GLOBAL WEALTH
CLUB

Protecting Your Property

Three ways to protect the equity in your home, and how to create your own mortgage over it, step by step.

Global Wealth Club

7 SECTIONS · WORKING EXAMPLE · FAQ APPENDIX



Everything you need to know: the risks, your three options, how your own mortgage works, a worked example, the process, and straight answers to common questions.

OVERVIEW

What matters most

If you own property in your own name with good equity, it is exposed. Protecting it is simpler and cheaper than most people think.

1 **Property in your own name is at risk.**
Lawsuits, business debts, insurance gaps and fines can all reach it.

2 **There are three ways to protect it.**
Buy through a trust from the start, transfer it into a trust later, or keep it in your name and create your own mortgage over it.

3 **Your own mortgage costs a fraction of the others.**
No stamp duty, no CGT and no extra land tax, because the property stays in your name.

4 **You are not borrowing from the bank.**
You lend your own money back to yourself through your trusts, and it stays in your control.

5 **A registered mortgage gets paid before other creditors.**
That priority keeps your equity in your family's hands.



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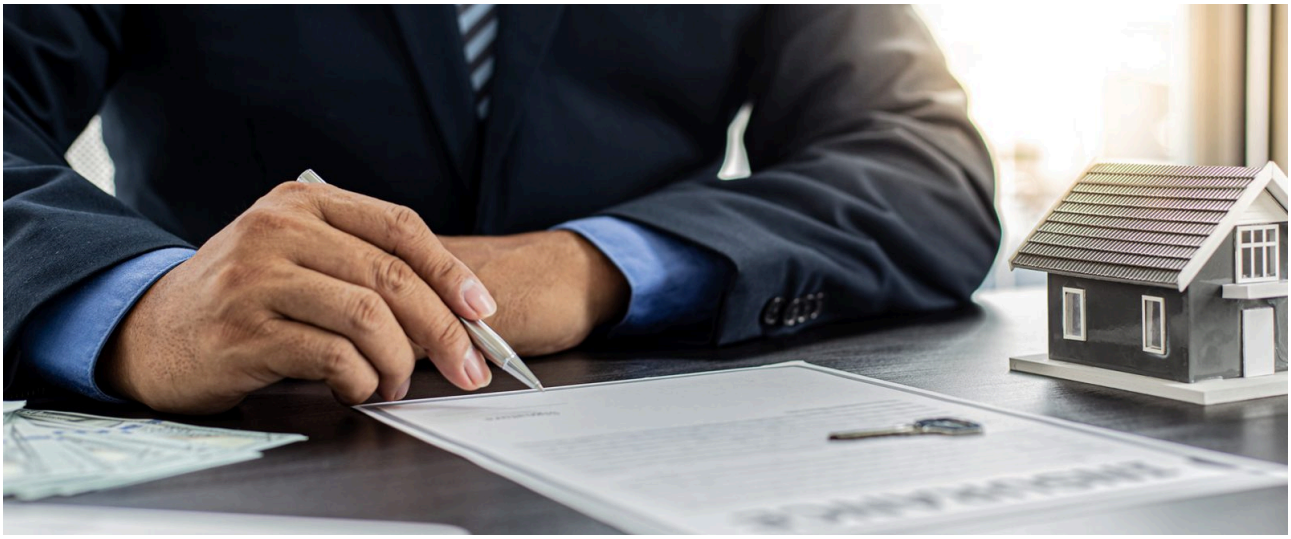
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01

SECTION ONE

Why Protect Your Property?

The risks most people never think about until it is too late.



BUSINESS OWNERS

A company or trust is not enough on its own

- If you are sued, you can lose properties held in your own name.
- A company or trust lowers the risk, but property in your personal name is still exposed.
- Some government debts, such as certain ATO debts and unpaid super guarantee, can fall on directors personally.

INDIVIDUALS

Everyday risks

- Personal lawsuits, including being sued by a tenant.
- Your insurance not covering you because of an exclusion or a disclosure problem. This is more common than you think.
- Taxes and debts if you trade as a sole trader.
- New hate speech and social media laws, which can bring large fines for speaking out online.

