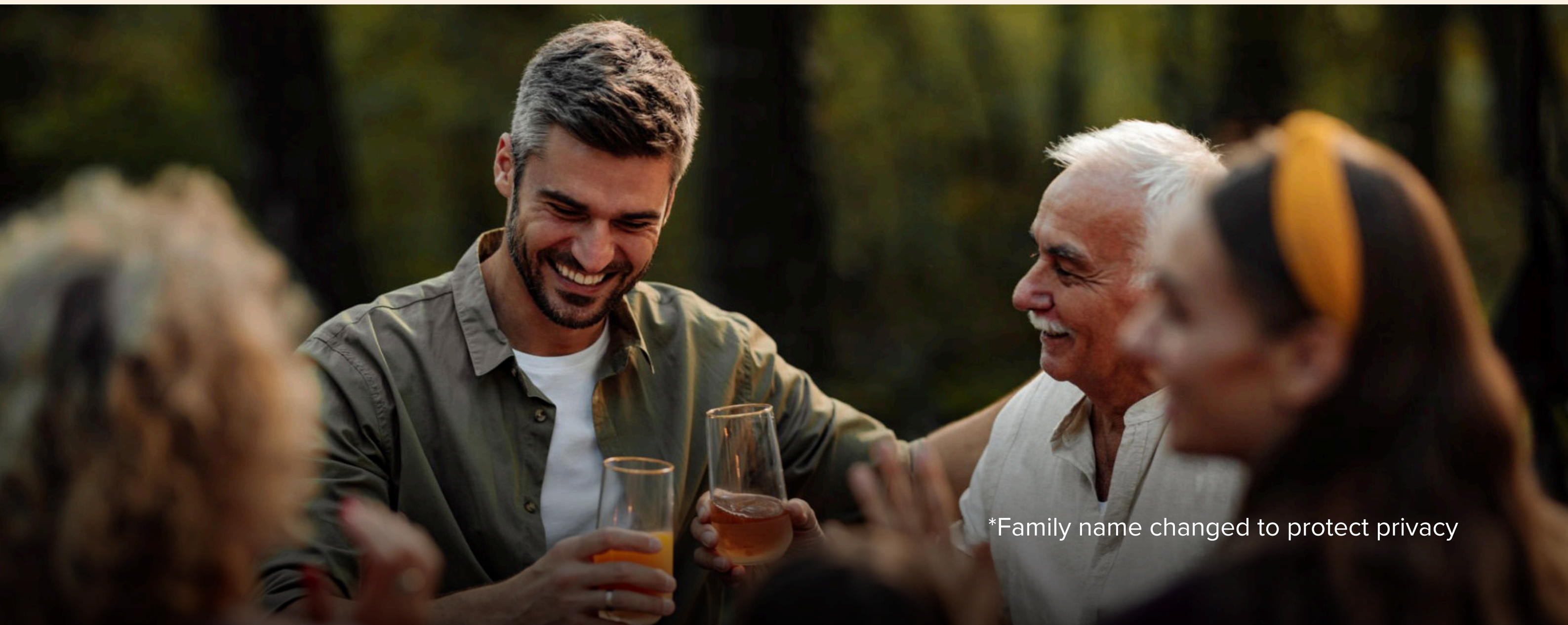
Mutual Trust delivered:

- Strategic tax advice on Golden Acre Estate, along with the brothers' broader portfolios
- Estate planning tailored to multiple family branches and generations
- Succession structures for businesses and family trusts
- Philanthropy planning aligned with family values
- Consolidated reporting for a clear, unified view of their wealth
- Clarity to move forward with confidence

The decision to sell Golden Acre Estate, a significant inter-generational asset, was a transformative wealth event. Beyond unlocking financial value, it also had the potential to shift family dynamics and stir mixed emotions. With a full understanding of the family's balance sheet, perspectives and aspirations, Mutual Trust delivered strategic tax advice on the sale. As part of the ATO's Commercial Deals program, Mutual Trust secured upfront confirmation of the tax treatment - delivering certainty and peace of mind.

With Mutual Trust's guidance, the brothers are now finalising plans for mum's estate that reflect and accommodate their complex family arrangements, while implementing a whole-of-balance sheet strategy to optimise tax outcomes. Importantly, they have a plan in place to prepare their children for responsible wealth ownership, in a way that is grounded in their shared family values.

