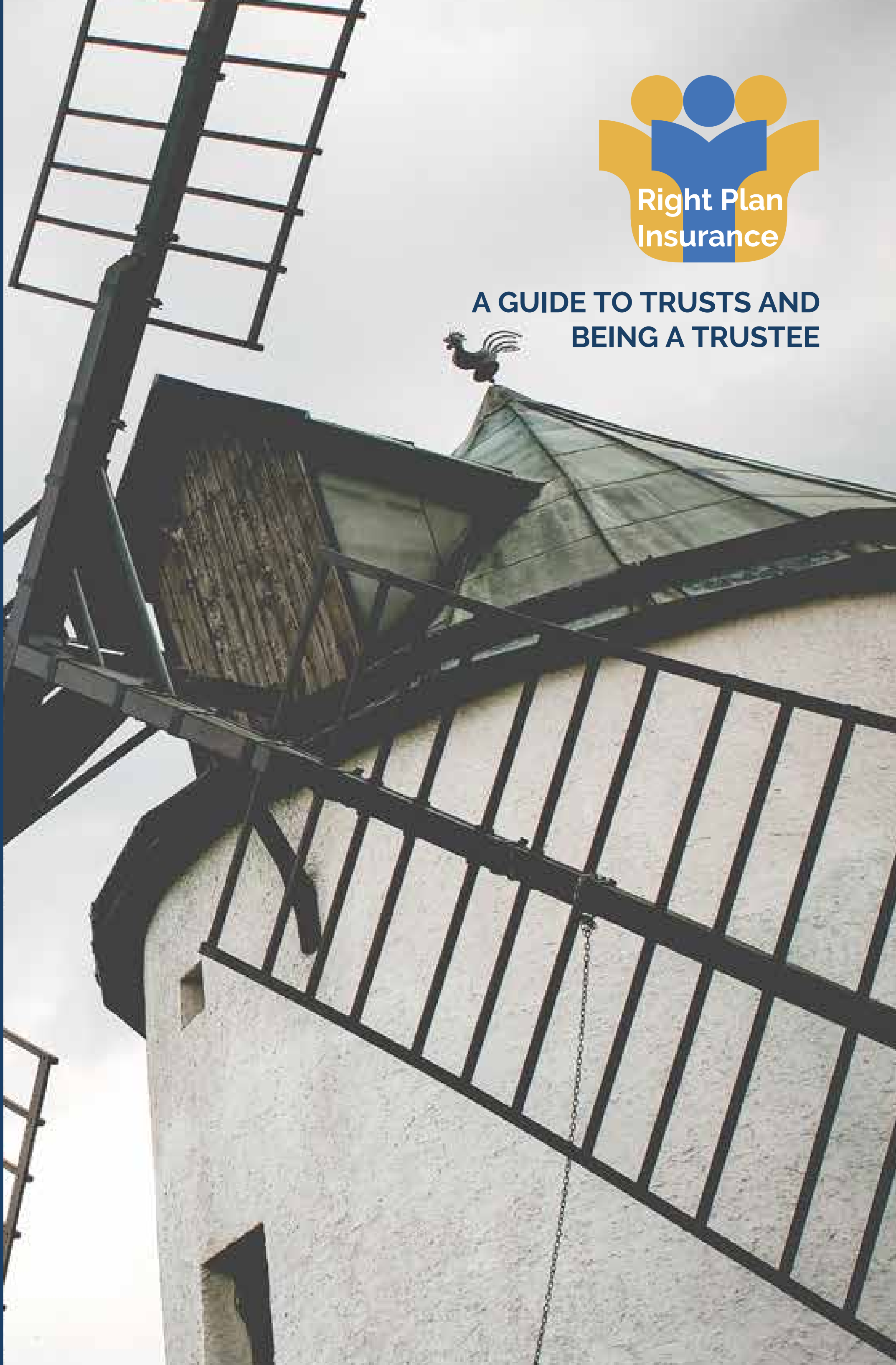
Right Plan Insurance

A GUIDE TO TRUSTS AND BEING A TRUSTEE



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Important:

The information in this guide is based on our understanding of the law as it applies in the United Kingdom and HM Revenue & Customs practice, which is subject to change. We can't accept responsibility for any liability that may arise as a result of any action taken or not taken as a result of this information.

