Flexible trust form

This Trust form is designed for use to hold the lump sum death benefits payable under the following plan types in trust:

- Individual Plan issued in connection with your past membership of an occupational pension scheme,
- Section 32 Buy Out Bond, and
- Section 226/226A Retirement Annuity Contracts.

This form can also be used for plans written under the following schemes:

- The Royal London Personal Pension Scheme (No2), and
- The Royal London Stakeholder Pension Scheme (No2).

This draft Trust form is supplied merely as a specimen. Trust law is complicated and we strongly recommend you seek advice from a legal or tax adviser, or any other professional adviser who is qualified to provide advice on this matter. Royal London cannot accept any responsibility for any consequences, losses or claims that may arise from the use of the Trust form or the manner in which it is completed.

Trusts establish legal entitlements and establishing a trust can have material financial and taxation implications. You should take specific professional advice on the tax implications of setting up a trust. See Tax considerations in the use of the flexible trust section in the notes.

Important information

Please read before completing this form.

- Please use BLOCK CAPITALS and black ink when filling in your answers.
- On completion of this form, please ensure the original copy is retained by the Trustee(s) with a copy returned to us at:

  Royal London Group
  Royal London House
  Alderley Park
  Congleton Road
  Nether Alderley
  Macclesfield
  SK10 4EL

- You should complete this form along with your professional adviser. Your adviser is acting on your behalf not only by giving you advice, but also regarding the completion of this form.

- Please note that if you do not return a copy of this form to Royal London, this may invalidate the transfer of any death benefits to the trust.
Glossary

Please read this section.

Throughout this Trust form the expressions below have the following meanings:

**Beneficiaries** are the class of people from which the Trustees will decide who to pay your death benefits to. See Section 3 for further details.

**Nominated Beneficiaries** are the people you would like to benefit from your lump sum death benefits.

**Plan** refers to your Royal London plan as identified in the Trust form. It includes more than one qualifying Royal London plan where this has been indicated on the Trust form.

**Retained Rights** are all the rights under your Plan excluding the lump sum death benefits. See Section 3 for further details.

**Settlor** is you, the person creating the trust.

**Trust form** means this form.

**Trust property** refers to any lump sum death benefits payable under the Plan on your death. See Section 3 for further details.

**Trustee exoneration clause** seeks to limit or exclude any individual Trustee of any liability, loss or damage not attributable to willful fraud or wrongdoings. Your professional adviser will provide more information on this clause. See Section 3 for further details.

**Trustees** are the people you appoint to manage the trust. This includes any persons who may be appointed to act as Trustees in the future.

1 Flexible trust notes

Please read this section.

What is the purpose of this Trust form?

In some circumstances your Plan will produce a lump sum death benefit. The purpose of the Trust form is to provide that any such lump sum death benefit is not paid to your estate on your death but is paid instead to the Trustees appointed by way of the trust set out in this form. The lump sum death benefit is then applied in accordance with the terms of the trust. This may have advantages for tax and estate planning purposes.

The trust

The reason to use the trust is to provide that any lump sum death benefits arising from your Plan may be paid outside your estate. It is therefore important to specify in the Trust form who you would like to benefit from the lump sum death benefit. You might choose your children or other family members. In the Trust form the people you would like to benefit are referred to as Nominated Beneficiaries. Please note that while you may choose Nominated Beneficiaries in this way, under trust law the Trustees are not bound by your choice, although they will give great weight to your wishes in deciding how to pay any benefit.

If, following the Trust form being completed, you change your mind about who you would like to receive your death benefit or you wish to provide more detailed instructions, you should complete an expression of wishes providing further instructions. If you do complete an expression of wishes then you should keep it with the Trust form in a safe place.

