

THE BENEFITS OF TRUSTS

Setting up a trust can be easier than you think and can provide your clients with real financial benefits.

WHY SHOULD YOU CONSIDER USING A TRUST?

There are four main reasons why your clients should consider placing their protection plans in trust:

1. Speed

Proceeds are paid directly to the trustees without any delay through probate (confirmation in Scotland).

2. Nomination of beneficiaries

Nominating beneficiaries in the trust form ensures the proceeds go to the intended recipients.

3. Tax planning

Using a trust can ensure that any proceeds will be held outside of an estate upon death, thereby avoiding the need to pay inheritance tax (IHT) or reducing the amount to be paid.

4. Convenience

If the policyholder is too ill to make a claim, someone may need to act on their behalf. This can take time and money. However, if the plan is written in trust, the trustees may be able to claim on behalf of the plan owner. If critical illness is included in the plan, the trustees can continue to hold the proceeds in trust for their benefit depending on the type of trust used.

Important – there may be other reasons to consider. These will be based on a client's individual needs and circumstances. The value of tax benefits will depend on individual circumstances and current tax laws may change.

WHAT TRUSTS DO WE OFFER?

There are generally two main types of trusts, known as bare or discretionary.

- A 'discretionary' trust gives trustees the power to choose to make payment to any of the discretionary beneficiaries at any time.
- With a 'bare' trust the beneficiaries are fixed and will always be entitled to the trust fund, so there's no flexibility if circumstances change.

We offer the following range of trusts for use with our protection plans:

Split trust – bare or discretionary: this trust is suitable for IHT planning and is designed for use where the donor wants to place any death benefit in trust for their chosen beneficiaries but retain access to certain benefits (for example Critical Illness Cover or Income Protection).

Split trust (jointly owned plans - survivor to benefit) – bare or discretionary: this trust is suitable for IHT planning and is designed for use with jointly owned protection plans where the donors would want to receive any Critical Illness Cover and the survivor would want to receive any Life Cover.

Gift trust – bare or discretionary: this trust is suitable for IHT planning and is designed to avoid probate delay on death. All of the plan benefits are held for the beneficiaries. It doesn't allow the donor to access plan benefits.

Gift trust (jointly owned plans - survivor to benefit) – bare or discretionary: this trust is suitable for IHT planning and is designed for use with jointly owned protection plans payable on first event where the survivor would want to receive any death or terminal illness benefits. It doesn't allow the donors to access Critical Illness Cover.

Business trust – discretionary trust only: is designed for the proceeds of a plan to be used by the remaining partners, members or shareholders to buy the shares of a critically ill or deceased co-partner, co-member or shareholder.

Relevant Life Policy (RLP) trust – discretionary trust only: is designed for the proceeds of a plan to be paid to the family of an employee as a death in service benefit in a tax efficient way. All RLP plans must be written in trust from inception.

HOW WE CAN HELP

We've got a range of tools that'll help you promote the financial benefits of trusts as well as support in helping you find the right trust for your clients.

Support material – We've a range of supporting trust literature ranging from easy to follow trust guides to the more detailed and specific trust forms, as well as our useful trusts section on the Technical Central website.

Expert information – A team of tax and trust specialists who between them have a wealth of knowledge and experience in this field, can provide information on tax and trust protection industry related issues whenever it is needed.

Online trust service – We've made it easier and quicker to set up a trust with the launch of our online trust service. You can use it with existing plans as well as new ones and it's integrated with our existing online service.

Find the right trust – An interactive tool that'll help you select the most appropriate trust form for your individual clients. Just answer a few simple questions and you'll be directed to the suggested trust form based on your answers.

For more details about our range of trusts, go to adviser.royallondon.com/trusts.



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