Friends Provident International

International Flexible Trust

How does it work?

The International Flexible Trust is designed to assist non-UK domiciled policy owners with their succession planning objectives.

The client can submit the International Flexible Trust deed which nominates the trustees and appoints the potential beneficiaries/classes of beneficiaries.

Once assigned into the trust, all trustee signatures will be required for any instructions to Friends Provident International (this includes any changes to the policy and any withdrawals or surrender requests).

As the client is a potential beneficiary, subject to the trustees agreement, the client can have access to the monies from the policy.

With the trust being flexible, this gives the trustees the power to appoint monies to any of beneficiaries. This can be particularly useful for succession planning purposes, as the beneficiaries chosen could be the same as specified in the client's will.

Upon the client's death, Isle of Man probate would then be avoided.

Issues for Consideration

- The trust is not suitable for someone who is UK domiciled, as the trust has a wide class of beneficiaries (of which the Settlor is one) and it would therefore be a Gift with Reservation. It would also form part of the client's estate for UK inheritance tax purposes.
- The International Flexible Trust can be used with a new application for a Friends Provident International policy, or with an existing Friends Provident International policy. However, this cannot be used where the existing policy is owned by a company or a trust.
- If it is decided at a later date that client no longer wishes to have the policy in the trust, then the trustees can assign the ownership of the policy back to the client.
- After the death of the client, if there are surviving lives assured, or the policy is written on a capital redemption basis, the trustees can assign the ownership of the policy to a beneficiary aged 18 or over.

Case study

James Jones took early retirement in 2012 and moved to Thailand where he bought an apartment. After the death of his wife in January 2013 he cut all links with the UK and has received legal advice that his UK domicile of origin has been replaced by a domicile of choice in Thailand.

He intends to reside in Thailand for the rest of his life. His son John is resident in Canada and his daughter Liz is resident in Australia. He expects to visit both his son and daughter from time to time but expects them to visit him on a regular basis.

James has £200,000 to invest into a Friends Provident International insurance based product. He would like to receive £6,000 annually to supplement his pension income and needs £2,000 - £3,000 from time to time to fund trips to Canada and Australia.

His financial adviser recommends that he invest in a Friends Provident International insurance based product. James, John and Liz are the lives assured. James intends that, on his death, his assets are passed to John and Liz in equal shares. However, he does not want to make substantial gifts to them during his lifetime. He would be happy that, following his death, some of his wealth passed to his grandchildren rather than to his children.

He is keen to avoid all unnecessary costs and, on his financial adviser's suggestion, arranges to establish an International Flexible Trust to hold the policy. This will avoid the administrative costs and delay (particularly those associated with obtaining Isle of Man probate) which would otherwise be incurred on his death.

Important Notes

The information contained in this document is based on our current understanding of the law and HM Revenue and Customs (HMRC) practice as at November 2023. Friends Provident International does not provide tax or legal advice. Anyone using this document or relying on the information contained within it, should ensure that they are appropriately advised before they decide to use it or not. Friends Provident International cannot be responsible for any unintended consequences as a result of using this document or the information contained within it.