Trustees

This trust is intended to deal with any lump sum death benefits payable from your Plan after your death. You must appoint people to make decisions about the use of these benefits. These people will be referred to as Trustees. As the person creating the trust you may be a Trustee so you can continue to be involved in the trust during your lifetime. It is good practice to appoint at least 2 additional Trustees. The additional Trustees are given powers to administer the lump sum death benefit and those powers include authority to decide who should receive the benefit of the trust and in what proportion among the potential Beneficiaries.
1 Flexible trust notes continued

Your other retirement benefits

Your Plan may produce retirement benefits other than lump sum death benefits. These retirement benefits are reserved for your benefit only and any other annuity that may be payable to a spouse/civil partner/dependant after your death will be reserved for the benefit of the spouse/civil partner/dependant. In the trust these are referred to as Retained Rights.

This Trust form is designed for use throughout England, Wales, Scotland and Northern Ireland in relation to any lump sum death benefits arising from the following plans:

1. New and existing Individual Plan issued in connection with your past membership of an occupational pension scheme.
2. New and existing policies of the ‘Section 32 Buy Out’ type issued in connection with your past membership of an occupational pension scheme.
3. Existing Section 226 and/or Section 226A Retirement Annuity Contracts.
4. The Royal London Personal Pension Scheme (No2) unless you wish to leave the decision as to whom payment should be made on your death to The Royal London Mutual Insurance Society Limited as Scheme Trustee.
5. The Royal London Stakeholder Pension Scheme (No2) unless you wish to leave the decision as to whom payment should be made on your death to The Royal London Mutual Insurance Society Limited as Scheme Administrator.

The form may also be used to create a spousal bypass trust.

Completing the Trust form

Once you have considered the trust with your professional adviser(s) and decided to use it you must make the following decisions:

1. You must decide who will act with you as Trustees. The Trustees will be responsible for making decisions about the management of the trust.
2. You must decide who you would like to be the Nominated Beneficiaries of the trust and in what proportion. You can suggest one or more persons to receive any lump sum death benefits and the Trustees will normally bear your wishes in mind but will not be bound to follow them.
3. In order to confirm the establishment of the trust, the trust must have the initial Trust property of £10. You should keep that sum with the completed Trust form to confirm the establishment of the trust.
4. Finally, you should return a copy of the completed Trust form to Royal London at the address noted on the front of this form.

There is space to provide the names of four Nominated Beneficiaries on the Declaration of Trust. If additional Nominated Beneficiaries are required or you would like to give more detailed guidance to the Trustees on how to distribute any benefit and (if relevant) in what proportions, please add them to a separate sheet of paper and attach it to this form.
1 Flexible trust notes continued

Tax considerations in the use of the Flexible Trust

The notes in relation to the use of this Trust form and in relation to taxation are for general guidance only and are based on our understanding of the law and current HM Revenue & Customs (HMRC) practice concerning the taxation of trusts. Every effort has been made to ensure its accuracy, nevertheless we can take no responsibility for our interpretation of the law or future changes in the law or practice. Tax liabilities are dependent on individual circumstances and we cannot give any assurance that the use of this Trust form is suitable for your circumstances. We strongly recommend that you seek separate advice in this respect. In addition as the taxation of death benefit payments from pension schemes can differ depending on the age of the member on their death, such advice should be revisited on a regular basis and in particular prior to turning 75.

1. The transfer of your interest in the Plan into the trust will be treated as a transfer of value for Inheritance Tax purposes. If the value of the Plan (after deducting any relevant Inheritance Tax exemptions) together with the value of all chargeable lifetime transfers made by you in the seven years immediately prior to setting up the trust exceeds the nil rate band applicable at the time the trust is created, Inheritance Tax will be due on the excess value of the gift at the lifetime rate of Inheritance Tax. In addition if a lifetime Inheritance Tax charge arises, and if you die within seven years of the transfer to the trust, further Inheritance Tax may become due on your death.

2. The value of a potential lump sum death payment for Inheritance Tax purposes will often be small. For example assuming you are in good health the value of a potential lump sum death payment placed into trust will likely have a negligible value for Inheritance Tax purposes.