> For the Ariti brothers, this wasn't just a financial transaction – it was the beginning of structured, intergenerational wealth stewardship.



*Family name changed to protect privacy

CASE STUDY

Protecting Wealth, Preserving Control and Preparing the Next Generation

After selling two-thirds of their family business to private equity, Leah and Greg Archer* engaged Mutual Trust to undertake a strategic review of their ownership structures and estate plans.

Following the sale, the Archers recognised the need to modernise their arrangements. Their goals were clear:

- Provide financial independence to each branch of the family
- Acknowledge the substantial value their son and daughter had created since stepping into management a decade earlier
- Protect their legacy assets for future generation

Complicating matters, the sale proceeds were received into a 40-year-old family trust, which also held the family's remaining share in the business. As trustees, Leah and Greg had provided significant vendor warranties to the private equity buyer — creating a large contingent liability tied to the trust.

Understanding the structural and tax risks

A detailed review of the family's legacy trust revealed:

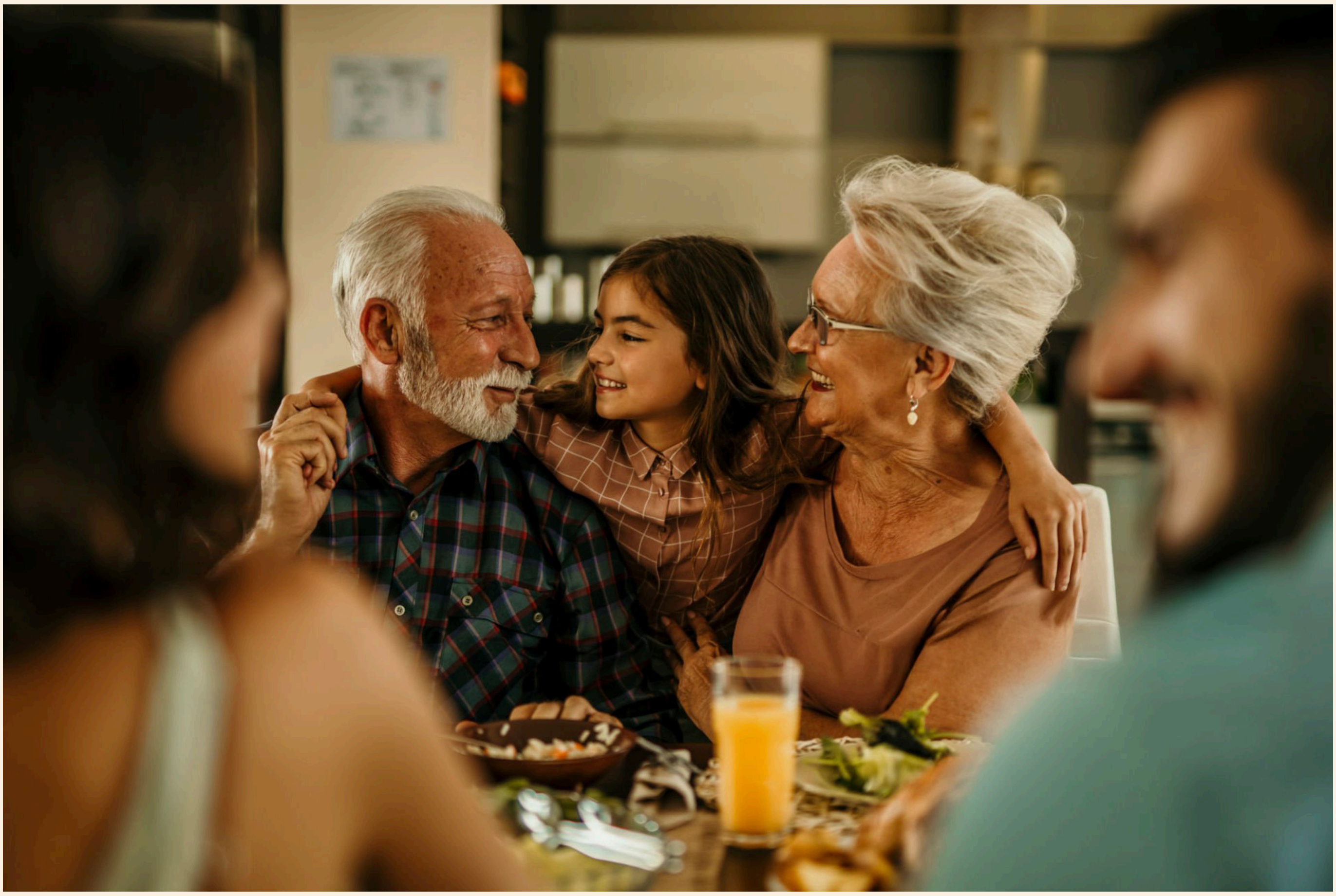
- Procedural concerns in the way distributions had been made
- Material tax risks for both generations
- A need to separate sale proceeds from the trust that carried warranty exposure
- Misalignment between the family's estate plans, business structures and desired intergenerational outcomes

