Bare Trust from Aviva

Please note the donor can't benefit in any way under this trust.

If the value of your property has risen over the years, it could mean the value of your estate exceeds the inheritance tax threshold. As a result, your loved ones may face an inheritance tax liability when you die.

There are steps you can take to reduce inheritance tax liability, such as making gifts of money or by placing your investment assets into trust.

You should seek financial and legal advice as to whether these steps are suitable for your needs. It may not always be appropriate to make a direct gift of money, for example where:

- your gift is for children or grandchildren who are still under 18
- you may want to keep some control over how the money is invested until your beneficiaries can take control themselves.

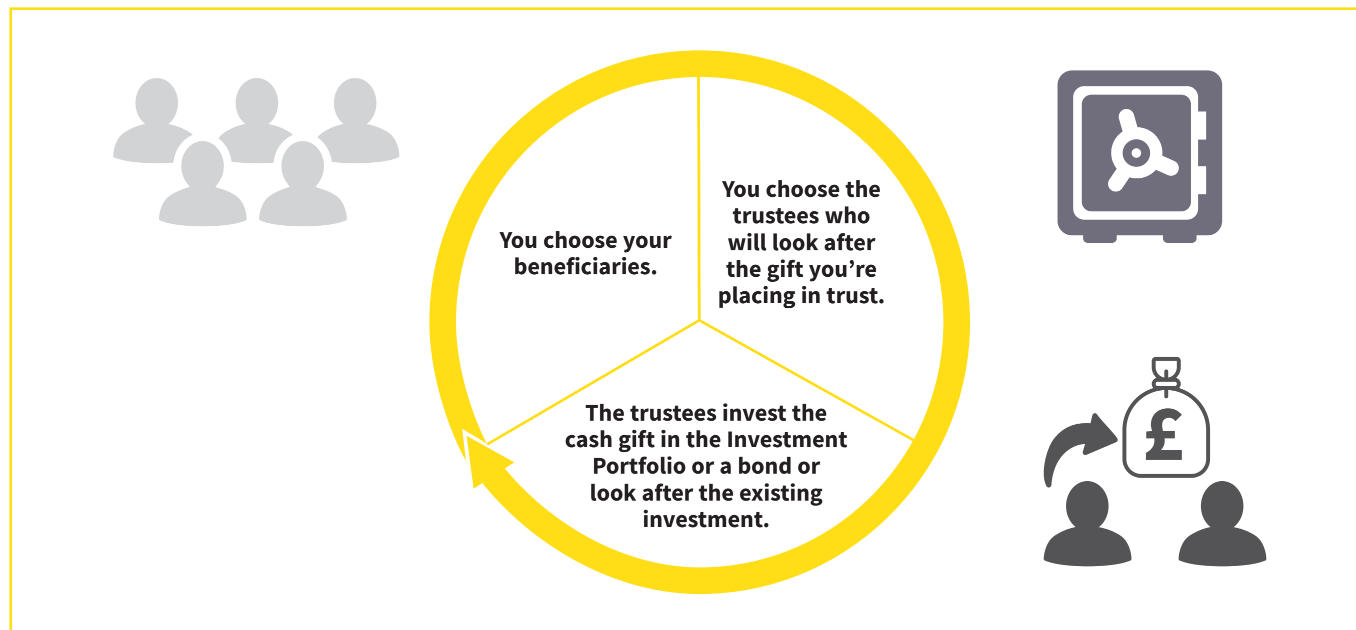
As a result, you may want to consider placing assets into trust for your beneficiaries. If you do decide to place some of your assets in a trust, you can use the Bare Trust from Aviva to help you to do this.

What is the Bare Trust from Aviva?

The Bare Trust from Aviva is a trust that allows you to make either of these two gifts to a beneficiary or beneficiaries of your choice:

A cash gift with the intention of investing into an: – Investment Portfolio on the Aviva Platform, or – Aviva investment bond.	or	A gift of an existing Aviva investment bond.

How does it work?



- You set up the Bare Trust by completing the Trust Deed. You can do this alone or jointly with another person. As the creator (or donor) of the trust, you are also the policyholder.
- By putting your cash gift or existing investment in a trust, you're making a gift for inheritance tax purposes.
- At the start, you choose who will benefit from the trust. You won't be able to change your mind later as this is not a discretionary trust.
- Once you name the beneficiaries and the trust is up and running, those beneficiaries have an absolute entitlement that can't be taken away from them.
- You choose the trustees who will look after the cash gift or existing investment you're placing in trust. As the donor, you will automatically be a trustee, but we recommend you appoint at least one other trustee. This can be any adult of sound mind or a trust company.
- With a Bare Trust, the trustees' main duty is to hold the investments until the beneficiaries ask for their entitlement. A beneficiary may usually do this from their 18th birthday.