This guide doesn't constitute legal or tax advice. In addition, tax benefits depend on individual circumstances. You should note that trusts create binding legal commitments which in most cases result in a permanent change in ownership of your plan. To be fully aware of the implications of a trust, please seek advice from a qualified financial adviser. Our trusts are available from financial advisers or solicitors. We strongly recommend you get independent advice before you take any action.

You should also speak with a financial adviser for full details of all the products mentioned in this document.should also speak with a financial adviser for full details of all the products mentioned in this document.

FAST FACTS ABOUT TRUSTS

Putting your insurance plan in trust doesn't need to cost you anything, can avoid a delay in benefits being paid out and may help avoid inheritance tax. Or to put it another way, a trust makes sure the right money goes to the right hands at the right time.

Throughout this guide, you'll learn more about trusts as well as the important role of being a trustee. But to start, here are some quick facts about trusts.

Trusts can:

• Allow your family to benefit from your protection plan instead of the taxman.
• Allow you to choose who you want to benefit.
• Allow you to change who should benefit.
• Give your family access to benefits without delay.

But they dont:

• Mean you give up control of your assets.
• Have to be expensive or difficult to set up with help from your adviser.

COULD YOU USE A TRUST?

A trust is a way of choosing who will receive the benefit of certain assets, without giving your beneficiaries full and immediate control over them. In this case, the asset of the trust will be the insurance plan we assist you with.

A trust is usually created by a document - the trust deed - which names the people involved and sets out the terms of the trust. A trust can also be created by your will. The trusts we offer are for setting up during your lifetime and we list them later in this guide.

Who is involved in setting up a trust?

You, as the person creating the trust, are known as the settlor or donor. If you take out a jointly personally owned plan, then both of you will be donors. The people who manage the trust are known as the trustees. It is advisable to also include yourself as a trustee in case you are entitled to payout should terminal illness cover be included within your plan.

In most cases, it is necessary to have at least two individual trustees in place all the time and you must therefore choose additional trustees to administer the trust with you.

These people may need to deal with the trust if you die so you need to choose them carefully. The beneficiaries are the people who you want to benefit from the trust. If the trustees break the terms of the trust, the beneficiaries may take legal action against them. The beneficiaries are identified in the trust form which can be completed online using our new online trust service.

WHAT ARE THE BENEFITS?

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

Can I benefit from the trust?

Some trusts do allow you to benefit but others won't. You may only benefit from the trust if it's specifically provided for within the trust. Your adviser can tell you whether you can benefit from the trust suitable for your circumstances.

Can I change my beneficiaries?

The Finance Act 2006 introduced significant changes affecting the way in which trusts are treated for inheritance tax (IHT) purposes. Trusts that allow flexibility to change beneficiaries, for example discretionary trusts are taxed differently to those that don't. Most of the trusts we offer are discretionary trusts. This means the trustees have the power to choose which of the discretionary beneficiaries to pay the trust fund to and in what shares.

With a discretionary trust, the trustees can appoint benefits to anyone included as a discretionary beneficiary. The trustees have a power of appointment which means they can appoint funds to anyone who falls within the definition of discretionary beneficiaries in the trust.

There is a pre-printed class of discretionary beneficiaries in the trusts for personal protection plans that includes children, grandchildren and so on.

The donor can add to this class when setting up the trust, or at a later date if they prefer, by nominating additional discretionary beneficiaries to the trustees in writing.

The donor can also prepare a letter of wishes to guide the trustees as to which discretionary beneficiaries they'd like to receive the benefits. The letter of wishes isn't binding on the trustees, so it's important that trustees are chosen carefully. In the business trust, the discretionary beneficiaries are the co-owners in the business and the plan holder.

What are the benefits?

Some of our trusts are available as bare trusts, where the beneficiaries are fixed and cannot be changed in the future.

Your adviser can tell you which option may be most suited to your needs and can tell you about any possible tax implications.

Who do I appoint as additional trustee(s)?

As the word suggests, a trustee should be someone you trust. For example, your partner, spouse, civil partner, another family member, a close friend, or your family solicitor. Trustees must be over 18 (16 in Scotland), mentally able and mustn't be bankrupt. Trustees should sign the trust form to acknowledge their appointment. In accepting their appointment, trustees must carry out certain obligations and duties.

