# Aviva's Children's Savings Investment Trust


The information provided is accurate when Aviva Life & Pensions Ireland DAC created this brochure in March 2024. You should not base your decision to invest in this product solely on the information in this document. You should seek professional tax and legal advice to satisfy yourself of your tax position and the legal responsibilities of trustees. The information given is a guideline only. It's important that you read the Aviva's Savings Plan Customer Guide in conjunction with this document. This guide is available from your Financial Broker or you can download it on aviva.ie. The information given is a guideline only. Remember that tax laws can change over time, so it's important to check revenue.ie for the latest information.

# Give children a solid financial foundation

## Giving your loved ones the best start to their adult life may be one of your financial priorities, whether you're:

- Saving for their education so they have the financial resources to pursue higher education without being burdened with significant debt.
- Helping them meet future significant expenses such as getting married, having a deposit for their first house, or buying their first car.
- Giving them the financial resources to help them set up their own business.

### What is Aviva's Children's Savings Investment Trust?

Aviva's Children's Savings Investment Trust is a Bare Trust used in conjunction with Aviva's Savings Plan product which gives you a tax-efficient way to help you save for your loved ones' future.

- **Aviva's Saving Plan** is a unit-linked monthly investment plan that allows you to invest in a range of investment funds that aim to grow your money over the medium to long term.
- **A Bare Trust** is a trust that allows you to transfer funds for the benefit of a minor to maximise the Small Gift Tax Exemption limit of €3,000 per child per individual (€6,000 per child per couple paid from a joint account) every year[1].

### Why Aviva's Children's Savings Investment Trust?

- **Long-term growth:** Your money is invested, meaning it will have potential for growth, especially over the long term.
- **Investment choice:** Our Savings Plan offers various investment options across asset classes, risk profiles and fund managers.
- **Investing in your children's future and the planet's future** - with our investments that consider environmental, social, and governance (ESG) factors.
- **Straightforward** - Aviva will deduct any exit tax due on the growth of your policy.
- **Keep track of investments** - with Aviva online and our easy-to-use fund centre.

**Learn more:**

Read our *Savings Plan Customer Guide*, which you can download on aviva.ie or request a copy from Aviva or your Financial Broker.

*1. You may be able to receive a gift of up to €3,000 from any person in a calendar year without having to pay Capital Acquisitions Tax (CAT). Visit revenue.ie for more details.*

**Warning: Past performance is not a reliable guide to future performance.**
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# More about a Bare Trust

## Useful definitions:

**Trust:** a legal arrangement that allows a Trustee to hold and manage assets on behalf of a Beneficiary.

**Settlor(s):** The Settlor or Settlors are a person or people who:

- Set up the Children's Savings Investment Trust
- Pay the premiums into the Policy.
- Appoint the Trustees.

There can be up to two Settlors. The Settlor(s) may also be Trustees.

**Trustees:** The Trustees legally hold and manage the Policy on behalf of the Beneficiary until they reach 18 and possibly later. The Settlor(s) appoint the Trustees. There is a minimum of two Trustees.

**Beneficiary:**

- may receive the Policy's benefits when they reach 18 years.
- are typically the minor children or grandchildren of the Settlor(s) when the Bare Trust is set up.
- are named individuals who must benefit from the Bare Trust at the start of the Policy.

**Aviva:** Aviva Life & Pensions Ireland DAC.

# Setting up the Bare Trust

## What is a Bare Trust?

A Bare Trust is a type of trust that allows money to be paid in by a Settlor(s) to a trust fund managed by Trustees on behalf of the Beneficiary of the trust. The Settlors and Trustees are often the Beneficiary's parents, grandparents, or other relatives.

## What is the purpose of a Bare Trust?

A Bare Trust can be used to gift money to children under 18. It also allows Trustees to control how the money is invested through Aviva's Savings Plan.

## What are the tax advantages of a Bare Trust?

Capital Acquisitions Tax (CAT) legislation currently allows for the first €3,000 of the value of gifts received by one person from another person in any year to be free from gift tax; this is referred to as the Small Gift Tax Exemption. A Bare Trust allows each parent, grandparent or other relative to contribute up to €3,000 per calendar year in a tax efficient manner. They will not owe gift tax on the money, nor will it reduce the child's lifetime inheritance allowance. For example, two parents could invest €6,000 per child using Aviva's Children's Savings Investment Trust (premiums should be paid from a joint account).

## Can more than €3,000 be paid into the policy for a Beneficiary in any year?

No, payments should be restricted to €3,000 in any year by any Settlor (or €6,000 per couple paid from a joint account) to any Beneficiary to adhere to Small Gift Tax Exemption rules. The Small Gift Tax Exemption of €3,000 per annum for each Beneficiary assumes that the Settlor has given no other gifts to the Beneficiary.

## Who manages the Bare Trust?

The Trustees manage and control the funds until they are released to the Beneficiary(ies) at a future date. The Trustees can request a fund switch at any time, as switching is a facility under the policy placed in trust by the Settlor(s).

## Can a Trustee be a Settlor?

Yes.

## Can a Trustee be a Beneficiary or vice versa?

No.

## Can a Settlor change Trustees?

Yes, a Trustee can be appointed or removed by the Settlor(s) after the trust has been set up by writing to Aviva.