Who is it suitable for?

The Bare Trust may be suitable if you:

- want to make an effective gift for inheritance tax purposes
- are willing to give up any personal right to the cash or investments you give away
- are willing to decide now who will benefit from the trust and accept you won't be able to change your mind in the future.

What investments can you use it with?

You can set up a Bare Trust from Aviva with an Investment Portfolio on the Aviva Platform and/or an Aviva investment bond.

Remember, both of these involve investment in the stock market. This means the value can go down as well as up and may fall below the amount of the original investment.

Before taking out an investment, you and the trustees should read the relevant key features document carefully. It's important you understand the product fully and make sure it is suitable for your needs. You may also want to consider the suitability of the investment for your beneficiary.

We recommend that you speak to your financial adviser. Alternatively, you can visit **unbiased.co.uk** to find an adviser in your area.
An adviser may charge for their services.

How do you apply?

Setting up a Bare Trust with a cash gift

- You should complete the Bare Trust Deed and make a gift of cash to the trustees.
- The trustees should complete the relevant application form for an Aviva investment bond or Investment Portfolio, and send it to us along with the Bare Trust Deed.

Setting up a Bare Trust with an existing Aviva investment bond

- You should complete the Bare Trust Deed, including the section referencing the policy number, and send it to us.
- You can do this by post or email using the details below. Please ensure the section referencing the policy number is included. If we receive a copy of the Bare Trust Deed, we may ask to see the original deed at claim stage.

Aviva
PO Box 520
Norwich
NR1 3WG

Email: **contactus@aviva.com**

Six factors to consider if you are thinking about using our Bare Trust with your Aviva investments

1. You can use the trust to create an effective gift (or a potentially exempt transfer) for inheritance tax purposes (see section headed "What about UK inheritance tax?").
2. Unlike with a chargeable lifetime transfer, where there may be a charge on the creation of the trust, there's no inheritance tax at the time you create the Bare Trust.
3. The value of the gift won't be liable for inheritance tax if you survive for seven years after creating the trust.
4. Any investment growth within the trust belongs to your beneficiary and won't be included in your estate for inheritance tax.
5. Unlike with assets in your estate, the trustees don't have to wait for payments from the Bare Trust when you die. Because the funds in the trust don't form part of your estate, we don't have to wait for probate documents to make payments. The only requirement is that at least one trustee is in place at that time.
6. The investment you place under trust will benefit from professional investment management. The value of the investment can go down as well as up and may be worth less than the amount originally invested.

Please bear in mind that tax laws may change and individual circumstances can affect the tax position.

The suitability of any trust will depend on your own personal circumstances and so we strongly recommend you seek your own legal advice.

Things to bear in mind

- You can't change the beneficiaries once the trust is up and running.
- If a beneficiary dies, their share of the trust property (the investment) will go to the beneficiaries named in their will. If they haven't left a will, it will follow the rules that apply if you die without making a will.

How does UK taxation affect a Bare Trust?

A gift into the Bare Trust is a potentially exempt transfer. This means your beneficiary may only have to pay some inheritance tax on the gift if you die less than seven years after making it.

If you have any annual exemption available, you could use it to reduce the value you transfer.

What about UK inheritance tax?

The inheritance tax treatment of trusts is complex but the following bullet points are a brief summary of the general position. You can find further information on the HM Revenue and Customs (HMRC) website at **hmrc.gov.uk** or from your professional tax adviser.

- Your beneficiary won't have any inheritance tax to pay when you make the gift, regardless of its size.
- If you live for seven years after making the gift, it becomes fully exempt from Inheritance Tax. If you die within seven years, the gift becomes chargeable at the rate applying on death (currently 40%). In this scenario, taper relief (a form of tax relief) is sometimes applicable. This can help reduce the tax payable on the gift.
- The beneficiaries will be treated as owners of the trust property for tax purposes. Should a beneficiary die, their share of the trust fund will form part of their estate.
- At the time the gift is made, there is no need to report the potentially exempt transfer to HMRC.
- The inheritance tax situation is the same for both an Investment Portfolio and an investment bond.

How does UK income tax affect the Investment Portfolio?