The position shouldn't be taken lightly. Other than our business trust, we strongly recommend that one of the trustees are independent, for example, someone who isn't a beneficiary or donor of the trust.

40% **is the amount of inheritance tax charged on your estate.**
Source: www.gov.uk

What are the duties of trustees?

Typically, trustees' main duties start if and when the plan inside the trust pays out. The trustees will then need to decide whether it's appropriate to pay those proceeds to beneficiaries of the trust, or whether to keep funds inside the trust for the moment.

If proceeds are kept inside the trust, then our trust deeds provide the trustees with wide powers of investment. If the trust is flexible, there's the added responsibility of deciding which individuals should benefit. Trustees may delegate powers of investment and management to someone else.

This means they can ask someone else to act on their behalf to invest the trust property. However, they can't allow anyone else to make decisions or distribute income or capital to beneficiaries. Trustees should obtain and consider proper advice before exercising powers of investment. This requirement doesn't apply if it's deemed unnecessary or inappropriate to do so. For example, if the trust fund were small and the cost of advice outweighed the benefits, or if the trustee was already suitably qualified.

£4.7 billion

**is the amount of inheritance tax receipts in the tax year 2015/16, an increase of 22% compared to 2014/15.
Source: HM Revenue & Customs (July 2016)**

Trustees' responsibilities

Trustees must keep records, including trust accounts, as they may need to prove they're managing the trust fund properly. For example, records must be kept of any changes made to the investments in the trust fund and any money paid or loaned to a beneficiary. We also recommended that proof is kept of any professional advice received on investments etc.

What other powers do trustees have?

The law gives trustees some powers. These include:

- The power to use income from the trust for the education or maintenance of a beneficiary who is under the age of 18.
- The power to give capital to a beneficiary before they become entitled to demand it.
- The power to sell trust property.
- The power to give receipts.
- The power to insure trust property.

Other more specific powers may be set out in the trust form. The range of powers in each trust can vary depending on the aims of the trust. Trustees should make themselves familiar with the powers they have.

The standard trust range gives the following powers:

- The power to exercise any options within any plan for life assurance.
- The power to pay benefits to the parent or guardian of a beneficiary who is not yet 18.
- The power to lend money to any of the beneficiaries.
- The power to borrow using the trust fund as security.
- The power to release or restrict any of the powers given to you by the trust.

Is agreement of the trustees necessary?

With most of the trusts we currently offer, the trustees may act by majority. This therefore decides which trustees need to sign whenever any action is taken in relation to the plan, for example, if a plan is to be cancelled or if there's a claim because the life assured has died.

Can I change my trustees?

The power of appointing or removing trustees belongs to the donor(s) while alive. If the donor wishes to remove a trustee and that person is unwilling to sign the form, then the donor can remove that person by sending a notice of removal in writing to the trustee at their last known or usual address.

The trustee being removed must then sign the necessary documentation to complete their removal. If the trustee isn't available to sign the documentation the donor will need to seek their own legal advice on how to remove them. In all cases, the donor must remember that our trusts require at least two individual trustees. If a trustee retires or is replaced, a new trustee may need to be appointed.

267,549

estates were issued a grant of representation in 2013-14, which accounts for about 47% of all deaths in that year.
Source: HM Revenue & Customs (July 2016)

Getting the money when it’s needed most

If an asset isn’t under trust, your personal representatives (the people you have asked to deal with your estate after you die) will need to get the appropriate ‘grant of representation’ before they can deal with that asset. This process is known as ‘probate’ in England, Wales and Northern Ireland or ‘confirmation’ in Scotland.

Probate is the legal process of confirming who can deal with the estate of a person who has died before the assets of the estate can be distributed according to the terms of their will. If someone dies without leaving a will, they’re said to have died ‘intestate’. Their estate will be divided according to rules known as the ‘laws of intestacy’.

This can be a long process and can take several months. In the meantime, your family could be suffering financial hardship following your death.

By placing your plan under trust, the need for probate will be avoided as long as there’s at least one surviving trustee when you die. This is because the trustees are the legal owners of the plan, and can deal with the trust property immediately, making sure your chosen beneficiaries don’t suffer financially after you die.