> ★ THE GOOD NEWS
>
> If you have property in your own name with plenty of equity, leaving it unprotected is a real risk. And it is very easy to fix.

02

SECTION TWO

Three Ways to Protect Your Property

The strengths and weaknesses of each option.



OPTION 1

Buy through a trust (with a company trustee) from the start

The property is bought in the name of a trust rather than in your own name.

STRENGTHS

- ✓ Strong security.
- ✓ Keeps a buffer between you and any creditor.

WEAKNESSES

- ✕ You have to do it at the start, before you buy.
- ✕ You can lose negative gearing.
- ✕ You lose the main residence (principal residence) CGT exemption.
- ✕ Extra land tax, including a trust surcharge of up to 2% in some states.





OPTION 2

Transfer it into a trust later

If the property is already in your own name, you transfer it into a trust (with a company trustee).

STRENGTHS

- ✓ The same strong security and buffer as Option 1.

WEAKNESSES

- ✗ Stamp duty on the transfer, for example about $110,000 on a $2.5m property.
- ✗ Capital gains tax on an investment property, and you lose the main residence exemption from then on.
- ✗ Extra land tax, as with Option 1.
- ✗ Total cost is often $100,000 or more.

OPTION 3 · OUR PREFERRED APPROACH

Create your own mortgage over the property

The property stays in your own name. Your trust lends you money and takes a registered mortgage over the property. We call this a second mortgage, because it usually sits behind your bank's first mortgage.

STRENGTHS

- ✓ No stamp duty, CGT or extra land tax, because ownership does not change.
- ✓ You keep negative gearing and the main residence exemption.
- ✓ About $20,000 upfront, with no ongoing costs.
- ✓ Can be done at any time, not just at purchase.

WEAKNESSES

- ✗ If the property rises in value, the mortgage needs topping up.
- ✗ Bankruptcy clawback rules mean it is strongest when set up well before any trouble.

SIDE BY SIDE

The three options compared

	1. Buy through a trust from the start	2. Transfer into a trust later	3. Your own mortgage stays in your name
Stamp duty	Paid on purchase as normal	Paid again on transfer	**Nil**
CGT	No main residence exemption	Paid on an investment property, and the exemption is lost	**Nil**
Land tax	Trust surcharge in some states	Trust surcharge in some states	**No extra**
Negative gearing	Can be lost	Can be lost	**Kept**
Timing	Only at purchase	Any time	**Any time**
Cost	Ongoing taxes	Often $100,000 or more	**About $20,000**

★ IN SIMPLE TERMS

Options 1 and 2 can cost you hundreds of thousands of dollars over time. Your own mortgage costs around $20,000. It is a no brainer for most people.



03

SECTION THREE

How a Mortgage Protects You

Why being a secured lender changes everything.



LOANS AND SECURITY

A loan and its security are two different things

Unsecured: Jenny lends her friend Alex $100,000. If Alex goes bankrupt, Jenny lines up with every other creditor and gets no priority.

Secured: a bank lends Alex $1.5m to buy a $2m house and takes a first mortgage. A registered mortgage has priority over other interests, including the ATO and other creditors, so it must be paid first.

AN EXAMPLE

What happens to Alex if things go wrong?

Alex's house is now worth $2.5m with $1.5m owing to the bank, and he has $1m in cash and shares. He is then hit with a large fine and business debts of $3m. He owes $4.5m but has only $3.5m of assets. His creditors force a sale, raising $3.25m after costs.

	Without his own mortgage	With his own mortgage
Bank (first mortgage)	$1.5m paid first	$1.5m paid first
Alex's finance trust	Nothing	**$1m paid second**
Other creditors	Share $1.75m	Share what is left
Alex	Bankrupt with nothing	**Keeps a $1m nest egg**

In practice, creditors often drop the claim or settle once they see the mortgage.

