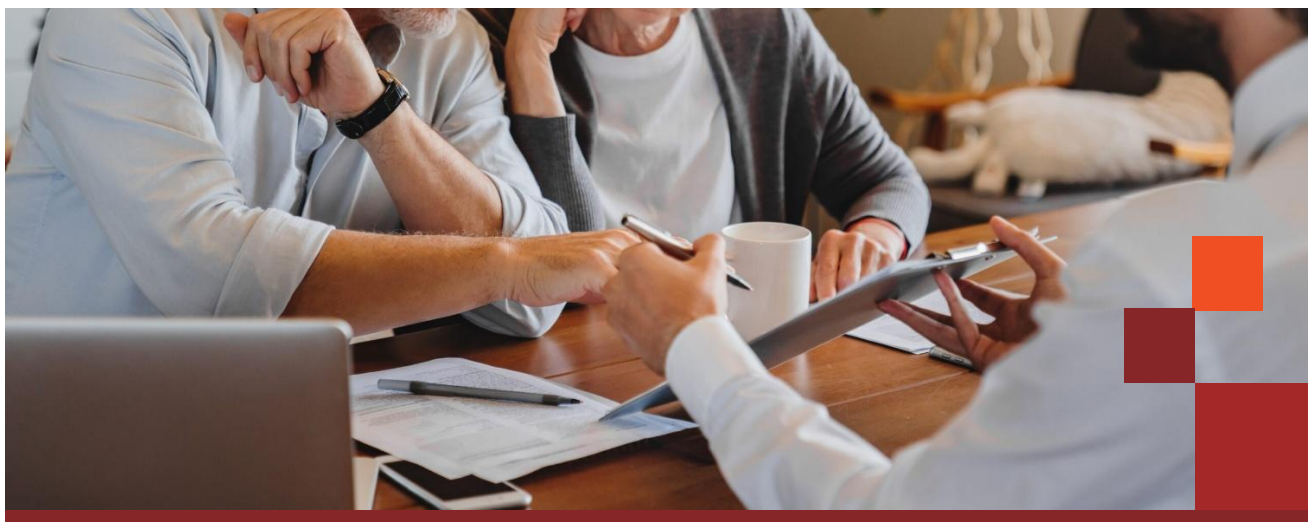


Trust Planning in your Will

Overview of the different types of Trusts



Introduction

When your adviser speaks with you to discuss your Will, based on your circumstances and objectives, they may discuss incorporating a Trust as part of the overall planning.

This document provides an overview of the different Trusts that your adviser may discuss.

Trust Planning in your Will is used to protect your assets. The type of Trust used will depend on your circumstances and the reasons for the protection

Life Interest Trust

A Life Interest Trust enables the survivor (the “life tenant”) to benefit from assets without owning them. If the asset is a share of a property, the survivor can remain living in and benefiting from the whole property. If it is an investment asset, then the survivor can benefit from the income generated by the investment. The capital is usually protected for future beneficiaries.

Typical Uses

Often used in blended family situations where a couple may have children from a previous relationship. The surviving spouse/partner can remain living in the property, but it is protected for your children to inherit when the trust comes to an end e.g. on second death or if the survivor remarries. Having a Life Interest Trust may in certain circumstances help preserve the capital/property from being included in any assessment for means-tested benefits.

Discretionary Trust

This type of trust creates a level of both flexibility and control, even after you have died. The assets are left to a trust and held by Trustees for defined potential beneficiaries. Guided by your letter of wishes, the Trustees then

have flexibility, discretion and control over who benefits, when they benefit and in what way they benefit e.g. income, capital or loans from the Trust. As the Trustees have discretion there is no actual entitlement to benefit.

Typical Uses

Often used to protect assets for vulnerable beneficiaries, e.g. those with addictions, in unstable relationships, not good with money or indeed where they have or may require means tested benefits.

Often such planning is also used when children are younger, particularly when they could inherit large sums at a young age, when they are still vulnerable to spending unwisely (different to a 18-25 Trust which is part of a standard Will).

In addition, Discretionary Trusts can also be used as an inheritance planning tool such as for unmarried partners, who do not benefit from the transferrable IHT allowance, or ongoing IHT planning for the next generation

Flexible Life Interest Trust (FLIT)

A Flexible Life Interest Trust combines some aspects of both a Life Interest Trust and a Discretionary Trust. On first death some or all the estate is placed into a Life Interest Trust for the survivor. However, unlike a standard Life Interest Trust the Trustees have the power to appoint out capital to the survivor and other beneficiaries at their discretion. On second death the Trust becomes a standard Discretionary Trust. It has the benefit of enabling Tax planning to be undertaken by the Trustees.

Typical Uses

Tends to benefit those of reasonable wealth, where they may have family concerns or their children are still young and circumstances are changing such that, they are undecided on how they would like the estate to be distributed.

Business Property Relief Trust (BPR Trust)

A BPR Trust is a discretionary Trust. Business shares owned on first death that qualify for BPR are passed into the Trust. The shares then can be sold and the proceeds invested in other assets.

Typical Uses

Used where there are Business shares that qualify for BPR, and the primary beneficiary of the shares is the spouse. As the spouse is exempt from paying IHT, rather than wasting the additional relief, the shares are placed into a Trust. The shares can then be sold and invested into other assets that do not qualify for BPR. As these assets are in a Trust, on the death of the surviving spouse, they are not in their estate for inheritance tax purposes.

Vulnerable Person Trust

A Vulnerable Person Trust (VPT) is a special type of trust set up for someone who is mentally or physically disabled or a bereaved minor. It enables assets to be held and managed for their benefit while helping to preserve eligibility for means-tested benefits and allowing access to favourable tax treatment.

Typical Uses

A VPT is commonly used where the vulnerable individual is the primary beneficiary and there are concerns about their ability to manage money independently, or about the risk of financial abuse. It also helps ensure that funds are managed responsibly while protecting entitlement to means-tested benefits.

There are strict statutory criteria to determine who qualifies as a “vulnerable person” for the purposes of establishing a VPT.

Next Steps: Trusts in Your Will

If any of the Trusts outlined above may be relevant to your circumstances, your adviser will:

- Discuss the pros and cons of each Trust in detail.
- Explain how the Trust works and how it could protect your assets or support your beneficiaries.
- Provide additional information tailored to your situation to help you make informed decisions.

Your adviser will consider your personal circumstances and objectives to advise on whether incorporating a Trust into your Will is appropriate, and which type of Trust best meets your needs.

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