

# Your guide to trusts



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If you're looking to buy life insurance (or already have it), you may have heard about 'trusts'. This guide is a simple introduction to what a trust is, why you might want to set one up, who's involved and how you can get started. That way, you can chat to a financial or legal adviser and see if it's something that would suit you.

Just to be clear, we can't advise on whether putting your policy into trust is the right thing for you. We always recommend speaking to a professional, as they'll be able to recommend what's best for your situation.

## Trusts made simple.

A trust is a way for you to make sure the money from your cover goes to who you want – all managed by people you choose.

They're used to look after houses, investments, cash and insurance policies.

## Why set up a trust?

Here are some reasons why you should think about putting your policy into trust:

### Money

Once your policy is in trust, it's not part of what you own, known as your estate. So whoever you leave your money to will get the full benefit of your policy.

### Distribution

With a trust, you can have a say in how and when your money's shared out. It may be useful if you have children (or other beneficiaries) who may not be able to manage large amounts of money. They can also be useful if you haven't made a Will or you and your partner aren't married.

### Tax

When you die, your family might have to pay inheritance tax (IHT) on your estate. Anything in a trust is kept separate from your estate and normally there's no need to pay IHT on it. So it can be a good way to pay less tax, meaning more of your money goes to the people you want it to.

### Probate

When you die, your policy becomes part of your estate. Depending on how much the estate is worth, it might go through probate. It's basically a legal process to allow your estate to be shared out and can take a long time – sometimes costing a lot too. Using a trust keeps your policy separate from your estate and 'out of probate', so your money can get to your beneficiaries quickly.

# Who's involved?

## ✓ You

### (Settlor)

- As the person who owns the insurance, you're the settlor. If you have a joint policy, there'll be two settlors - you and whoever else is named on your cover
- You choose who gets your money and who'll look after it for you
- Once the policy is in trust, you no longer own it - the trustees do.

## ✓ Who looks after your money

### (Trustees)

- Trustees receive, look after and share out your money
- There must always be at least two trustees - you're automatically one as the settlor
- Can be a beneficiary\*
- Must be 18 or over with a UK bank account.

## ✓ Who your money goes to

### (Beneficiaries)

- People who get the money - typically your family or friends
- Can be a trustee\*
- A child can be a beneficiary but can't get the money until they're 18.

# Main types of trusts

## Discretionary trust

Discretionary trusts are the most popular type of trust. They're flexible, so you can change the beneficiaries once it's in trust if you need to.

The trustees decide how and when the money's distributed and to whom, so choose them carefully. This type of trust is ideal if you're not sure exactly how much money you want to leave to someone or when they'll need it.

You can help by filling out an **Expression of Wish** form to help your trustees make decisions on who to pay. You don't have to do it and it's not legally binding, but knowing what you want can make things easier.

## Next steps

Getting started with trusts is simple. Pick up the phone or book an appointment with your adviser - they'll know what's going to work for you.

We all want what's best for the people we care about. Understanding trusts and why they're useful is just the first step. Now it's time to put your plans into action.

## Bare trust

Bare trusts are simpler, however they're also less flexible.

You choose who the money goes to, and how much goes to each person. Your money's legally looked after by your trustees and they'll make sure it goes to who you've chosen. A bare trust is often used for children or grandchildren - it keeps their money safe until they turn 18.

Once the trust's set up and the decision is made, it can't be changed.



\*You as a settlor are automatically a trustee, but you can't be a beneficiary.



# Things you need to know

We can't advise on whether putting a life insurance policy into a trust would be suitable for your particular needs or circumstances, so we recommend that you take legal advice on this.

This guide only briefly explains what a trust is, why trusts are set up and the types of trusts in England and Wales and in accordance with English and Welsh law. The law is different in Scotland and Northern Ireland. In light of this, if you're resident in Scotland or Northern Ireland, you should take legal advice on trusts in those jurisdictions.

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