04

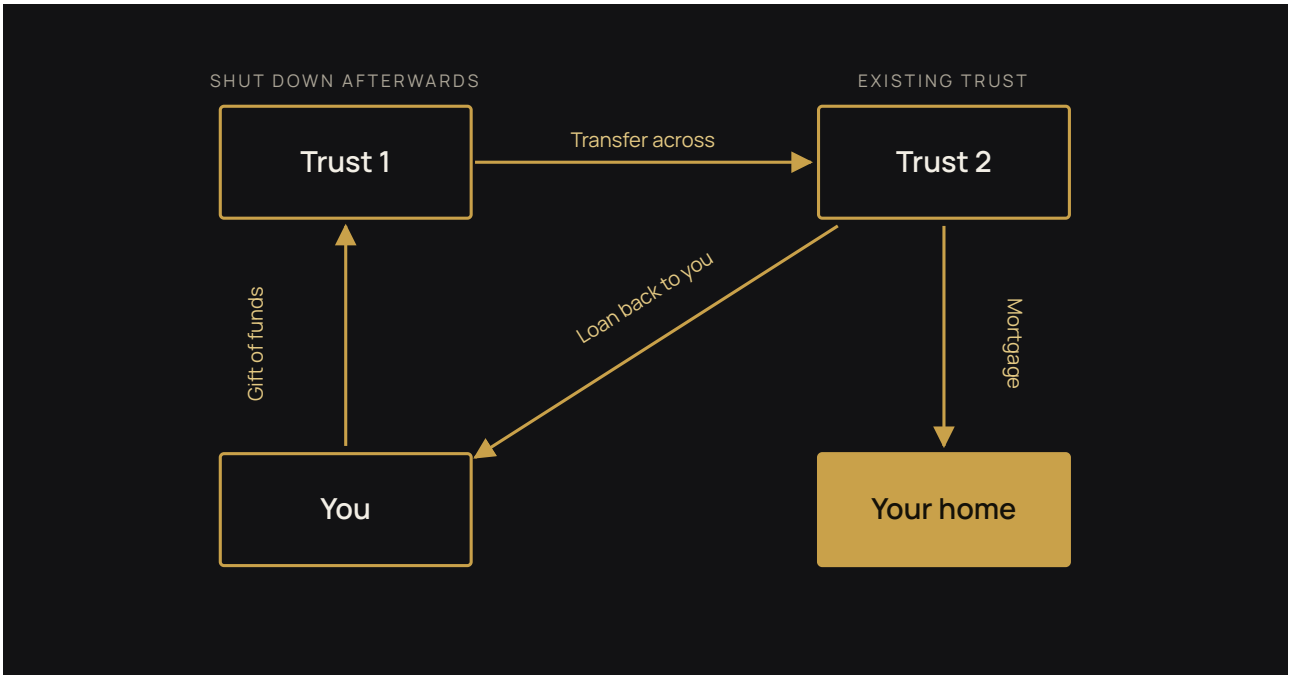
SECTION FOUR

How Your Own Mortgage Works

The structure, step by step, from trusts to registration.



You gift funds to Trust 1, which passes them to Trust 2. Trust 2 lends the money back to you and takes a mortgage over your home. Trust 1 is then wound up.



★ IMPORTANT

You are not borrowing from the bank. The money is your own: it goes from you, through your trusts, and back to you as a loan. The mortgage is simply the security that loan takes over your property.

STEP 1 · STRUCTURES

Why two trusts?

The lawyer recommends using two trusts to make the mortgage protection stronger. This makes it more difficult to pursue or undo the arrangement later on.

Trust 1

Receives the funds from you as a gift. You transfer cash or similar (we discuss this with you) into Trust 1, which passes the funds on to Trust 2.

Trust 2

Receives the funds from Trust 1, lends them back to you, and takes a mortgage over your property as security.

STEP 2 · ACCESS TO CASH

Access to cash and transfer of funds

Check you have access to cash, or a line of credit you can draw down. It is better to move real money through the trusts than to do it on paper as a gift of equity, because:

- It avoids any argument that the arrangement is a sham. The mortgage must have a real basis to be legally effective, otherwise it can be undone in court later.
- A gift of equity on paper can trigger stamp duty in some states.



