



WILLOW TREE
FINANCIAL SERVICES



A guide to acting as a trustee

“A trust is a legal instrument that enables someone to give away property in an efficient way. While a trust will often be used to make gifts of shares, cash, land and bricks-and-mortar property, in this case, it is being used to hold a life assurance policy for the benefit of beneficiaries nominated by the policyholder.”

“Ensuring that someone’s wishes are taken of is the biggest gift you can give to someone in the event of their passing.”

You have been chosen to act as trustee of a trust that has been created to administer a life assurance policy.

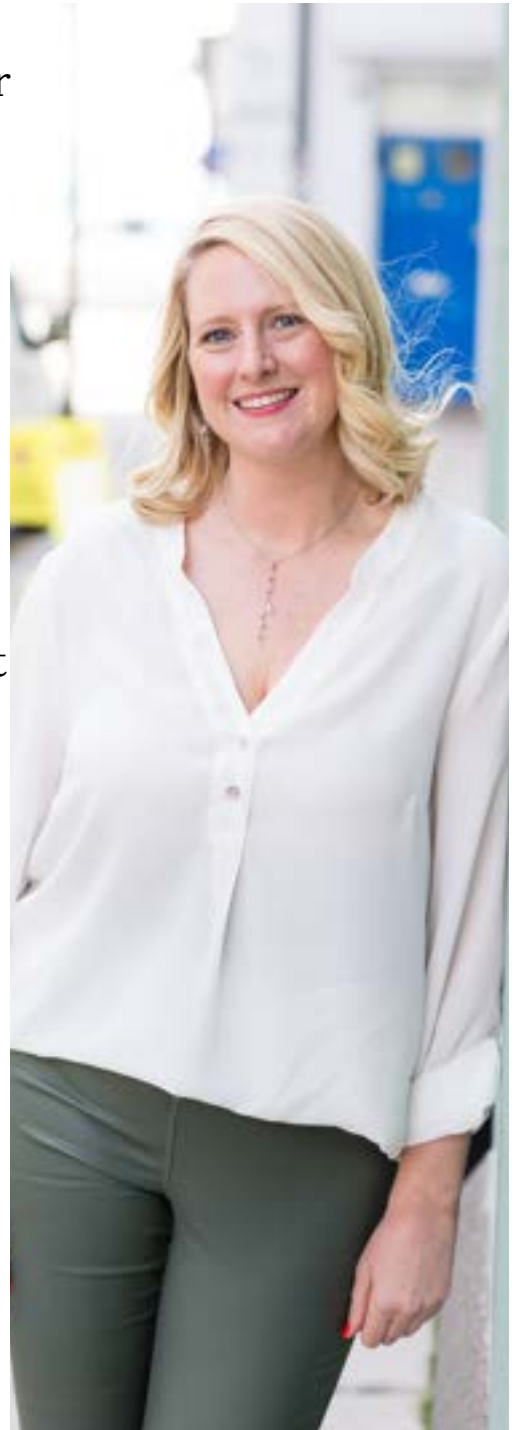
The role of a trustee isn’t a daunting one and shouldn’t take up much of your time.

However, you may have some questions and this guide aims to give you some answers.

At its simplest, a trust is a legal instrument that enables someone to give away money and assets in an efficient way.

While a trust will often be used to make gifts of shares, cash, land and bricks-and-mortar property, in this case, it is being used to hold a life assurance policy for the benefit of beneficiaries nominated by the policyholder.

I hope you find this guide helpful. If you have any questions along the way, please get in touch. We’re happy to help!



Rachael Panteney

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Let's talk
jargon!

There are three entities involved in creating a trust...

Beneficiary

The person or persons that you choose to benefit from the proceeds of your policy.

Settlor

The creator of the trust, which is the policyholder.

Trustee

Administrators of the trust; while the settlor is normally a trustee, it is sensible to appoint at least one further trustee.

Next: Why put a life assurance policy in a trust...

Why put a life assurance policy in a trust?

A trust helps to make sure that the right money goes to the right people at the right time. The key feature of a trust is that the policy holder no longer owns the asset held in the trust, their life assurance policy. This means that should the policyholder die the proceeds of the policy do not form part of their estate. This delivers two important benefits...

Avoid probate delays

Probate is the legal process that determines how a dead person's estate is distributed. The probate process, on average, takes between nine and twelve months to complete.

By placing a life assurance policy in a trust, the policyholder has transferred ownership to the trust. Because the trust now owns the policy there is no ownership issue to be decided by probate. This means the life assurance provider can pay the proceeds quickly to the trustees, who will pass the money to the nominated beneficiaries.

Avoid inheritance tax

Inheritance tax (IHT) is a tax due on the value of a dead person's estate once it passes a certain threshold. Currently, IHT is payable at the rate of 40% of the amount by which the estate exceeds £325,000.

By placing the life assurance policy in trust, the proceeds no longer form part of the estate. This means the trustees can distribute the proceeds of the policy with no liability to IHT.

As settlor, the policyholder is normally a trustee, but it is sensible to appoint additional trustees, which is why you've been nominated. It is usual to appoint at least two trustees at outset. You can retire as a trustee if you no longer wish to continue. If at any time only one trustee remains, a further trustee should be appointed. You don't need any special qualifications to be a trustee other than being over 18 and of sound mind.

Next: Your duties as a trustee...

Your duties as a trustee

You and any other trustees are the legal owners of the policy. Therefore, you are responsible for administering the trust and its assets. This means deciding who benefits from any funds in the trust and when.

When a life assurance policy is the only asset of the trust, funds will only ever exist if the policyholder dies. If this happens, your duties as a trustee usually extend to nothing more than passing on the policy proceeds to the trust's nominated beneficiaries. The life assurance provider will require written instructions from all the trustees before paying the proceeds.

However, if any of the beneficiaries are young children, the proceeds stay in the trust until they are 18. In this event, you and any other trustees become responsible for investing the trust assets until the trust can distribute the assets to the beneficiaries.

Certain further trustee duties exist under law.

Duty to preserve the trust assets

Although you don't need any special skills or knowledge to perform your role as trustee, you must ensure, when required, that you invest the trust assets appropriately. This will probably involve seeking professional investment advice.

Duty to treat all beneficiaries fairly

You must administer the trust assets for the benefit of all beneficiaries. You must not favour one beneficiary over another unless the trust expressly allows you to do so.

Your trusteeship is a not-for-profit role

As a non-professional trustee, the law prevents you from profiting personally from acting as a trustee. This means you cannot receive any form of payment for your activities as a trustee.

Next: Get support from our team...



Get support available from our team

Financial Planning, Budgeting and Goals

Mortgages

Pensions Planning and Investments

Retirement Planning

Protection and Insurance

Wills, Trusts and Estate Planning

Whether you are a first time buyer, starting your first full time job, planning a family, going through a separation or divorce, wanting to reduce your debt, want to set financial goals, taking care of loved ones or planning for a fulfilling retirement - we are here to help you navigate through the jargon, make light of your individual circumstances and options, and ensure your financial wellbeing is as healthy as it can be.

Please get in touch if you'd like an initial consultation or visit our website to find out more.

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**With our distinctive approach we'll help you
put down roots, grow strong branches and
reach for the financial sunlight.**

I hope you have found this guide informative. If you would like further information in how we can help you in developing a resilient plan in all areas of your finances, please contact us.

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