



TRUST PLANNING

Trust planning is an important but sometimes overlooked part of organising people's financial affairs. In general terms, a Trust is designed to provide a legal instrument to control the way your assets are passed to others.

Although there are many types of Trusts, they all have broadly the same purpose – to detail your wishes for an asset. Certain Trusts can also aim to reduce the potential Inheritance Tax liability on your estate. Trusts can be complex and expert advice is essential.

How it works

The person who creates the Trust is the Settlor. They must be an adult of sound mind. The Settlor chooses who can benefit from the Trust, known as the Beneficiaries, and states how and when they can benefit from the gifted assets or death benefits. For a Trust to be effective for Inheritance Tax planning, the Settlor (and sometimes their spouse),

should not be a Beneficiary. The Trustees are the people chosen by the Settlor to administer the Trust and are the legal owners of the assets in the Trust. Trustees must also be adults of sound mind and must agree to administer the Trust for the benefit of the Beneficiaries. Usually it is best to appoint at least two Trustees, although in certain circumstances three or four may be preferable.

Trusts for controlling death benefits

Trusts can be used in conjunction with your Pension fund, Death in Service benefits from your employer or a Life policy which you have set in place. Trusts in these circumstances are generally

used to control the payout of funds on death to the appropriate person nominated or indeed different beneficiaries. The selection of Trustees is an important decision as they will need to carry out your wishes in the event of death. Sometimes a corporate Trustee may be nominated for your Pension or Death in Service benefits and in these circumstances, you should complete a Nomination of Wish form to ensure that your wishes are carried out.

In many cases, Trusts will not be for Inheritance Tax planning and will simply control who receives monies and when. On death, Trusts can be settled quickly and in most cases are not linked to your Estate and the associated Will. This means

monies can be paid out to your beneficiaries without the need for grant of probate or confirmation of estate which could avoid lengthy delays. It is essential to make sure any Trust planning has been set in place to ensure your wishes are carried out and if Inheritance Tax planning was part of the Trust objectives you need to make sure that the Trust has been set up in the correct manner to achieve your goals.

Planning for inheritance tax

Trusts are commonly used for Inheritance Tax planning with the aim to minimise the effect of the 40% tax charge on assets in excess of the current threshold (£325,000) on your death.



Transfers into most Trusts will be regarded as Chargeable Lifetime Transfers for Inheritance Tax purposes. This means if the total of all your Chargeable Lifetime Transfers (including those made in the previous seven years) is over the current threshold (£325,000) then a charge for Inheritance Tax may be payable when the Trust is set up.

Further Inheritance Tax charges may also arise on each ten-year anniversary of the Trust, and when capital is distributed from the Trust to the Beneficiaries. If you survive a Chargeable Lifetime Transfer by seven years, it will no longer be in your estate for Inheritance Tax purposes.

This has the potential to save 40% in Inheritance Tax. However, it is worth remembering that ongoing periodic tax charges may still occur depending on the type of Trust and the value of the Trust Assets in excess of the current nil rate band.

McCrea Financial Services are experts in Trust Planning and can advise on the most appropriate way to make gifts for Inheritance Tax planning and, more importantly, control any gifted asset in a way which meets your overall aims and objectives. Similarly, if you are simply looking to control death benefits, we can advise on the most cost effective and flexible way to control those assets.

There are many different types of Trust available and the selection of the appropriate solution can be complex.

Aside from potentially reducing an Inheritance Tax liability, Trusts have a number of benefits:

In summary:

- Trusts clearly define who can receive which assets and when
- Trusts offer flexibility and control
- Trusts allow for timely distribution of the assets

Why McCreas?

At McCreas, we pride ourselves on providing a first-class service to our clients, and making sure we're NOT just another firm of Independent Financial Advisers.

We are:

INDEPENDENT - not tied to any particular company, bank or insurance company. We are authorised and regulated by the Financial Conduct Authority.

PROFESSIONAL - the staff at McCreas have many years of experience and all McCreas employees have Personal Development Plans which include improving their technical knowledge through CII examinations.

COMMITTED - our business is all about you. Each client has a designated Independent Financial Adviser and support, allowing you to build a professional and personal relationship over the years.

A GREAT TEAM - dedicated professional advisers backed up by superb administrators with sophisticated systems, allowing us to provide you with top quality, personalised service.

We're proud to stand out from other firms

We actively encourage our staff to keep developing their skills, and were the first IFA in the UK to be awarded Gold Standard accreditation from Investors in People and one of the first to attain Platinum Standard.

When we look after your financial affairs, we're aware of how much trust you place in us and we want to repay that trust in valuable relationships that last decades, not just weeks.

We meet the majority of our new clients when they're referred to us by friends and family who have had good experiences with us.

We spend significant time and effort helping out in our communities. From running events and raising money for charities to sponsoring local sports and helping promising children achieve their goals, we go beyond window dressing to make a real impact.

McCrea Financial Services – For Every Stage of Life

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The Financial Conduct Authority does not regulate tax, trust and estate planning.