STEP 3 · FUND TRANSFERS

How the money moves

a Each trust has a bank account to receive funds (or the lawyer's trust account is used).

b The money is transferred into Trust 1's bank account.

c Trust 1 transfers it on to Trust 2, recorded in the minutes as a distribution.

d Trust 2 transfers the funds back to you (or the entity you are using) as a loan.

e Trust 2 takes a mortgage over the property.

f Trust 1 is shut down and wound up.

STEP 4 · THE LAWYER

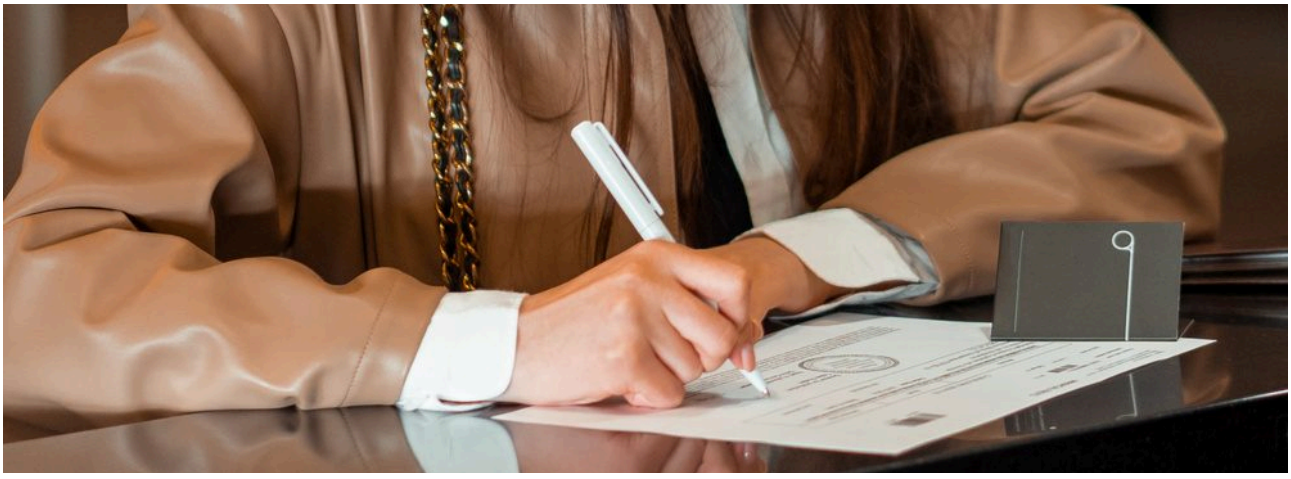
Preparing and registering the mortgages

We instruct the lawyer to prepare and register the mortgages. This can take a number of weeks, depending on whether your bank needs to give a Deed of Priority for you to sign.

STEP 5 · YOUR BANK MANAGER

Dealing with your bank

We guide you on dealing with your bank manager, including any Deed of Priority the bank needs so the second mortgage can sit behind its first mortgage.



STEP 6 · LOAN AGREEMENT

Documenting the loan

The lawyer prepares a mortgage loan agreement. We work out whether the loan is repayable on demand and whether it is interest free. If there is an interest rate, you can shift money into the structure through regular payments for further protection.

STEP 7 · REGISTRATION

Registering the security

A mortgage is registered over the property as security for the loan.

WHAT'S INCLUDED

What we and the lawyers do for you

- Advice and help from us on the strategy.
- Advice and document preparation from the lawyers, setting up the structures.
- Supervising the process so the transfers happen properly.
- Guidance on your bank manager and how to deal with them.
- Drafting the loan agreements and registering the mortgage (all legal fees with the lawyers).
- A final meeting to follow up and go through everything.

Not included: the trusts the lawyer may recommend.



05

SECTION FIVE

Facts and What to Watch

What the mortgage achieves, and the rules that matter.



THE RESULT

What does this achieve?

