

Beneficiary nomination or a trust?

Give your clients peace of mind that their payout will go to the right person at the moment of truth, by choosing the right option for them.

We know each client's situation is different and deciding whether beneficiary nomination or a trust is the right choice for them depends on their individual circumstances. Our handy checklist of things to think about can help guide client conversations around the right option for them.

Things to think about	Beneficiary nomination	Trusts
What plans are they available for?	Single own Personal Menu Plan that includes Life Cover as part of the application process.	Single own life, joint life first death and joint life second death Personal Menu Plans, either as part of the application process or for in force plans.
How does the process work?	Clients can nominate up to five beneficiaries as part of our application process – no extra form needs to be completed.	You'll need to complete a trust form. You can use our guides or speak to your Royal London contact if you have any questions.
How long does it take for the benefits to be paid out?	On death any benefit is paid to the nominated beneficiary(ies) without waiting for probate.	On death any benefit is paid to the surviving trustees without waiting for probate.
What level of flexibility does each option offer?	Clients can update or change their nominated beneficiaries at any time. If the plan includes more than one cover, your clients can nominate different beneficiaries for each cover. Each year we'll remind clients that they can review and change their beneficiaries.	Flexibility depends on the type of trust. With an absolute trust, clients can't change their beneficiary(ies). With a discretionary trust clients can tell the trustees of any changes, but the ultimate decision on who receives the proceeds rests with the your trustees.
What happens if circumstances change?	It's important that clients update their beneficiary nomination as soon as a named beneficiary is no longer appropriate. There's no discretion for anyone to change the nomination after their death.	Trustees manage the death benefit for the beneficiary(ies), so it's important to change a trustee who's no longer suitable. Under a discretionary trust, even though trustees decide which beneficiaries receive any benefits, clients should keep their trustees updated of any changes in circumstances.

Things to think about	Beneficiary nomination	Trusts
Who makes decisions about the death benefits?	During their lifetime, clients control who will receive the death benefits. On death, the nominated beneficiary(ies) can deal with the benefits as they wish. If a nominated beneficiary is a minor, their parent/legal guardian will manage the payout until their 18th birthday.	By using a discretionary trust, when the client dies the trustees can control which beneficiaries receive the proceeds and when. With an absolute trust, the trustees have no discretion over who can benefit, or when. But if the beneficiary is a child the trustees are responsible for managing the proceeds until the child's 18th birthday.
How does each option affect ownership of the plan?	Beneficiaries are only entitled to the death benefits. This means they're not owners of the plan, so clients don't need to get their agreement if they need to make changes to the plan.	All trustees (normally including the client) become the legal owners of the plan. In certain circumstances their agreement may be required to make changes to the plan.
How is inheritance tax (IHT) treated for each option?	In the event of death, the benefit is paid to the nominated beneficiary(ies) instead of the plan owner's estate, so isn't included in it for IHT purposes. Any terminal illness claim would be paid to the plan owner, and if not spent before death would form part of the taxable estate.	With our trusts, both the death and terminal illness benefit don't form part of the taxable estate for IHT.

To find out more about beneficiary nomination or our trust options, speak to your usual Royal London contact.



Royal London
royallondon.com

We're happy to provide your documents in a different format, such as braille, large print or audi. Just ask us when you get in touch.

The Royal London Mutual Insurance Society Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The firm is on the Financial Services Register, registration number 117672. It provides life assurance and pensions. Registered in England and Wales, company number 99064. Registered office: 80 Fenchurch Street, London, EC3M 4BY. Royal London Marketing Limited is authorised and regulated by the Financial Conduct Authority and introduces Royal London's customers to other insurance companies. The firm is on the Financial Services Register, registration number 302391. Registered in England and Wales company number 4414137. Registered office: 80 Fenchurch Street, London, EC3M 4BY.