Friends Provident International

Beneficiary Trust

How does it work?

The Friends Provident International Beneficiary Trust allows an individual to nominate beneficiaries to receive the proceeds of their policy after death via a trust. The Beneficiary Trust should not be used if you wish to create a gift for UK Inheritance Tax purposes.

Client submits a Beneficiary Trust deed that nominates the trustees and the beneficiaries

▼

Neither the trustees nor the beneficiaries have any involvement or entitlement to the policy during the policy owner's lifetime

▼

The policy continues in the individual's own name without any access restrictions

▼

Upon the death of the last surviving policy owner the trust is created

▼

The trustees now take control of the policy. The trustees can now transfer the policy funds or ownership to the beneficiary

▼

The policy can only continue if there is a surviving life assured/or where the policy was set up on the Capital Redemption version

Issues for consideration

- The Beneficiary Trust does not come into force until the death of the last surviving policy owner.
- A Beneficiary Trust can be revoked/cancelled at any time during the lifetime of the policy owner.
- Submitting a new Beneficiary Trust will revoke/cancel the current the Beneficiary Trust.
- A Deed of Assignment will revoke/cancel any Beneficiary Trust.
- It not possible to use the Beneficiary Trust where the policy is owned by a company or trust.
- A company or trust can be appointed as a Trustee or Beneficiary
- The Beneficiary Trust cannot be used where the policy is written on a joint life first death basis.
- The Beneficiary Trust avoids the requirement for obtaining Isle of Man Probate.

Case study

Mahindra is an Indian national working in Dubai as an electrical engineer. He has a ten year old son called Vishay from a previous marriage. After discussions with his financial adviser, Mahindra has decided to invest in a Friends Provident International insurance based product, written on a capital redemption basis. His intention is to save regularly into the policy to fund Vishay's further education in the future.

Mahindra's financial adviser explains to him that, since it is registered in the Isle of Man, the policy will be classed as an Isle of Man asset and therefore Isle of Man Probate will be required in order for Mahindra's personal representatives to claim the proceeds of the policy upon his death. The adviser explains that this may cause delays in terms of the proceeds of the policy being distributed and there will also be the cost of appointing an Isle of Man based solicitor to deal with Isle of Man Probate.

For this reason the financial adviser recommends that a simple trust be wrapped around the policy and that Mahindra considers who he would like to appoint as trustees. At this point in the conversation Mahindra is uncomfortable with this aspect of the arrangement. He likes the idea of being able to switch funds free of charge as and when he sees fit and is concerned that if the policy is placed under trust, he will need to obtain the other trustees' signatures in order for any switch instructions to be effected.

This poses a problem as he would like to nominate his two brothers as trustees and they both live in India.

Mahindra's financial adviser reassures him that the trust he has in mind is a trust which will not take effect until Mahindra dies and therefore only Mahindra's signature will be required in order for Friends Provident International to be able to action his fund switches.

Mahindra feels the Beneficiary Trust is suitable for his needs and therefore completes the Settlement Deed along with the Policy application. He appoints his brothers as trustees of the policy and his son Vishay as the sole beneficiary.

Mahindra is reassured that should he die before his son has completed his further education, the trustees will be able to use the proceeds of the Policy for his intended purpose without incurring any additional costs or delays in obtaining Isle of Man Probate. If Vishay is aged 18 or more at the time of his father's death, the trustees can chose to pay all the policy proceeds to him to use as he sees fit or they can remain within the trust to be distributed as and when required by the trustees.

Important notes

As the policy is written on a capital redemption basis, it can continue until it reaches maturity or is surrendered. If the policy is subsequently surrendered in trust, there may be an income tax liability on the trustees if they are UK resident or on any UK resident beneficiaries where the trustees are non UK resident.

The information contained in this document is based on our current understanding of the law and HM Revenue and Customs (HMRC) practice as at April 2023. Friends Provident International does not provide tax or legal advice. Anyone using this document or relying on the information contained within it, should ensure that they are appropriately advised before they decide to use it or not. Friends Provident International cannot be held responsible for any unintended consequences as a result of using this document or the information contained within it.

Friends Provident International Limited: Registered and Head Office: Royal Court, Castletown, Isle of Man, British Isles, IM9 1RA. Isle of Man incorporated company number 11494C. Authorised and regulated by the Isle of Man Financial Services Authority. Provider of life assurance and investment products. **Singapore branch:** 182 Cecil Street, Level 17 Frasers Tower, Singapore 069547. Registered in Singapore No. T06FC6835J. Licensed by the Monetary Authority of Singapore to conduct life insurance business in Singapore. Member of the Life Insurance Association of Singapore. Member of the Singapore Financial Dispute Resolution Scheme. **Hong Kong branch:** A122, 16/F, Tower 5, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. Authorised by the Insurance Authority of Hong Kong to conduct long-term insurance business in Hong Kong. **Dubai branch:** PO Box 215113, Unit 706, One Za'abeel - The Offices, Za'abeel Palace Street, Za'abeel First, Dubai, UAE. Registered in the United Arab Emirates (UAE) with the Central Bank of the UAE as an insurance company. Registration date, 18 April 2007 (Registration No. 76). Registered with the Ministry of Economy as a foreign company to conduct life assurance and funds accumulation operations (Registration No. 2013). Friends Provident International is a registered trademark and trading name of Friends Provident International Limited.

FPITRU017c 05/23