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— Opinion

# Affluent families unprepared for change risk wealth destruction

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For Australia's wealthiest families, the operating environment has shifted dramatically in recent years, and it's not going back to what it was in a hurry.

The federal government's ever-greater revenue demands, the Australian Taxation Office's increasingly forensic approach to collecting and the political appeal of taking more from those who have more have been a huge wake-up call for wealthy family groups to systematise their governance housekeeping.


Discussions about wealth taxes are on the agenda for Jim Chalmers' economic roundtable. **Michaela Pollock**

The reintroduction to parliament of the additional superannuation tax on earnings of balances above $3 million is imminent and, before this week's economic summit, many groups have publicly floated other measures, including changes to capital gains tax, negative gearing and trust distributions.

Meanwhile, at the ATO, wealth audits are supported by AI-driven data matching across property registers, bank accounts, corporate records and offshore holdings. Structures set up decades ago are being tested against a far more complex and assertive regulatory environment.

Families – from the super wealthy right through to the relatively well-off – who wait for new measures to be set in stone will find themselves on the back foot, while the better prepared are already reinforcing control, transparency and flexibility, and embedding governance discipline into their day-to-day operations.

Because the reality is that informal decision-making processes, such as un-minuted meetings or undocumented approvals, now carry material risk as inquiries from regulators, counterparties or beneficiaries now require precise records of who made the decision, when, and on what basis.

## Good governance is essential in the new world order

Strengthening governance is not about bureaucracy. It is about defined protocols, reliable documentation and the ability to produce information quickly.

Quarterly meetings with formal agendas and minutes, independent participants and secure document storage are now standard practice among disciplined families.

Core legal documents are another pressure point. Many trusts, constitutions and shareholder agreements remain in their original form from decades past. They can be misaligned with current needs and carry latent risks.

A single appointor holding all powers is another obvious vulnerability – incapacity or sudden death can trigger unintended transfers of control or costly disputes.

Updating to a corporate appointor with clear succession provisions and modernised distribution clauses can preserve stability and address evolving tax requirements, including the treatment of foreign beneficiaries.

Constitutions and shareholder agreements in operating companies require similar attention.

Mechanisms that suited two owners in their 40s are rarely adequate once multiple generations are involved.

## Stress test tax changes

Similarly, tax planning should be approached as an ongoing process, not an end-of-financial-year event.

Families should model a range of scenarios: the impact of changes to capital gains rates; the implications of a beneficiary becoming a non-resident; and the preservation of pre-CGT status through successive restructures to understand how they might be affected by change.

Well-prepared family offices have this analysis in place and can act decisively if and when government policy shifts.

The objective is to maintain optionality and to know in advance which assets can be sold or restructured when, as well as how the proceeds will be deployed.

This is also critical when family members wish to go their separate ways (amicably or otherwise). Careful planning across generations can make it easier to divide assets in an equitable way.

## Don’t ignore philanthropic compliance, or succession

Philanthropic entities should be subject to the same governance and compliance standards as commercial assets. Private ancillary funds and charitable trusts have their own regulatory requirements, and even inadvertent breaches can be painful and costly.

Integrating these structures into the regular reporting cycle, appointing experienced co-trustees and adopting a documented granting strategy reduces compliance risk and provides a structured environment for the next generation to develop governance capability.

In this rapidly changing regulatory environment, succession planning should be treated as business continuity planning.

Few families test their arrangements under simulated stress, such as the sudden incapacity of a key figure, a tax residency change by a family member, divorce or bankruptcy, or a major creditor seeking immediate payment.

These exercises can reveal vulnerabilities that may then be addressed well before a real-time crisis forces knee-jerk decision-making.

The future trajectory is clear – greater scrutiny, more complex regulation, and a public mood supportive of both.

Families who formalise governance, modernise their legal structures, embed year-round tax strategy and maintain complete, accessible records will retain control over their wealth and decision-making.

Those who don't will find the terms dictated to them by others.

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