

# What is the difference between a wrap account and a master trust?

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Wrap accounts and master trusts are administration structures which enable investments (including those held in superannuation) to be held in an efficient and cost-effective manner, particularly in relation to buying and selling investments, reporting, and dealing with corporate actions (such as the allocation of rights issues).

## The key differences between wrap accounts and master trusts

| Wrap Account | Master Trust |
|---|---|
| May hold managed funds, including low-fee wholesale managed funds, as well as direct investments such as shares and term deposits | Restricted to holding managed funds, including low-fee wholesale managed funds |
| They are operated by a trustee, but the investor holds the underlying assets in their own name. | Investments are held by a trustee in its name, on behalf of the investor |
| The value of a member's investment is determined by the underlying assets | The value of an investor's account is determined by the trustee based on the value of the underlying investments |
| All fees and taxes are unbundled from the unit price and disclosed separately | All fees and some taxes are bundled into the unit price for each investment and allocated to the investor |
| A cash account is used for each member through which income and expenses are passed | Income from the underlying assets is paid to the master trust and then distributed to members |
| Franking credits are distributed to individual investors through the cash account | Franking credits are incorporated into the unit price of the underlying investment |
| An investor's assets in a wrap account can be transferred to a new wrap account | If you want to change to a different master trust you will need to sell your investments in your current master trust, which may result in a taxable capital gain or a capital loss, as well as other transaction costs |

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## What are the advantages of wrap accounts and master trusts?

These administration structures[1] are designed to save you time and money by giving you:

- Access to a wide range of investments including low-fee wholesale funds, plus any cost savings that may apply as a result of pooling a large number of investors' monies
- Comprehensive and consolidated reporting and valuations for all your investments in the structure
- Telephone and online access so it's easy for you to keep up to date with your investments
- A transparent fee structure so you know what is being paid on your behalf
- The support to help you manage the administration involved in buying & selling investments, and managing corporate actions
- Most of the information you (or your accountant) need at tax time for your investments in the structure, in one consolidated report.

## For whom are wrap accounts and master trusts best suited?

**Comprehensive wrap accounts typically suit investors who:**

- Have larger sums of money to invest
- Require access to direct investments and a very broad range of managed funds
- Want sophisticated reporting
- Wish to benefit from franking credits being credited directly to their account.

**Basic wrap accounts typically suit investors who:**

- Have smaller sums to invest
- Prefer to use managed funds
- Are happy with a smaller range of managed funds

**Master trust accounts typically suit investors who:**

- Prefer to use managed funds rather than direct investments

1. NOTE: Using wrap accounts and master trusts imposes an extra layer of fees compared to investing directly. The extra fees are to cover the costs involved in administering your portfolio.

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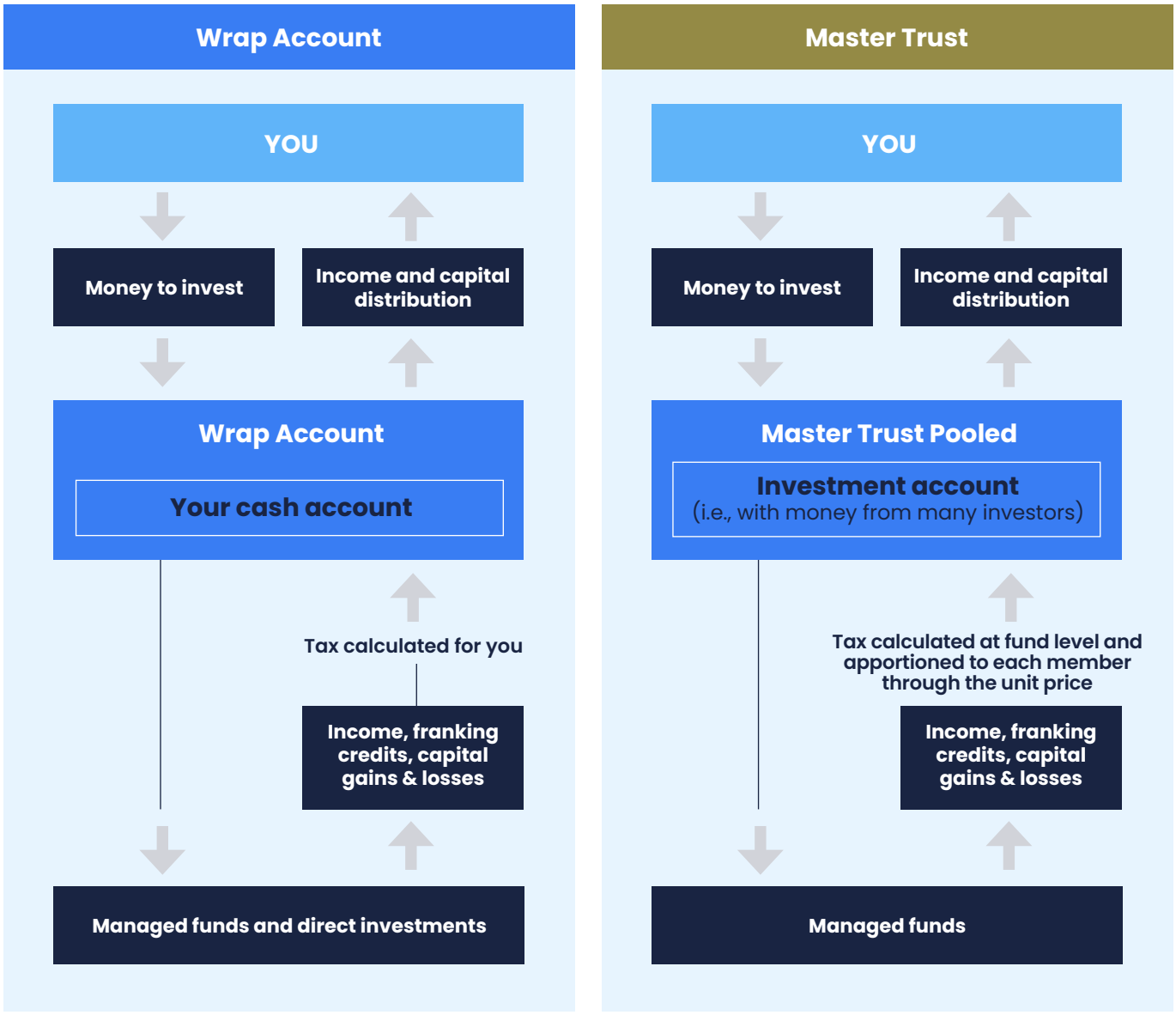
## How do these structures work?

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