# THE BENEFICIARY TRUST

## Introduction

This trust has been designed for plan owners who are non-UK domiciled and who want the plan's benefits to go to one or more beneficiaries in the event of death. Whilst there is nothing to prevent UK domiciled plan owners from also using the trust, it is important to understand that there would be no IHT planning advantages in doing so.

The Beneficiary Trust comes into being on the death of the 'Relevant Person'. The 'Relevant Person' is the person on whose death the benefits of the plan become payable. Where there are joint plan owners, the plan will not pass into trust until both owners are deceased. It is important to note however that where the plan is written on a joint life first death basis, the trust will not work because, on the death of the first life assured, the plan would simply pay out to the surviving plan owner.

The trust will be of particular interest to those individuals who want the plan to remain in their own name during their lifetime but would like the plan to pass into trust after their death. This will mean that, assuming at least one of the nominated trustees is still alive on the death of the last surviving plan owner the costs and delays associated with obtaining Isle of Man Probate would be avoided.

## How does it work?

When the sole or last surviving plan owner dies and this simultaneously brings the plan to an end by virtue of them also being the sole or last remaining life assured, then the proceeds of the plan may be paid to the trustees. Alternatively, assuming the beneficiaries are 18 or over and our requirements have been met in terms of obtaining satisfactory client and address verification we could make payment directly to the beneficiaries.

If the beneficiaries are under the age of 18, because the trust has powers of reinvestment, the proceeds of the plan could be reinvested under the terms of the trust until such time as the beneficiaries reach the age of 18.

Where the sole or last surviving plan owner dies and there is still a life assured in existence, the plan automatically passes into trust and is held by the trustees until such time as the trustees wish to distribute the trust fund either by surrendering or assigning the plan out of the trust to a beneficiary.

The trust can be revoked at any time leading up to the death of the last plan owner by the plan owner(s) simply writing to us and informing us that they no longer wish to use the trust or by completing a new Beneficiary Trust which would simply replace the previous version. This would be relevant where the plan owner(s) has a change of heart over his or her intended beneficiaries of the trust.

## 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 Regular Savings Plan with RL360 on a single life assured basis. His intention is to save regularly into the plan 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 plan will be classed as a 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 plan upon his death. The adviser explains that this may cause delays in terms of the proceeds of the plan 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 plan 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 plan is placed under trust, he will need to obtain the other trustees' signatures in order for any switch instructions to be effected.

RL360°

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 RL360 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 Regular Savings Plan application. He appoints his brothers as trustees of the plan and his son Vishay as the sole beneficiary.

Mahindra is reassured that should he die before his son has completed his further education, that the trustees will be able to use the proceeds of the Regular Savings Plan 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 plan 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

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

If the 'relevant person' is UK resident at the time of their death and they were the last remaining life assured on the bond, then any income tax liability would fall on that individual at his or her highest marginal rate. If the death of the UK resident 'relevant person' does not bring the plan to an end, then subsequently if the plan is 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.

Finally, please note that every care has been taken to ensure that the information provided is correct and in accordance with our understanding of current law and practice with Her Majesty's Revenue and Customs (HMRC) as at May 2019. You should note however, that we cannot take upon 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.