The Archers required a coordinated solution — one that protected their wealth, preserved flexibility and ensured clarity of control for both generations.

*Family name changed to protect privacy

CASE STUDY

Protecting Wealth, Preserving Control and Preparing the Next Generation



Mutual Trust delivered

Working closely with the family and their advisors, Mutual Trust implemented a strategy to strengthen governance, reduce risk and position the family for long-term success. Key elements included:

- **Establishing a new, contemporary trust** controlled by Leah and Greg, allowing trustees to make a capital distribution that quarantined sale proceeds from tax and warranty risks
- **Retaining the remaining business interest** in the original trust (for Capital Gains Tax efficiency) until a future exit
- **Arranging warranty and indemnity insurance** to underwrite the risk of a claim from the purchaser
- **Positioning the new trust as the primary investment vehicle** for the first generation, and advancing loans to the second-generation family trusts
- **Documenting loans with robust, legally binding agreements**, including clear principal and interest terms
- **Securing loans with registered mortgages** over properties owned by the son and daughter
- **Establishing a long-term succession pathway** where, upon Leah and Greg's passing, trust control passes to their children, with Mutual Trust acting as independent professional trustee

This approach created clean lines between generations, protected assets, strengthened governance and preserved flexibility for future planning.

*Family name changed to protect privacy

Outcome: Clarity, protection and strategic advantage

Several years later, Leah and Greg's daughter entered divorce proceedings. During the financial settlement process, the secured loan arrangements — formally documented and backed by property — became a critical factor.

Once disclosed, the mortgage-secured loan substantially reduced the size of the matrimonial pool. The claimant's lawyers conceded that the family's legacy wealth fell outside the settlement parameters, shifting negotiations toward meeting future needs rather than claims on intergenerational assets.

The partner's attempt to access a significant portion of the family's long-held wealth was ultimately abandoned.

Through a combination of structural reform, risk mitigation and clear governance, the Archers achieved:

- Protection of legacy family assets
- Financial independence for each family branch
- Clear succession structures for future generations
- Stability and certainty during an emotionally charged legal process

For Leah and Greg, this was not just an administrative restructure — it was the foundation of responsible, intergenerational wealth stewardship.

ABOUT THE AUTHOR

George Psarrakos

PARTNER & HEAD OF TAX ADVISORY

For over 20 years, George has worked with Australia's most successful and iconic private businesses, families and international investors, helping them achieve what matters most.

This includes advice on liquidity events, tax disputes, real estate transactions, collective investments, high-growth ventures, financing transactions, cross border planning and inter-generational wealth transitions.

George has a particular focus on helping clients build stakeholder value through strategic planning, financial management and governance.

As the leader of Mutual Trust's pre-eminent tax advisory group, George has also helped deliver projects in excess of $10 billion. Prior to Mutual Trust, George worked with international accounting firms specialising in privately held enterprises and subsidiaries of foreign companies.

George holds a Bachelor of Commerce / Bachelor of Science and a Master of Taxation. He is a Chartered Accountant and a Chartered Tax Advisor.

George currently sits on the ATO's Private Stewardship Group which provides strategic input on the current and emerging tax issues affecting Privately Owned Wealthy Groups.

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