- If any income arises from the Investment Portfolio, the tax due will be assessed on the beneficiary, no matter how old they are and regardless of whether or not they receive the income. The only exception is where parental settlement provisions apply.

Parental settlement provisions

The tax will be assessed on you as the donor instead of your beneficiary if:

- you are a parent or step-parent to your beneficiary
- your beneficiary is a minor who is neither married nor in a civil partnership, and
- the gross income received by the beneficiary (including all other income from gifts made by you as a parent) is more than £100 in the tax year in question.

- Please bear in mind that income from an Investment Portfolio may affect eligibility for income-related benefits and allowances such as child tax credit. This is relevant to the donor when parental settlement provisions are applicable.

Income tax on interest payments

- Your beneficiary will receive interest payments from an Investment Portfolio with no tax deducted.
- If the interest payment falls within your beneficiary's personal savings allowance, they should have no tax to pay.
- If all or part of the interest payment is above their personal savings allowance, your beneficiary may have income tax to pay on the interest. If they are a basic rate taxpayer this will be at the rate of 20%.
- If your beneficiary is a higher rate taxpayer, they'll have an income tax liability of 40% on the gross interest above the personal savings allowance.
- If your beneficiary is an additional rate taxpayer, they'll have an income tax liability of 45% of the gross interest.

Income tax on dividend payments

- Your beneficiary will receive dividend payments from an Investment Portfolio before the deduction of tax.
- If the dividend payment falls within the beneficiary's dividend allowance, they won't have to pay any tax.
- If all or part of the dividend payment is above the dividend allowance, the amount of tax due on the excess will depend on which tax bracket your beneficiary falls in:
  - A basic rate taxpayer will pay tax on the dividend excess at 8.75%.
  - A higher rate taxpayer will pay tax on the dividend excess at 33.75%.
  - An additional rate taxpayer will pay tax on the dividend excess at 39.35%.

How does UK capital gains tax affect the Investment Portfolio?

- As the trust will be set up with a cash lump sum, there won't be any capital gains implications at the time of the gift.
- During the trust period, any realised capital gains in an Investment Portfolio will be assessed on the beneficiary.

What about UK income tax with an Aviva investment bond?

- Any chargeable event gain under the bond will be assessed on the beneficiary, no matter how old they are. The only exception is where parental settlement provisions apply.

Parental settlement provisions

The tax will be assessed on the settlor instead of the beneficiary if:

- the settlor is the beneficiary's parent (or step-parent),
- the beneficiary is a minor who is neither married nor in a civil partnership, and
- the chargeable event gain (including all other income from gifts made by the parent) is more than £100 in the tax year in question.

- Please bear in mind that a chargeable gain from an Aviva investment bond may affect eligibility for income-related benefits and allowances such as child tax credit. This is relevant to the donor when parental settlement provisions are applicable.
- Any gain from an Aviva investment bond won't be subject to basic or starting rates of tax. This is because we pay corporation tax on our policyholder funds.
- Your beneficiary will only pay tax on the gain if they already pay income tax at higher rates or if the gain takes them into the higher rate band.
- When a chargeable event occurs, a calculation is undertaken to determine whether there's a chargeable gain for income tax.
- Before making a withdrawal, the trustees should consult their professional advisers regarding the tax consequences.

What about UK capital gains tax with an Aviva investment bond?

Your investment bond will generally be exempt from capital gains tax in the hands of the trustees.

Talk to a professional adviser before making any decisions

We're not authorised to give you any advice about whether a bare trust is suitable for you. If you're thinking about setting up a bare trust or doing anything under the provisions of the trust, we strongly recommend you talk to your own legal and/or financial adviser. If you don't have a financial adviser, one can be found at **unbiased.co.uk**. A financial adviser may charge you for services provided.

It's important you take appropriate advice that takes into account your personal circumstances because:

- creating a trust has both taxation and legal consequences
- you can't cancel the trust once you've created it
- the trustees have a special duty to the beneficiaries. If a trustee misuses trust power they may be personally liable for any resulting loss to the beneficiary.

References to tax treatment in the booklet are based on Aviva's understanding of current legislation and HM Revenue & Customs' practice. Both of these are likely to change in the future, and this could result in tax being payable under an existing arrangement.

We've taken every care to make the sure the information in this booklet is accurate at the time of publication. However, neither Aviva nor its representatives can accept responsibility for loss, however caused, suffered by any person who has acted or refrained from acting because of material published in or alongside this booklet.

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