## Can the Bare Trust be revoked?

No, a Bare Trust cannot be revoked. Once monies are paid into the trust, the Beneficiary becomes immediately and absolutely entitled to the assets. Therefore, a transfer of money into the trust cannot be reversed.

## Are there any limits on the number of Settlors?

Yes, there is a minimum of one Settlor and a maximum of two Settlors per policy.

## Are there any limitations on the number of Trustees or Beneficiaries?

No. However, a minimum of two Trustees must be always appointed. Typically, one policy is set up per Beneficiary. If you want to set up a policy with multiple Beneficiaries, please speak to your Financial Broker for further details.

## Can the Bare Trust hold assets outside of the Savings Plan product?

No, it is not designed to hold assets outside Aviva's Savings Plan product.

## Can the Beneficiary be over 18 at product inception?

No, Aviva designed this product for beneficiaries under the age of 18.

If the beneficiaries are aged 18 or over, talk to your Financial Broker about what options are available for you from Aviva.

# What happens when the Beneficiary reaches age 18?

## What happens when the Beneficiary reaches age 18?

Where a Beneficiary reaches age 18, the Bare Trust ceases in respect of that Beneficiary. When a Beneficiary reaches age 18, they can surrender the policy (or their share of the policy if there are multiple beneficiaries) and Aviva will make payment directly to that Beneficiary. If there are other Beneficiaries named on the Bare Trust, the Bare Trust will continue for those minor Beneficiaries. Aviva will confirm the surrender request at this time with the Trustees and validate the amount of the surrender with them. Should a Beneficiary and /or Trustees wish for the Trustees to continue to manage the assets on behalf of that Beneficiary, then a separate contractual arrangement must be put in place between the relevant parties to that effect. This contractual arrangement is a matter for the parties involved to agree and put in place.

**Important:** In the absence of any contractual arrangement, payment of proceeds to the Beneficiary who has turned age 18 can be made directly by Aviva to that Beneficiary upon their request. In the absence of such an agreement, the Trustees could be held liable to a Beneficiary for losses suffered by the trust and could affect the classification of the trust as a Bare Trust for tax purposes.

When paying the funds from the product, we will need to carry out full anti-money laundering checks on the Beneficiary.

We recommend that professional financial and legal advice is sought in relation to entering into such contractual arrangements between the Trustees and Beneficiary(ies).

## Can the Settlor continue to invest in Aviva's Savings Plan after the Beneficiary reaches 18?

Yes, but the Trustees should arrange a standalone contractual agreement between them and the Beneficiary that gives the Trustees authority to hold and manage the trust fund on the Beneficiary's behalf.

# Making withdrawals or surrendering the policy

## Does Aviva pay policy proceeds directly to the Trustees or the Beneficiary?

As the policy will be held by the Trustees, Aviva will only ever pay the policy proceeds directly to the Trustees where the Beneficiary is aged under 18. See 'What happens when the Beneficiary reaches age 18?' for further details of what happens when the Beneficiary reaches age 18.

In all other circumstances, the Trustees must pay the proceeds to the Beneficiary.

# What happens on death?

### What happens if the Beneficiary dies before they reach 18?

Where a Beneficiary dies, their share will go to their estate and be distributed in accordance with the rules of intestacy[1].

### What happens to a Bare Trust if the Trustees should die before the Beneficiary reaches 18?

Under the Bare Trust declaration of trust document, it will be a matter for the Settlor(s), or if the Settlor(s) have died, an appointed person, to select new Trustees to manage the Bare Trust.

### What happens to a Bare Trust if the Settlor(s) should die before the Beneficiary reaches 18?

Nothing. The Bare Trust will continue to be managed by the Trustees in accordance with their powers and duties in the declaration of trust document.

# What are the advantages of setting up a Bare Trust?

Using a Bare Trust to pass wealth to minor children can provide several advantages:

- **Using Small Gift Tax Exemption:** Using a Bare Trust, you may be able to gift €3,000 per child per individual each calendar year (€6,000 per child per couple per child paid from a joint account) in a tax efficient manner.
- **Control** - By establishing a Bare Trust:
  - The Trustees choose the funds in the plan and keep control of the investments within the trust while still ensuring that they are held for the benefit of the children.
  - The Beneficiary can be specified at the outset.
- **Protection** - Placing money in the Children's Savings Investment Trust to benefit minor children can help protect those assets from potential creditors or legal disputes as the assets are held in the trust; they are separate from the settlor's assets and may not be subject to claims against them.
- **Avoiding probate[2]** - Assets held in Aviva's Children's Savings Investment Trust can pass directly to the intended Beneficiary without going through the probate process. This can save time and costs associated with probate and allow the children to access the assets in the Trust more quickly.

# A Bare Trust may not be suitable for you if:

- You wish to keep ownership of the money.
- If you need access to your investment for personal use.
- The beneficiaries are aged 18 or over on product inception.

*1. Intestacy: Intestacy refers to the condition of an estate of a person who dies without a will.*

*2. Probate is the analysis and transfer administration of estate assets previously owned by a deceased person.*

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**You must also receive tax and legal advice before taking out this product.**

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