Any net equity in your property is protected by a registered mortgage. If you already have a bank loan, your trust takes a second registered mortgage and the bank keeps its first mortgage. If there is no bank loan, your trust takes a first mortgage. Either way, the full value of the property is covered by registered mortgages.

RISING VALUES

What if the property soars in value?

The mortgage needs to be upstamped or increased. Let us know if your property has gone up in value, or your bank debt has gone down, and we organise the top-up with the lawyer.

PHYSICAL TRANSFER

How important is moving real money?

Not essential, but highly ideal. If a physical transfer is not possible, a Deed of Gift can gift the equity across instead, though this can trigger stamp duty in some states. Using two trusts and shutting down the first makes the arrangement harder to challenge.



BANKRUPTCY CLAWBACK

What could undo the mortgage?

A trustee in bankruptcy can recover a transfer that was not for market value made within the last 5 years (about 5½ years once the 6 month "relation back" period is included). There is no time limit where the main purpose was to keep the property away from existing creditors. If you were insolvent at the time, or did not keep proper business records, that purpose can be presumed.

Any later top-up of the mortgage is treated as a separate transaction for these rules.

★ IN PRACTICE

If a lawsuit comes within 5 years, there is a risk the arrangement is undone. After 5 years, it is only at risk if you blatantly aimed to avoid an existing creditor, which is unusual (we will raise it with you if it applies).

Even so, a mortgage over a property is often enough on its own to stop someone suing you, or a liquidator or government body pursuing your assets. Family trusts are also very difficult and expensive to break into.



06

SECTION SIX

A Working Example

John's home in Byron Bay, from start to finish.



THE STARTING POINT

John's situation

John owns his family home in Byron Bay, NSW, in his own name. He runs a business, so if he is ever sued, his home is exposed.

John's home	Amount
Market value	$2,000,000
Owing to his bank (first mortgage)	$300,000
Equity exposed to creditors	**$1,700,000**

HIS TWO REAL CHOICES

Transfer the home into a trust, or create his own mortgage?

	Transfer into a trust	His own mortgage
Stamp duty	Around $100,000 on transfer	**Nil, he is not transferring**
CGT	None now as it is his main residence, but the exemption is lost, so CGT applies when the trust sells	**None now, and none in future while it is his main residence**
Land tax	Trusts pay it, plus a surcharge of up to 2% in NSW	**No extra**
Total cost	Around $200,000 in fees and taxes	**About $20,000, around a tenth of the cost**

HOW IT IS SET UP

John creates his own mortgage

1. We set up two trusts for John: Trust 1, and the John Smith Finance Trust (Trust 2).
2. With the lawyer's guidance, John's funds move from him to Trust 1, on to the Finance Trust, and back to John as a loan. John is not borrowing from his bank, and the money stays in his control.
3. The Finance Trust registers a second mortgage over the home for $1.7m, sitting behind the bank's $300,000 first mortgage. Trust 1 is wound up.

WHAT HAPPENS NEXT

How John's home is now protected

If...	What happens
John is sued and his home is sold	The bank is paid its $300,000 first. The Finance Trust is paid its $1.7m second. Other creditors only share what is left, which at today's value is nothing.
John sells the home himself	Settlement happens as normal. The bank is paid first and the balance goes to the Finance Trust, so John keeps the money.
The home rises to $2.4m	John tops up the mortgage so the extra $400,000 of equity is protected too.
John pays off his bank loan	The Finance Trust's mortgage can be topped up to cover the extra equity, and it becomes the first mortgage.

★ THE RESULT

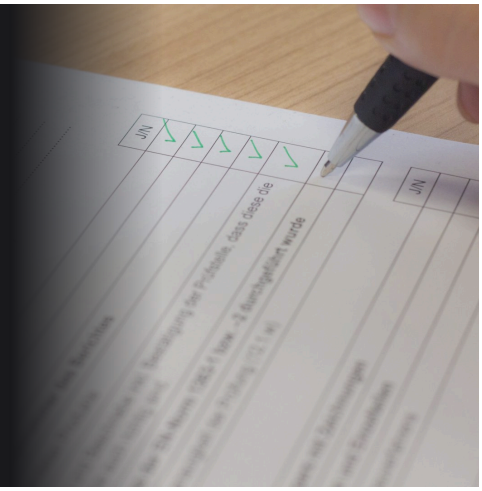
John's $1.7m of equity is protected for about $20,000, with no stamp duty, no CGT, no extra land tax and no ongoing costs other than keeping his trusts running. His home stays in his name. In practice, most creditors drop the claim or settle once they see the mortgage.

