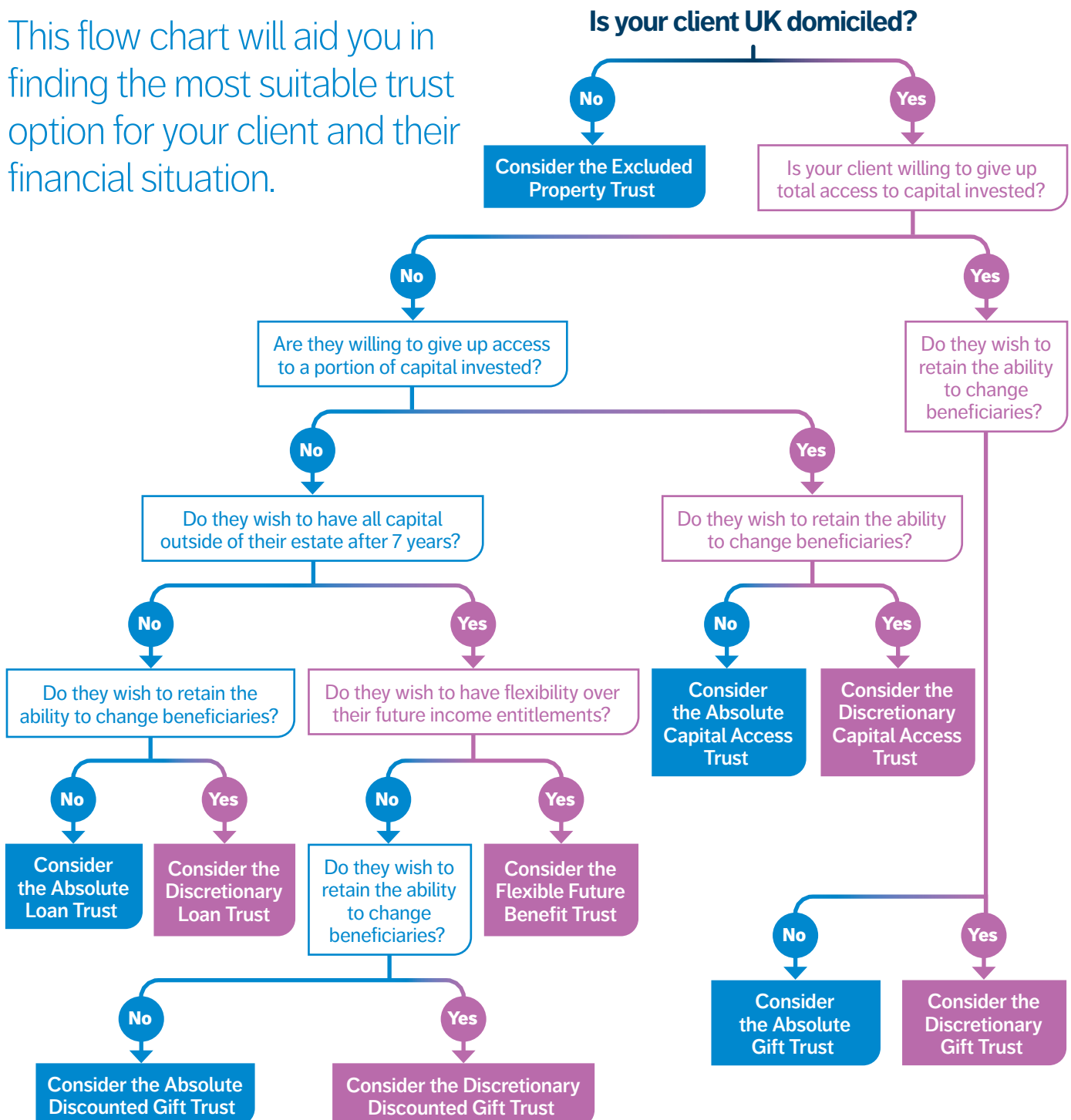


# Considering your trust options

For adviser use only.  
Not for use with customers.

This flow chart will aid you in finding the most suitable trust option for your client and their financial situation.



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## Excluded property trust

If an individual is non-UK domiciled, creation of an Excluded Property Trust with non-UK assets is not a chargeable transfer for UK Inheritance Tax (IHT) purposes. This means that the trust fund will never form part of the settlor's estate, even if he or she subsequently becomes UK 'deemed domiciled' for IHT purposes. An excluded property trust is an effective IHT planning vehicle for foreign nationals who are resident in, or are intending to take up residence in the UK.