3. HMRC has stated that provided you survive 2 or more years after the transfer they will not normally investigate the circumstances of the transfer. If you do die within 2 years they will investigate the transfer to see, for example, whether your life expectancy was impaired due to ill health or disease.

Payments to the Plan are not normally treated as transfers of value although if you were to make a large payment and were to die within 2 years of making that payment, it may be regarded as such by HMRC.

4. There may be a periodic and exit charges to Inheritance Tax on the trust.

A periodic Inheritance Tax charge may arise on each 10 year anniversary of the creation of the trust. The charge is based on the value of the property in the trust i.e. the value of the Plan. The calculation of the periodic charge is complex but the effective rate of Inheritance Tax will never be more than 6%, based on current tax rates.

The exit charge arises when capital leaves the trust and is advanced to a Beneficiary. Again, based on the rates referred to, it can never be more than 6% and is usually less as one factor which determines the rate of charge is the period that the property has been in trust since the last periodic charge.

5. No charge to tax arises to the trust upon the death of a Nominated Beneficiary or a Beneficiary.

However if capital has been advanced to a Nominated Beneficiary or a Beneficiary then on the death of such beneficiary, a charge at 40% may arise on the value of the capital advanced.

6. Following a transfer to a trust, the lump sum death benefit does not form part of your estate and is not considered to be a ‘gift with reservation’, provided the relevant pension scheme is “approved”.

7. Following the payment of a death benefit or if the trustees hold other assets, there may be Income Tax and Capital Gains Tax liabilities for the Trustees in addition to the Inheritance Tax charges already mentioned.

8. Please note that the establishment of the trust may impact on the Capital Gains Tax and Income Tax allowances available to any other trust that you establish (either before or after the signing of the Trust form).

It is important to note that a transfer of a death benefit to a trust, or other tax planning involving pensions, undertaken during the final two years of an individual’s life or following a diagnoses of a serious medical condition is likely to be investigated by HMRC and may have important tax consequences – if you are in any doubt about your own position we would strongly recommend that you obtain appropriate legal or taxation advice.
2 Declaration of Trust

Please complete this section.

Flexible Trust
Declaration of Trust

Date
Add the date you sign the Trust

1. This Declaration of Trust is dated the

Settlor
Complete your full name, address and date of birth

2. It is made by the Settlor named below and the initial Trustees are the Settlor and additional persons named below.

The Settlor

of

Date of birth

Trustees
Complete the full names, addresses and dates of birth of additional Trustees

The First Additional Trustee

of

Date of birth

The Second Additional Trustee

of

Date of birth

Trust property
3.1 The initial Trust property of this Declaration of Trust is £10 and this sum has been paid to the Trustees.

3.2 The Settlor hereby:
(i) assigns the Plan (or each Plan where this applies) to the Trustees to hold in terms of this Declaration of Trust (but subject to the terms of paragraph 1 of the Schedule in relation to Retained Rights, which shall not form part of the Trust property); and
(ii) to the extent that the Settlor’s rights under the Plan are not capable of transfer, nominates the Trust as the recipient of any lump sum death benefit that may be paid in terms of the Plan.

3.3 Applicable Plan(s) (the Plan)
Please tick the relevant box to identify which Plan(s) you are using for the Trust

- Individual Plan
- Section 32 Buy Out Bond
- Section 226/226A Retirement Annuity Contracts
- The Royal London Personal Pension Scheme (No2)
- The Royal London Stakeholder Pension Scheme (No2)
2 Declaration of Trust continued

Please insert your Plan number(s)

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<tr>
<th>Name</th>
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4. The Nominated Beneficiary or Beneficiaries (Nominated Beneficiary) and their respective shares shall be as follows:

Provide the names and addresses of the person or persons you would like to benefit from the Trust and in what proportion

5. The Schedule hereto sets out the terms of the Trust.

Please read the terms of the Trust contained within Section 3
2 Declaration of Trust continued

6. In witness whereof this Declaration of Trust including the schedule hereto has been signed and delivered as a deed the day and year first above written.