One of the most common reasons for taking out a protection plan is to provide for your family after you die. By writing the plan in trust, you can make sure that the proceeds of the plan are paid to them without delay.

What sort of protection plans can be put under trust?

Generally, a lot of the plans we arrange for our clients can be put in trust although it may not always be appropriate to do so. For example, a plan written purely to repay a mortgage wouldn't be written in trust if it was to be assigned to the lender.

The right trust to use will depend on the type of plan, why you were taking it out and who you want to benefit from it. Your adviser can explain what trust to use in different circumstances.

Do I have to take out a new plan to put it under trust or can I use an existing one?

The majority of new protection plans can be written under trust but changes to existing policies are not always possible depending on your insurer. Business protection and relevant life plans must be written in trust from the start.

However, you may want to review your plans to make sure they're still right for you. Your adviser can carry out a review of your plans and recommend appropriate trusts for them. Your adviser can also look at the tax implications of putting your plan into trust.

How do I put a plan under trust?

Once you and your adviser have decided the most suitable plan for you, you can consider the trusts which best match the plan and your particular circumstances.

With help from your adviser, all you need to do is fill in the appropriate trust form. The trust wording is provided free of charge and has been drafted for use specifically with your chosen plan.

Each trust is designed to do different things, so getting the right one is important. Alternatively, you can arrange for your own trust to be drafted to meet your own specific needs.

For this, you'll need to contact a solicitor who'll charge for this service. In any case, if you're not sure whether the trust is suitable to your particular circumstances, we strongly recommend you get professional legal advice.

About Right Plan

Based in the beautiful Hampshire village of Botley, Right Plan Financial Services is an independent insurance brokerage that has joined forces with Intrinsic, one of the largest and most well-respected UK insurance networks, to bring an exclusive value proposition to pin members.

At Right Plan we are firm believers in a fair deal for all and we understand that the insurance market can present questions and uncertainties. Authorised and regulated by the FCA and accredited to offer products from a broad and varied range of leading insurance companies, we are enabled to serve our clients to the highest possible standard.

Our focus is on understanding our client needs and offering tailored recommendations as to how to mitigate personal, portfolio and business risks. Everything is held firm by our commitment to deliver the best value for money.

Our clients save time as the Right Plan team proactively and professionally manage their insurance needs, keeping them informed of new products and services, whilst minimising their exposure to terms and conditions that aren't in their best interests to accept.

The range of insurance offerings available to you is huge, but as Right Plan specialise in both business and personal insurance plans, a mere conversation with one of our Advisers will demonstrate how we offer value to our clients.

Advice and plans offered by Right Plan:

• **Insurance & Protection** “Health-check”

• **Relevant Life Cover** : A highly tax-efficient life insurance policy applicable to those who have or are employed by a limited company. An excellent option when considering portfolio protection or a death-in-service benefit, as in most cases the costs are up to 49% lower than an equivalent, traditional life insurance policy.

• **Key Person Cover** : This policy is designed to protect against a key person being diagnosed with a critical illness. The proceeds of the policy can be used to minimise the financial and operation impact of the loss of the key person.

• **Shareholder Protection** : In the event of a Shareholder passing away, the Shareholder protection policy would pay the sum required to buy shares back from the deceased’s estate to bring the shares back into the business. This prevents the shares from potentially ending up in the wrong hands, or the shares beneficiary influencing the business or making unwelcome decisions.

• **Income Protection** : This policy will pay a pre-agreed sum for every month that the policyholder is signed off by their GP as unable to work due to any accident, illness or injury.

• **Private Medical Insurance** : Suitable for anyone wishing to avoid lengthy delays on the NHS and guarantee the best possible treatment when you need it most.

• **Personal Life & Critical Illness Cover (CIC)** : Talk to a Right Plan Adviser to understand more about the best life and critical illness insurances available within the UK market, or if you have any historical insurances that have been left unchecked you are encouraged to double-check the validity of the policy.

• **Trust Writing Service** : There are various types of trust document and our Advisers can help you select the most suitable for your circumstances.

To discuss the best trust for you and how we can help, please call the pin member helpline on 0800 040 8828.

Right Plan Insurance

in association with

pin property investors network

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