07

SECTION SEVEN

Your Situation and Getting Started

How it works for you, what it costs, and what we need.



You own a property and have a bank loan

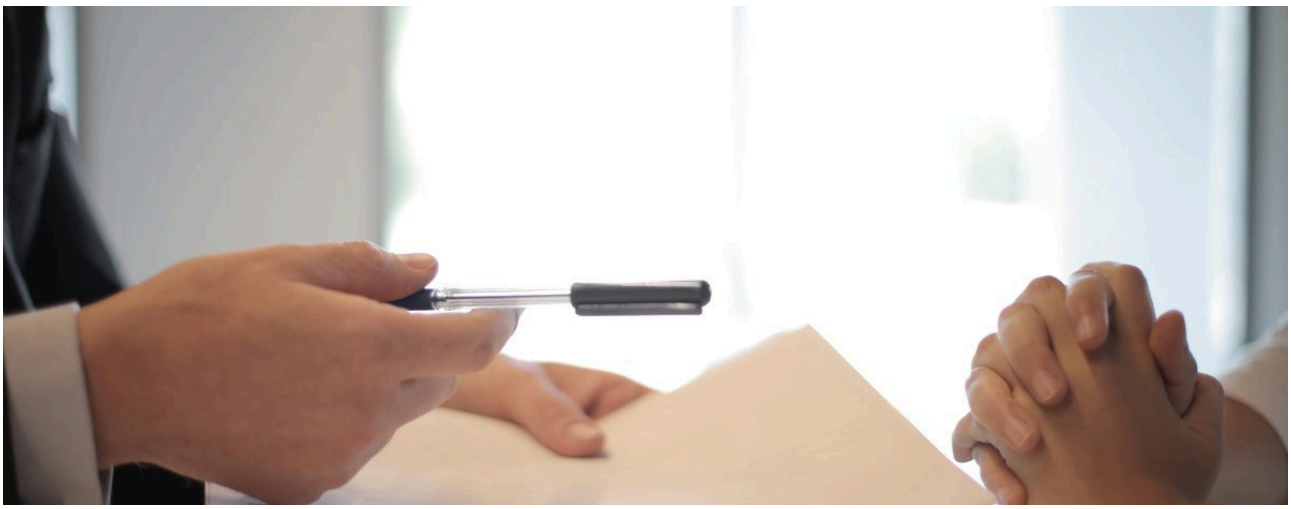
Your trust takes a second mortgage behind your bank's first mortgage, protecting all the equity above the bank loan. See John's working example in Section 6.

You own a property with no bank loan

Exactly the same, except your trust takes a first mortgage instead of a second mortgage.

You are buying a new property

Ideally talk to us before you buy. The lawyer plans the money transfers so the purchase is funded as a loan from your trust. If you come to us after you buy, the lawyer can still help.



INVESTMENT

What does it cost?

About $20,000 for the first property and $3,000 to $5,000 for each additional property. No ongoing costs, other than keeping your trusts running.

WHAT WE NEED

To get started, we need:

1. Confirmation you wish to proceed, and payment.
2. The names and details of the two trusts you are using (or wish to set up).
3. The address of each property.
4. The title details of each property.
5. The interest rate on the loan (if any).
6. The amount of the mortgage, that is, the dollar amount you are transferring.



