



How to choose **which trust** **is best for your client**

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This section covers:

- The important factors that will need to be considered in deciding which trust is appropriate for a client – e.g. domicile, degree of control, need for access
- A flow chart that aids trust selection according to a client's circumstances and objectives
- A comparison of different features of gift trusts for clients who don't need access
- A comparison between different trusts that offer the client access to the investment
- An overview of all the trusts in the Aviva range.

The main factors influencing the choice of trust

For **UK domiciled persons**, the following will apply:

- **The degree of control and access required by the individual**
- **No access for the settlor**

If the settlor does not need access to the trust fund, a gift trust will normally be chosen. The type of gift trust will depend on the degree of control needed. By control, we mean the ability to decide who will benefit from the trust fund and when.

- If the beneficiary is a minor and only minimal control is needed, a bare/absolute trust may be suitable. In cases where the intended recipient is an adult and no control is needed by the settlor, an outright gift with no trust would be suitable.
- If control is needed, the usual choice will be a discretionary trust.

Access for the settlor

If full access is required by the settlor during his/her lifetime, a lifetime trust will usually not be suitable (if IHT planning is not required a probate trust may be suitable). If only partial access is required, a loan trust or a discounted gift trust (or a combination) may be suitable, depending on the degree of access required.

The domicile of the person creating the trust

Individuals who are currently non-UK domiciled, but because of their expected long-term residence in the UK are likely in the future to become deemed domiciled in the UK for inheritance tax (IHT) purposes, may want to take action now to preserve the IHT-free status of their non-UK situated assets. This can be achieved by the settlor creating an excluded property trust whilst they are non-UK domiciled.

Please note that Aviva does not provide an excluded property trust as such a trust should only be used with non-UK situated assets.

