

Why have a Trust?

Many people enter into arrangements involving the writing of a Trust, sometimes scarcely realising they have done so if it is bundled into an insurance policy or other packaged investment product, but for many others the notion of a Trust seems obscure and is perceived to be old fashioned, complicated or only relevant to be very wealthy as a tax dodging device.

Trusts come in a variety of different forms and may be appropriate for a variety of different situations.

They can achieve significant savings in Inheritance Tax and sometimes Capital Gains Tax but equally may be suitable for entirely non-tax reasons as a means of protecting assets for a younger generation while directing income to another person in the meantime.

In today's world with a high incidence of divorce, step-families and unmarried relationships as well as much longer life expectancy of dependent, disabled or chronically ill people, the need for secure and supportive financial provision with specified but diverse objectives has never been more relevant.

For mitigation of Inheritance Tax the most commonly used types of trust are the Nil Rate Band Discretionary Trust, the Bereaved Minors' Trust and the 18 – 25 years Trust. These involve the setting aside of a discrete fund either in lifetime or on death, which is earmarked for a group of potential beneficiaries but without giving any of them a vested entitlement until the trustees have determined who should benefit and to what extent. It is the ability to use the Nil Rate Band on the death of the first of a couple to die, without loss of access to those funds for the surviving spouse/family which creates the opportunity for substantial Inheritance Tax saving for middle income families.

Trusts have special tax provisions for Inheritance Tax, capital gains tax and income tax, which undoubtedly add to their complexity and specialist advice should be sought for creation of the trust documentation and all aspects of tax reporting. At Robson McLean we have the expertise and experience to guide you through the maze.