THE PROCESS

From first call to registration

Who does it: YOU GWC

1	We arrange a call with the lawyer to explain the process.	GWC
2	We send you a summary email of the call with the lawyer.	GWC
3	We set up the two structures: Trust 1 straightaway, and Trust 2 three weeks later.	GWC
4	You receive and sign the Trust 1 documents (kept by you or your accountant) and open a bank account.	YOU
5	You receive and sign the Trust 2 documents and open a bank account at a different bank.	YOU
6	We send you the form to complete for your mortgage.	GWC
7	You return the form and the requested documents.	YOU
8	We instruct the lawyer to create the loan documents and get the mortgage(s) underway.	GWC
9	You sign the loan documents and return them to the lawyer.	YOU



10	You make the bank transfers: from yourself to Trust 1; Trust 1 to Trust 2 after 28 days; Trust 2 to your account after 7 days.	YOU
11	You tell us once all transfers are finalised and send a copy of the Trust 1 bank statement.	YOU
12	We tell the lawyer the transfers are complete and organise the mortgages with Grindal Legal.	GWC
13	We let you know once registration has taken place.	GWC
14	We arrange a final call with you and the lawyer.	GWC

NEXT STEPS

Ready to protect your home?

- **Become a free member at www.globalwealthclub.com.** You will find free videos on protecting your property in the Asset Protection section (under Property), and you will be notified of free podcasts, masterclasses, events and updates on the topic.
- Any questions? Email clients@globalwealthclub.com and we will be in touch to discuss.
- Let us know if you would like a proposal with our package price.

Yours in freedom,

The Global Wealth Club



APPENDIX

Frequently Asked Questions

Straight answers to the questions clients ask most.

Do I have to go to the bank and borrow more money?

No. This is the most common misunderstanding. A mortgage is just the security taken over a property. It is separate from the loan itself. Here, you are effectively lending your own money back to yourself: it moves from you, through your trusts, and back to you as a loan, documented by the lawyer. You are not borrowing from the bank, and your bank loan does not change.

Do I keep control of the money?

Absolutely. The money is always in your control. Once it has come back to you (in about 5 weeks), you use it as normal.

Does my property stay in my name?

Yes. Ownership does not change, which is why there is no stamp duty, no CGT and no extra land tax.

Isn't this morally wrong? Shouldn't I just pay my debts?

The beauty of this strategy is that you have the choice. If you want to pay, you can. If it is an unfair claim, you can choose to fight it. The power is in your hands.

What if my property goes up in value?

The mortgage should be topped up (upstamped) so the extra equity is protected too. The same applies if you pay your bank loan down.

What if I don't have spare cash?

A line of credit you can draw down works. If moving real money is not possible, a Deed of Gift can be used instead, though it can trigger stamp duty in some states.

What happens when I sell the property?

Settlement happens as normal, with no hold up. If you have a bank loan, the bank is paid first and the balance goes to your finance trust (Trust 2). If there is no bank loan, it all goes to your finance trust.

Will it affect borrowing from banks in future?

We have never had a client refused a loan because of it. Sometimes there is a little more paperwork, for example the bank may want confirmation that your trust will take a second mortgage. Occasionally a bank will not do it.

How long does it take?

A number of weeks from start to registration. Trust 2 is set up about three weeks after Trust 1, and your funds are tied up for about 5 weeks while they move through the accounts.

Are there tax advantages?

No. This is about asset protection. There can be tax advantages with interest deductibility, but the ATO has this firmly on its radar, so you would only consider it with your accountant involved.

Is interest payable on the loan?

The loan agreement says interest is not payable, or even calculated, until the loan is repaid. It is then calculated back to the start, capitalising quarterly, and becomes income of the lending trust (Trust 2). It can be waived at that time. If interest is calculated or paid earlier, Trust 2 pays tax on it in that year, even if no money has been received. The strategy is designed to be tax neutral until repayment.

What does it cost?

About $20,000 for the first property and $3,000 to $5,000 for each additional property, with no ongoing costs other than keeping your trusts running.

Can I do this when buying a new property?

Yes, and ideally you talk to us before you buy so the lawyer can plan the money transfers. If you come to us after the purchase, the lawyer can still help.

General information only, not personal tax, legal or financial advice. Figures are examples only and vary by state and situation. Confirm with a qualified adviser before acting.