You as **Settlor** must sign. Your signature should be witnessed. The full witness details should be added where shown

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<thead>
<tr>
<th>Signed by the <strong>Settlor</strong></th>
<th>In the presence of:</th>
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Your first additional **Trustee** must sign. The full witness details should be added where shown

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<th>Signed by the first Additional <strong>Trustee</strong></th>
<th>In the presence of:</th>
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Your second additional **Trustee** must sign. The full witness details should be added where shown

<table>
<thead>
<tr>
<th>Signed by the second Additional <strong>Trustee</strong></th>
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This Trust form is issued as a draft, and it is the responsibility of those signing it to ensure they are satisfied that the form and content meet their requirements and that the form has been completed and signed correctly.
3 The Schedule

Please read this section carefully.

This section sets out the terms of the trust and explains what powers the Trustees have.

Rights in the Plan retained by the Settlor

1. The Retained Rights means all the Settlor’s rights under the Plan other than the Death Benefits. This includes the right to an annuity or any other payment to the Settlor during his lifetime together with any other annuity payable under the Plan to a surviving spouse or surviving civil partner or dependant of the Settlor or other payment made to a spouse or civil partner during the spouse’s or civil partner’s lifetime. The Retained Rights shall not form part of the Trust property but shall be reserved absolutely for the Settlor, his surviving spouse or surviving civil partner or dependant as the case may be. During his lifetime the Settlor (or his validly appointed legal representative) shall retain sole power to give instructions in relation to investments or any other rights or options under the Plan.

Beneficiaries

2. The Trust property shall be held for the Beneficiaries in trust for the benefit of such one or more of any of the Beneficiaries and in such shares (or wholly to one) and for such interests as the Trustees may, before the expiry of the Trust Period by deed(s) revocable or irrevocable, appoint.

Beneficiaries means:

(a) the Nominated Beneficiary;
(b) the surviving spouse or surviving civil partner of the Settlor;
(c) any children or other descendants of the Settlor;
(d) any spouse or civil partner or surviving spouse or surviving civil partner of any person mentioned in sub clauses (a), (b) and (c) above;
(e) any one or more of the persons entitled under the Will of the Settlor or in accordance with the rules relating to intestacy;
(f) any other individual other than the Settlor whose name has been notified to the Trustees in writing by the Settlor during his lifetime as being an individual he wishes the Trustees to consider as a possible Beneficiary.

Trustee power to pay out the Trust property

3. The Trustees shall have power to pay or apply the income and/or capital of the Trust property to or on behalf of any one or more Beneficiaries and insofar as such income is not so paid or applied it will be accumulated.

Benefiting from the Trust – determining what happens with any Trust property held at the default termination date of the trust

4. Upon the expiry of the Trust Period the Trustees shall make over the Trust property or the part then remaining equally amongst such of the Beneficiaries as then survive whom failing to the intestate heir(s) of the last of them to die.

Trustee powers

5. The Trustees shall have the following powers in addition to their powers which they have by law:

(i) The Trustees shall have flexible powers to invest the Trust property. The Trustees shall have full power to invest trust monies in or upon any property or investment of any kind including policies of insurance or assurance (whether or not effected by them) as if they were absolute beneficial owners including investing in property of any kind for the actual possession or enjoyment of any one or more of the Beneficiaries, provided that the Trustees are not obliged to diversify the Trust Property.

(ii) The Trustees can pay the Trust property to a guardian of Beneficiaries who are children. The Trustees shall have power to pay to or make over to a parent or legal guardian of any minor Beneficiary any sum of income or capital intended to be applied for the maintenance, education or benefit of that Beneficiary and the receipt of such parent or guardian shall be a complete discharge to the Trustees.

