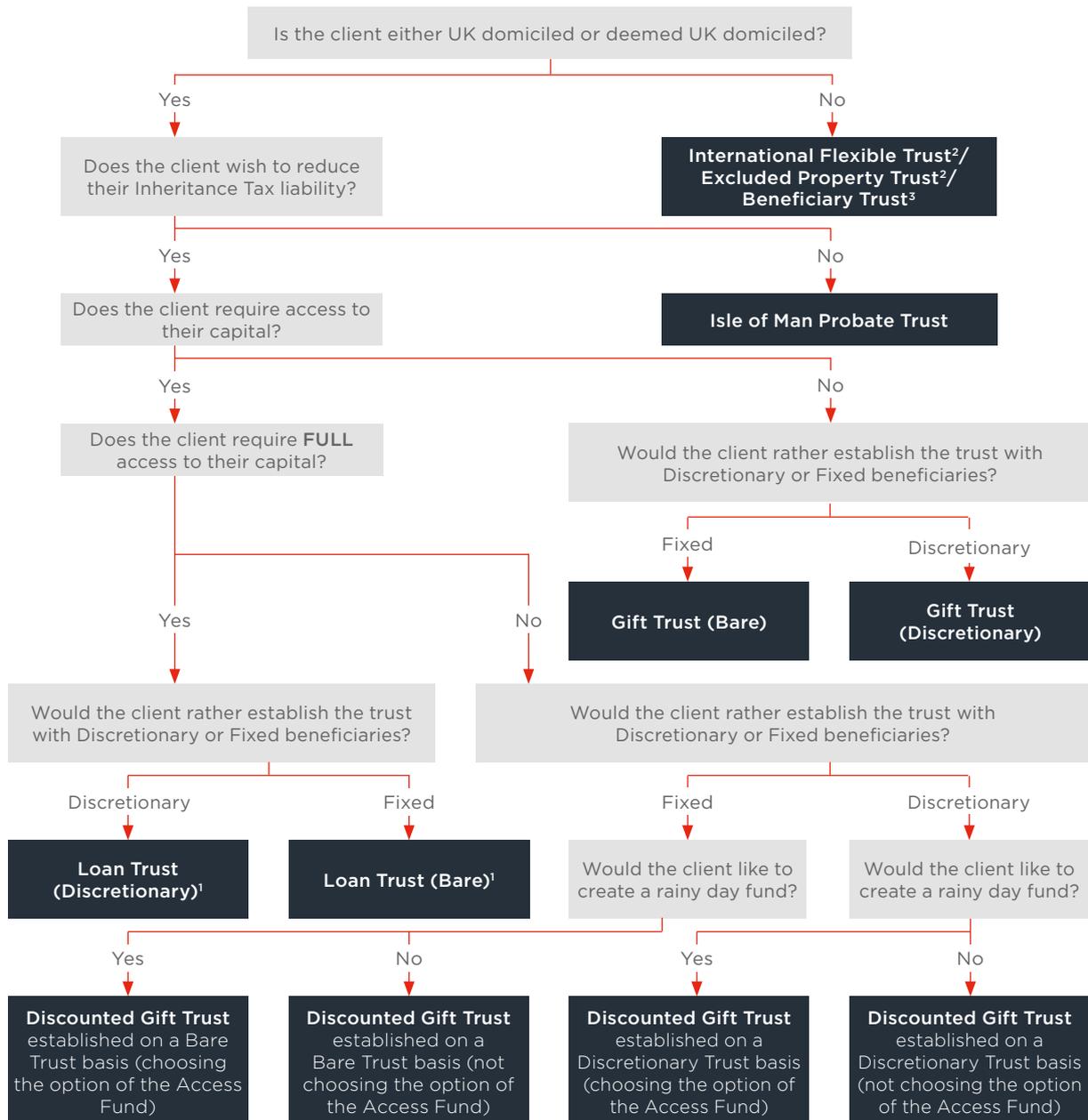


# WHICH TRUST? SINGLE PAYMENT PLANS



<sup>1</sup>Please note that the Loan Trust cannot be used for existing plans.

<sup>2</sup> Trust to be created during the settlor(s) lifetime.

<sup>3</sup> Trust to be created upon the death of the last surviving plan owner.

Name of trust	Purpose	Suitable for UK domiciled individuals?	Effective for Inheritance Tax planning?	Suitable for non UK domiciled clients?	Is the settlor a beneficiary?
<b>Isle of Man Probate Trust</b>	Purely to avoid Manx Probate when the plan owner dies.	Yes.	No.	Yes but they may prefer to use the International Flexible Trust to avoid the proceeds being paid back into their estate.	Yes they are the sole beneficiary.
<b>The Beneficiary Trust</b>	To nominate beneficiaries to receive policy proceeds after death.	It could be used in order to avoid Manx Probate and where the Settlor wishes to keep the policy in his name until death. However the policy would form part of the client's estate on death for Inheritance Tax purposes and it is important the client does appreciate that.	No.	Yes, especially if they wish to remain the sole owner of the policy during their lifetime.	No because the trust only comes into force upon the death of the Settlor.
<b>International Flexible Trust/ Excluded Property Trust</b>	Creates a trust for a wide class of beneficiaries including the settlor.	Definitely not because it is a chargeable transfer and a gift with reservation.	Only for clients who are currently non-UK domiciled but feel that in future they could become deemed UK domiciled. This is because the trust could be used as an Excluded Property Trust.	Yes. Both as a way of just creating a simple trust or to be able to use it as an Excluded Property Trust.	Yes. He is one of many potential beneficiaries.
<b>Loan Trust</b>	To gift the growth of a plan and retain access to capital.	Yes.	Yes in terms of the growth on the plan and because of the ability to be able to 'write off' the loan to make further gifts.	It could be but where an individual has no liability to UK Inheritance Tax, it makes no sense for them to establish such a trust.	No but they are entitled to repayment of the loan.
<b>Gift Trust</b>	To make a gift of the entire plan.	Yes.	Yes. The value of the entire plan would be outside of the settlor's estate after 7 years.	Only where the settlor is comfortable with gifting away all rights to access.	No.
<b>Discounted Gift Trust</b>	To make a gift subject to the settlor being able to retain an income for life.	Yes.	Yes. If the client died within 7 years of establishing the trust, the value of the gift for IHT purposes would be less than it would have been had an 'ordinary' Gift Trust been established.	It could be but where an individual has no liability to UK Inheritance Tax, it makes no sense for them to establish such a trust.	No. They are however entitled to an 'income' that has been carved out in the form of capital repayments.

## **IMPORTANT NOTES**

For financial advisers only. Not to be distributed to, nor relied on by retail clients.

Before proceeding with the establishment of any trust, please refer to our Guide to Trusts to ensure that the trust will achieve the client's objectives.

Please note that every care has been taken to ensure that the information provided is correct and in accordance with our current understanding of the law and HM Revenue and Customs (HMRC) practice.

You should note however, that we cannot take upon ourselves the role of an individual taxation adviser and independent

confirmation should be obtained before acting or refraining from acting upon the information given. The law and HMRC practice are subject to change. Legislation varies from country to country and the plan owner's country of residence may impact on any of the above.