Trusts available from Aviva – choosing the right trust for your client

The Bare Trust

Discretionary Loan Trust

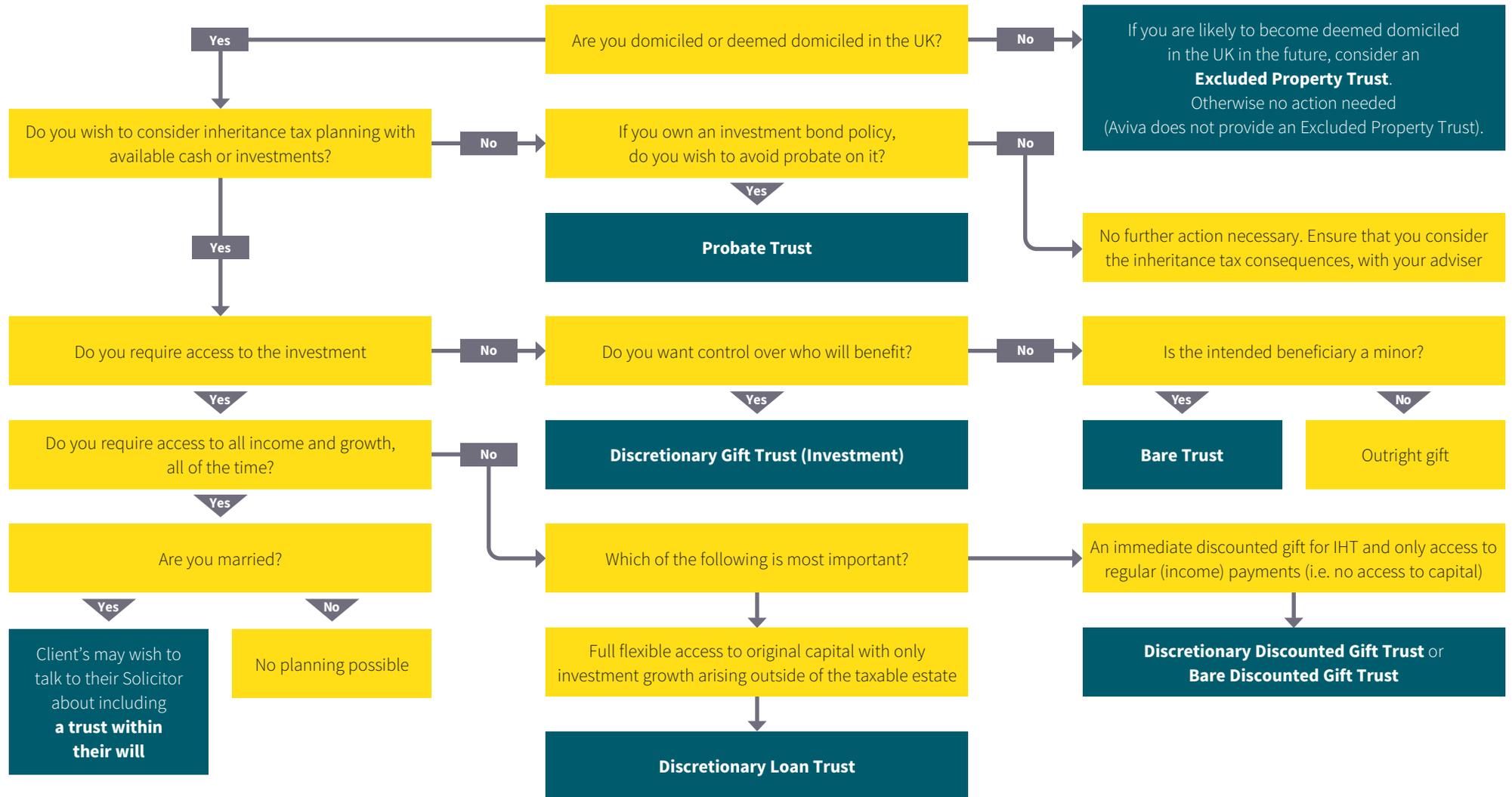
Discretionary Discounted Gift Trust

Discretionary Gift Trust (Investment)

Probate Trust

Bare Discounted Gift Trust

Aviva Trust selector - the trust selector illustrates the principal steps that should be taken in considering which trust is appropriate for a person depending on their circumstances and objectives.



Trust selection – choosing the right trust for your client

One of the key planning issues in deciding what trust is appropriate to a person is to ascertain whether they require access to the assets gifted. Having answered this question, it's then possible to determine which trust may be appropriate.

In this section, we compare the trusts available where:

- a UK domiciled settlor wants to make an effective gift for inheritance tax, but does not need any access to the gifted property; and
- a UK domiciled settlor wants to make an effective gift for inheritance tax, but retain some access to the benefits – either by way of a fixed income (discounted gift trust) or access to capital (loan trust).

Trust name	Discretionary Gift Trust (Investment)	Discretionary Discounted Gift Trust	Bare Discounted Gift Trust	Discretionary Loan Trust	Bare Trust	Probate Trust
Trust established	During lifetime	During lifetime	During lifetime	During lifetime	During lifetime	During lifetime
Type of trust	Discretionary	Discretionary	Bare (Absolute)	Discretionary	Bare (Absolute)	Interest in possession (With power of appointment)
Underlying trust asset	Bond or cash (to invest in any investments)	Bond only	Bond only	Bond or collective investments at trustees' discretion	Bond or cash (to invest in any investments)	Bond
Settlor 'access' to trust fund	No	Access to specified sums on specified dates only i.e. settlor's 'income'	Access to specified sums, specified dates only i.e. settlor's 'income'	Access to original capital only – upon demand; as one lump sum, ad hoc sums, or regular payments ("income")	No	Yes – during lifetime trust fund can only be applied for settlor's benefit
Possibility of regular payments to settlor	No	Yes – but must be stipulated at outset and cannot be varied	Yes – but must stipulate at outset and cannot be varied	Yes – as loan repayments, any amount and variable but total paid out cannot exceed loan	No	Yes
Is or can the settlor be a trust beneficiary?	No	No – settlor is only entitled to their fixed payments	No – settlor is only entitled to their fixed payments	No – settlor/lender is only entitled to loan repayments as a creditor	No	Yes – settlor is principal beneficiary

Trust name	Discretionary Gift Trust (Investment)	Discretionary Discounted Gift Trust	Bare Discounted Gift Trust	Discretionary Loan Trust	Bare Trust	Probate Trust
Spouse/civil partner, widow, widower access (to total trust fund)	Yes	Yes	No	Yes	No	Yes
Inheritance tax planning (Lifetime)	Gift is a chargeable lifetime transfer unless within annual exemptions IHT free after seven years	Gift is a chargeable lifetime transfer but discounted for the value of the retained rights. IHT free after seven years	Gift is a PET but discounted for the value of the retained rights. IHT free after seven years	Outstanding loan remains in the settlor's estate. Investment growth outside estate immediately	The gift is a PET IHT free after seven years	None – trust is a gift with reservation of benefit
Designed/suitable for	Anyone with potential IHT liability who wants control over who will benefit in the future	Anyone with potential IHT liability, wanting to make an immediate gift but retain access to regular cash payments	Anyone with potential IHT liability, wanting to make a potentially exempt transfer and wanting to retain access to regular cash payments	Anyone with potential IHT liability who wants to retain access to an amount equal to the amount of the outstanding loan and is unable/unwilling to make immediate gift	Anyone with potential IHT liability who is certain that the trust beneficiary need never be changed	A person with an investment bond who wants full access but wishes to avoid the need for probate on death. Not suitable for somebody who needs IHT planning.
Proper law of trust	English Law	English Law	English Law	English Law	English Law	English Law
Avoids probate requirements	Yes	Yes	Yes	Yes	Yes	Yes
Joint settlor trust available	Yes	Yes	Yes	Yes	Yes	Yes
Safe from creditors	Yes (generally after two years), assuming the debtor was solvent at the time of the gift	Yes except for the 'income' payments (generally after two years) assuming the debtor was solvent at the time of the gift	Yes except for the 'income' payments (generally after two years) assuming the debtor was solvent at the time of the gift	Only growth on the investments safe from creditors	Yes (generally after two years) assuming the debtor was solvent at the time of the gift	No

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IN11026 05/2023 © Aviva

