

# RL360 TRUSTS FAQS



When a plan is transferred into Trust, it's important to understand if there are any restrictions or differences as to how the administration of the plan would operate as opposed to it not being in Trust. This document covers some of the main areas where questions may arise. For the avoidance of doubt, once a plan has been transferred into Trust, the Trustees are the legal owners, not the individual(s) who settled the property into trust. Below are frequently asked questions for each of the draft trust deeds offered by RL360.

## **BENEFICIARY TRUST**

### **Which RL360 products can this trust be used with?**

All single and regular premium products.

### **Can withdrawals be taken from a plan held in this Trust?**

Yes in accordance with the plan terms and conditions.

### **Who can the withdrawals be paid to?**

This Trust does not determine who withdrawals can be paid to, this is stated within the plan's terms and conditions.

### **Can additional premiums be paid into the plan?**

Yes.

### **Can the plan be assigned back to the Settlor?**

As the Trust does not exist until the plan owner's death, the Trust does not impose any restrictions during the plan owner's lifetime.

### **Can the plan be assigned to a Beneficiary?**

As the Trust does not exist until the last plan owner's death, the Trust does not impose any restrictions during the plan owner's lifetime.

### **Does the plan come to an end upon the Settlor's death?**

If the plan is written on a Life Assured basis and the Settlor is the last Life Assured to die then the plan will come to an end. Plans with a surviving life assured are able to continue.

Plans written on a Capital Redemption (CR) basis can continue for a maximum of 99 years or until it is surrendered.

### **Who can receive the death benefit if the Settlor dies and the plan comes to an end?**

This is determined by the Trustees in accordance with the terms of the Trust.

### **Will Isle of Man probate be avoided?**

Yes.

## **ISLE OF MAN PROBATE TRUST**

### **Which RL360 products can this trust be used with?**

All single and regular premium products.

### **Can withdrawals be taken from a plan held in this Trust?**

Yes in accordance with the plan terms and conditions.

### **Who can the withdrawals be paid to?**

Withdrawals can only be paid to the Settlor(s).

### **Can additional premiums be paid into the plan?**

Yes.

### **Can the plan be assigned back to the Settlor?**

Yes. It can't be assigned to anyone other than the settlor(s).

### **Can the plan be assigned to a Beneficiary?**

The Settlor(s) is the only Beneficiary.

### **What is the UK tax treatment on the creation of the Trust?**

As assets remain in the Settlor's estate, there is no transfer of value for UK inheritance tax.

### **Does the plan come to an end upon the Settlor's death?**

If the plan is written on a Life Assured basis and the Settlor is the last Life Assured to die then the plan will come to an end. Plans with a surviving life assured are able to continue.

Plans written on a Capital Redemption (CR) basis can continue for a maximum of 99 years or until it is surrendered.

### **Who can receive the death benefit if the Settlor dies and the plan comes to an end?**

This is determined by the Trustees.

### **Will Isle of Man probate be avoided?**

Yes.

## **LOAN TRUST**

### **Which RL360 products can this trust be used with?**

All single premium products. Cannot be used on an existing plan.

### **Can withdrawals be taken from a plan held in this Trust?**

Yes in accordance with the plan terms and conditions.

### **Who can the withdrawals be paid to?**

Withdrawals are paid out as per the trust deed agreement.

### **Can additional premiums be paid into the plan?**

Yes. These could be additional loans.

### **Can the plan held in this Trust be assigned back to the Settlor?**

No.

### **Can the plan be assigned to a Beneficiary?**

Yes.

### **What is the UK tax treatment on the creation of the Trust?**

As the settlor is only gifting any future growth, there is no transfer of value for inheritance tax.

### **Can the outstanding loan amount be waived?**

Yes. The settlor is able to waive their rights to some or all of the outstanding loan.

The amount of the loan that is waived will either create a Chargeable Lifetime Transfer (CLT) if set up on a discretionary basis or a Potentially Exempt Transfer (PET) if set up on a bare basis.

### **Does the plan come to an end upon the settlor's death?**

If the plan is written on a Life Assured basis and the Settlor is the last Life Assured to die then the plan will come to an end. Plans with a surviving life assured are able to continue.

Plans written on a Capital Redemption (CR) basis can continue for a maximum of 99 years or until it is surrendered.

### **What happens to any outstanding loan repayment when the settlor dies?**

If the outstanding loan is not needed to settle any estate debts, it will pass to the individual(s) named in the settlor's will. The estate beneficiaries can demand repayment of the loan from the trustees.

In the absence of a specific will/codicil provision, the loan entitlement will pass into the residue of the estate.

### **Who can receive the death benefit if the Settlor dies and the plan comes to an end?**

This is determined by the Trustees.

### **Will Isle of Man probate be avoided?**

Yes.

## **GIFT TRUST**

### **Which RL360 products can this trust be used with?**

All single and regular premium products.

