

### TRUST-BASED RETIREMENT SCHEMES 'vs' CONTRACT-BASED RETIREMENT SCHEMES

	TRUST-BASED	CONTRACT-BASED
Recognition of retirement schemes	Trust concept is unfamiliar in most civil law jurisdictions and tax charges on retirement benefits paid from a trust may be punitive.	The concept of a contract between two parties is a well-recognised concept in both civil and common law jurisdictions.
US reporting	Requirement for the member and retirement scheme administrator ("RSA") to file Form 3520 and 3520A, respectively (annual compliance costs of up to \$2,000).	No trust exists, therefore there is no requirement to file either Form 3520 or 3520A.
Asset protection	Maltese trust law does not provide for clear legal segregation of assets in multi-member trust-based retirement schemes but relies on the concept of each member having "notional accounts" within the Trust. As such there is a risk of "set off" between Members' notionally segregated pension funds.	Under Maltese Law, in the event of a default by the RSA, the scheme assets and liabilities are carved out to protect the scheme member's contractual rights. Unique sub-funds within the Maltese SICAV provide legal segregation between each Member's scheme assets.