

Guide for trustees



Guide for Trustees

As a trustee for an Aviva life insurance policy you could have an important role to play should the worst happen and there be a need to claim on the policy. While the process is simple and straightforward, this document is designed to provide all the information you need and answer some of the main questions you may have.

Your role as a trustee is normally a simple but important one. It won't usually require much of your time, but it will enable you to provide a very important service to the policyholder and the beneficiaries of the trust.

What is a trust?

A trust, in the simplest terms, is a way of making a gift, whilst retaining some control over who benefits from it and when it becomes available. Instead of the gift being passed directly to the intended beneficiaries, it is transferred to and held by people known as trustees. That gift could be anything from a house to a life insurance policy. The remainder of this guide assumes that the gift is an Aviva life insurance policy.

Why have a trust?

Trusts are often used with life policies, primarily to speed up the payment of a claim and as a means to reduce a possible inheritance tax liability or to provide funds to help pay an inheritance tax bill.

Who can be a trustee?

As long as you are over the age of 18 and of sound mind, you may act as a trustee, even if you are also a beneficiary under the trust.

How many trustees will there be?

Normally at least two trustees are appointed at outset. If a trust, for whatever reason, has only one remaining trustee then at least one other should be appointed.

What will I be responsible for?

As a trustee you'll be the legal owner (or one of the legal owners) of the policy and you'll be responsible for the administration of the trust and the assets contained in line with the rules contained in the trust document. The trustees are responsible for any trust funds. This may involve deciding who should benefit under the terms of the trust, and when trust funds should be distributed to beneficiaries.

For a life cover or critical illness cover policy, such funds will only become available if a life covered dies or is diagnosed with or suffers from a terminal or critical illness within the policy term. If there's a payout the proceeds may need to be reinvested by the trustees, for instance, if the chosen beneficiaries are young children. Under the terms of most of our trusts, we require the written authority of all the trustees before paying out the policy proceeds. Trustees will need to act together in exercising their powers under the trust except where the trust document says otherwise.

What are the powers of trustees?

The specific powers given to you will be set out in the trust. These will include powers of investment and powers to pay monies as required to beneficiaries. In many instances you may also be given a power of appointment enabling you to choose which of the potential beneficiaries will benefit. The person creating the trust may have given you some sort of indication as to who should benefit. However, this indication is not binding and you are still required to actively consider the interests of the potential beneficiaries before making your decision.

How will the trustees work together?

If you're one of several trustees, all decisions that you make must be reached unanimously. A majority decision is not sufficient.

Will I be paid for acting as a trustee?

As a non-professional trustee, you won't be paid for acting as trustee.

Are there any other duties?

In addition to the responsibilities already mentioned, there are a number of further duties that are imposed on trustees by law. Of these, possibly the most important is the duty to ensure you do not take unnecessary risks with trust funds. Although, as a trustee you are not expected to have any specialist knowledge you don't already possess, you need to ensure that any funds that need to be reinvested are done so appropriately and this may involve obtaining relevant investment advice.

You must not make any personal profit from acting as trustee. You must hold any trust funds for the benefit of all the beneficiaries and must not favour one at the expense of another (for example, where the trust is held for specific beneficiaries), unless the trust gives you the discretion to do so.

Trust registration

Where a policy is written into a trust, there may be an action to register the trust with HMRC. Registration is the trustee's responsibility. As part of our checks, we may ask to see evidence that this has been done. If you can't show us proof, this may delay your policy being processed.

You can find more information about the Trust Registration Service on the Government website.

If you're unsure about what you need to do, you should speak to a legal or financial adviser.

What happens if I no longer want to be a trustee?

If you decide you no longer wish to act as a trustee, you may be able to retire from your position. In certain

circumstances it may be necessary to find someone as your replacement. We can supply a document which can be used to retire and appoint trustees.

Securing your financial future

Hopefully, you will now have a better understanding of the trustee role and its importance. You may also appreciate why the trust was set up and the financial security that a trust can help provide. This may have made you consider your own financial arrangements.

Aviva offers a range of protection products that can help provide financial security and give you peace of mind. An adviser will be able to provide you with information and support to help you understand the benefits of protection for you and your loved ones.

This document is for reference only and does not constitute legal advice. You should seek independent legal advice if you are unclear what is required of a trustee.

Need this in a different format?

Please get in touch if you'd prefer this booklet (**PT38001**) in large font, braille, or as audio.

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