ESTATE PLANNING: TRUSTS

A trust is an arrangement whereby a person or persons (trustees) hold assets, as the owners, for the benefit of one or more beneficiaries.

Trusts allow you (the settlor) to put conditions on how and when your assets are distributed to beneficiaries. They are also a way of potentially reducing Inheritance Tax.

Most assets can be placed in trust, including property, investments and existing life assurance policies.

There are many types of trust available with each one being taxed differently. Common ones are:

- **BARE TRUST** - held in the name of the trustee, with beneficiaries having the right to the capital and income from age 18
- **INTEREST IN POSSESSION TRUST** - all income must pass to the beneficiary
- **DISCRETIONARY TRUST** - trustees can decide on distribution of income and capital

Provided the reason for setting one up is genuine, any assets placed in a discretionary or interest in possession trust are generally ignored by a local authority when financially assessing someone for long term care, though any capital or income received from the trust is taken into account.

Genuine reasons to place an asset in trust, include keeping long standing properties in estates and Inheritance Tax planning.

Only place assets in trust that will not be required as it may restrict your access to your money.

Trusts are useful if you need to keep control of your money beyond infirmity, and even death, perhaps due to family issues or as part of succession planning of a business.

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