### **Can withdrawals be taken from a plan held in this Trust?**

Yes in accordance with the plan terms and conditions.

### **Who can the withdrawals be paid to?**

This is determined by the Trustees, however they cannot be paid to the settlor(s) or such other persons excluded by the Trust.

### **Can additional premiums be paid into the plan?**

Yes.

### **Can the plan be assigned back to the Settlor?**

No.

### **Can the plan be assigned to a Beneficiary?**

Yes.

### **What is the UK tax treatment on the creation of the Trust?**

This Trust type will create a Chargeable Lifetime Transfer (CLT) if set up on a discretionary basis or a Potentially Exempt Transfer (PET) if set up on a bare basis.

### **Does the plan come to an end upon the Settlor's death?**

If the plan is written on a Life Assured basis and the Settlor is the last Life Assured to die then the plan will come to an end. Plans with a surviving life assured are able to continue.

Plans written on a Capital Redemption (CR) basis can continue for a maximum of 99 years or until it is surrendered.

### **Who can receive the death benefit if the Settlor dies and the plan comes to an end?**

This is determined by the Trustees.

### **Will Isle of Man probate be avoided?**

Yes.

## **DISCOUNTED GIFT TRUST (DGT)**

### **Which RL360 products can this trust be used with?**

All single premium products.

### **Can withdrawals be taken from a plan held in this Trust?**

Yes in accordance with the plan terms and conditions.

### **Who can the withdrawals be paid to?**

Withdrawals can generally only be paid to the Settlor(s) as specified at outset. The Trustees can also make payments to Beneficiaries during the Settlor's lifetime so long as the Trust fund is sufficient and the payment does not impact on the Settlor's rights.

### **Can withdrawals be stopped, varied or cancelled?**

No. During the settlor's lifetime it is not possible to stop or vary the withdrawals.

### **Can additional premiums be paid into the plan?**

Yes. Additional underwriting will be required where the transfer to the Trust is to be discounted.

### **Can the plan be assigned back to the Settlor?**

No.

### **Can the plan be assigned to a Beneficiary?**

Yes. But only after the death of the Settlor(s).

### **What is the UK tax treatment on the creation of the Trust?**

This is dependent on the version of the Trust chosen. A Chargeable Lifetime Transfer (CLT) is created if set up on a discretionary basis and a Potentially Exempt Transfer (PET) is created if set up on a bare basis.

### **What happens when the settlor dies?**

When we are informed of the settlor's death, the withdrawal being paid to the settlor will be cancelled.

### **Does the plan come to an end upon the Settlor's death?**

If the plan is written on a Life Assured basis and the Settlor is the last Life Assured to die then the plan will come to an end. Plans with a surviving life assured are able to continue.

Plans written on a Capital Redemption (CR) basis can continue for a maximum of 99 years or until it is surrendered.

### **Who can receive the death benefit if the Settlor dies and the plan comes to an end?**

This is determined by the Trustees.

### **Will Isle of Man probate be avoided?**

Yes.

## **INTERNATIONAL FLEXIBLE TRUST/EXCLUDED PROPERTY TRUST**

### **Which RL360 products can this trust be used with?**

All single premium products.

### **Can withdrawals be taken from a plan held in this Trust?**

Yes in accordance with the plan terms and conditions.

### **Who can the withdrawals be paid to?**

Withdrawals can be paid to anyone who is a Beneficiary.

### **Can additional premiums be paid into the plan?**

Yes. However, care needs to be taken not to add to the trust, once an individual has become 'deemed UK domiciled' for UK inheritance tax purposes (i.e. been resident in the UK for 15 out of the last 20 tax years). In addition, if an individual is a Formerly Domiciled Resident 'FDR' then they should ensure they fully understand the tax implications as the trust could lose its Excluded Property status for IHT purposes and now be subject to IHT if the settlor is an FDR and UK tax resident for at least one of the two previous tax years (i.e. an individual born in the UK with a UK domicile of Origin and is UK resident may be treated as an FDR which could impact the IHT status for an Excluded Property Trust they established whilst overseas).

### **Can the plan be assigned back to the Settlor?**

Yes.

### **Can the plan be assigned to a Beneficiary?**

Yes.

### **What is the UK tax treatment on the creation of the Trust?**

This Trust type should only be used by non-UK domiciled persons otherwise it would create a Chargeable Lifetime Transfer (CLT).

### **Does the plan come to an end upon the Settlor's death?**

If the plan is written on a Life Assured basis and the Settlor is the last Life Assured to die then the plan will come to an end. Plans with a surviving life assured are able to continue.

Plans written on a Capital Redemption (CR) basis can continue for a maximum of 99 years or until it is surrendered.

### **Who can receive the death benefit if the Settlor dies and the plan comes to an end?**

This is determined by the Trustees.

### **Will Isle of Man probate be avoided?**

Yes.

## **IMPORTANT INFORMATION**

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) at September 2021. You should note however, that we cannot take on 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.