## Discretionary Gift Trust

This is created in favour of certain named beneficiaries with the power to appoint capital to a wide class of discretionary beneficiaries. Because the settlor is specifically excluded from benefiting from the trust, the Discretionary Gift Trust is suitable for UK domiciled individuals who wish to reduce the value of their estate by gifting capital to their chosen beneficiaries. Lump sum investments to the Discretionary Gift Trust are Chargeable Lifetime Transfers (CLT) and if the gift (together with other CLTs in the last 7 years) exceeds the donor's nil rate band, a charge of 20% will be applied on the excess. Regular premium investments can utilise annual IHT exemptions, or exemptions for normal expenditure out of income and, therefore, may not be classified as CLTs.

## Absolute Gift Trust

This is an absolute trust created in favour of certain named beneficiaries. Neither the names of the beneficiaries nor their percentage shares can be changed in the future. Because the settlor is specifically excluded from benefiting from the trust, the Absolute Gift Trust is suitable for UK domiciled individuals who wish to reduce the value of their estate by gifting capital to their chosen beneficiaries. Lump sum investments can be used with the Absolute Gift Trust to create Potentially Exempt Transfers, and regular premium investments can be used to utilise annual IHT exemptions, or exemptions for normal expenditure out of income.

## Discretionary Capital Access Trust

This may be used where the settlor wishes to retain access to a set monetary amount (between 5% and 90% of the premium) and also make a gift for IHT purposes. The Discretionary Capital Access Trust is a split trust. The settlor's entitlement can be accessed at any time whilst the amount gifted excludes the settlor from benefiting and is treated as a Chargeable Lifetime Transfer. If the gift (together with other CLTs in the last 7 years) exceeds the donor's nil rate band, a charge of 20% will be applied on the excess. The beneficiaries can be changed at any time.

## Absolute Capital Access Trust

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## Flexible Future Benefit Trust

This is a discretionary reversionary interest trust suitable for UK domiciled individuals looking to make an IHT effective gift whilst retaining access to a series of future capital entitlements. The settlor assigns his individual policy segments to a number of policy funds and gives each fund an entitlement date, on which he will have access to the policy segments if he survives to that date. The settlor cannot access the policy segments prior to the entitlement date; however, he is able to defer entitlement to a policy fund to a future date with no further IHT consequences. The gift to the trust is a chargeable lifetime transfer (CLT) and if the gift (together with other CLTs made in the last 7 years) exceeds the settlor's nil rate band, a charge of 20% will be applied to the excess. The settlor is able to top up the investment, this may be a further CLT, or if made regularly, may be able to utilise the normal expenditure out of income exemption. The beneficiaries can be changed at any time.

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### **Discretionary Discounted Gift Trust**

This enables the settlor to reduce his IHT immediately whilst retaining access to tax-efficient regular payments for life. The value of the gift is calculated by discounting the premium by the amount of the present value of settlors' income payments (based on current discount rates and the age and health of the settlor). The gift is treated as a Chargeable Lifetime Transfer. If the value of the gift, together with other CLTs in the last 7 years, exceeds the donor's nil rate band, a charge of 20% will be applied on the excess. The beneficiaries can be changed at any time.

### **Absolute Discounted Gift Trust**

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### **Discretionary Loan Trust**

This is suitable for UK domiciled individuals who are unwilling or unable to give up access to capital, but who wish to mitigate IHT. The Loan Trust is created by transferring a lump sum to the trustees in the form of an interest free loan repayable on demand. The settlor is excluded from benefiting from any growth on the bond. The settlor retains access to his original capital in the form of loan repayments, whilst all growth on the bond is immediately outside his estate. The beneficiaries can be changed at any time.

### **Absolute Loan Trust**

This is suitable for UK domiciled individuals who are unwilling or unable to give up access to capital, but who wish to mitigate IHT. The Loan Trust is created by transferring a lump sum to the trustees in the form of an interest free loan repayable on demand. The settlor is excluded from benefiting from any growth on the bond. The settlor retains access to his original capital in the form of loan repayments, whilst all growth on the bond is immediately outside his estate. Neither the names of the beneficiaries nor their percentage shares can be changed in the future.

## Important Notes

This document should be read in conjunction with the main trust literature, and any relevant product brochure, which together with the policy document, sets out the terms and conditions of the contract. A written statement of all the policy terms and conditions of the products may be obtained from Friends Provident International on request.

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