(iii) The Trustees may borrow money if appropriate. The Trustees shall have power to borrow on the security of the Trust property (or any part) to raise money for any purpose for which trust money could be used.

(iv) The Trustees may make over assets to Beneficiaries. The Trustees may exercise any powers of appropriation without being bound to obtain any consent to their action.

(v) The Trustees may lend money. The Trustees may lend money to any person who is one of the Beneficiaries on such terms (whether or not involving payment of interest or the provision of security) as they shall think fit.
3 The Schedule continued

(vi) The Trustees may amend the terms of this Trust. The Trustees shall have power at any time by deed to release, restrict or otherwise amend any power vested in them.

(vii) The Trustees may accept additional property. The Trustees may accept as an addition to the Trust property all assets and property which may be made over to them by any person or persons and to hold such property and assets for the same purposes in all respects as if the same had been originally included in the Trust property.

6. The Settlor may appoint and remove Trustees — During his lifetime and while he is mentally capable the Settlor shall have the power to appoint and remove Trustees. At all other times the Trustees, acting by majority, may appoint and remove Trustees.

7. Professional Trustees may be paid. Any Trustee other than the Settlor or any spouse or civil partner of the Settlor may if in practice as a solicitor or engaged in any other profession, business or trade be paid all usual professional business or trade charges for business transacted time expended and acts done by him or any employee or partner of his in connection with this trust.

8. A Trustee receipt is valid. The receipt of a Trustee, or of any person duly appointed by them for this purpose for all money paid to the Trustees, shall be a satisfactory discharge to the payer(s) who shall not be concerned to see to the application of any such moneys.

9. Decisions of a majority of the Trustees are binding on all Trustees. Each of the Trustees shall be bound by any decision of a majority of the Trustees.

10. Beneficiaries may be Trustees and exercise such powers. None of the Trustees shall by reason of the fact that he is or may become one of the Beneficiaries be precluded from joining in the exercise of any of the powers of the Trustees hereunder so long as there is at least one other Trustee acting and not so interested.

11. When appropriate, the Trustees may delegate their powers. The Trustees may delegate any power or discretion vested in them as Trustees to any person or persons, including one of their own number, subject to the Trustees setting out the parameters within which such person or body shall operate and to their consulting with such person or body on a regular basis.

12. The Trustee Exoneration clause. No individual Trustee acting gratuitously shall be liable for loss or damage not attributable to wilful fraud or wrongdoing on the part of such Trustee.

13. Definitions and other general provisions in addition to such definitions set out above.

(i) The Death Benefits means all capital sums or guaranteed pensions or other benefits (other than the annuities payable to a surviving spouse or surviving civil partner or dependant of the Settlor) payable under the Plan by reason of the death of the Settlor including any interest, bonuses or other additions thereto together with the money and investments from time to time representing the same.

(ii) The Trust property means all assets from time to time held by the Trustees in terms of this Declaration of Trust.

(iii) The Trust Period means the period of 125 years from the date of this Declaration of Trust which is the perpetuity period applicable.

(iv) The accumulation period shall be the longest such period allowed by law.

(v) Minor beneficiary shall mean a Beneficiary under the age of 16 where the applicable law is Scotland and 18 where the applicable law is England.

(vi) If the address of the Settlor when the Declaration of Trust is signed is in Scotland then Scottish Law shall apply to this Declaration of Trust, otherwise English Law shall apply to this Declaration of Trust. The Plan shall be governed and construed according to the law stated in the Plan.

(vii) The singular shall include the plural and the masculine the feminine.

(viii) There shall be no appropriation of income between capital and revenue at any time, all income being deemed to have accrued at the date upon which it is payable.
We’re happy to provide your documents in a different format, such as Braille, large print or audio, just ask us when you get in touch.

All of our printed products are produced on stock which is from FSC® certified forests.

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