

Trust Pack

Important notes

The Discretionary Gift Trust is a discretionary trust. This means that there is complete flexibility for beneficiaries to be changed if required. For Inheritance Tax (IHT) purposes the trust will be treated as a 'relevant property' settlement and the following is our understanding of the tax consequences of creating such a settlement:

- The initial gift is a Chargeable Lifetime Transfer (CLT) by the investor (i.e. the Settlor). To the extent that it, together with other CLTs in the last seven years, exceeds the current Nil Rate Band (NRB), there will be an immediate IHT charge at 20% on the excess. No IHT will arise if the transfer does not cause the Settlor to exceed his or her NRB. The transfer for these purposes will be the amount of the premium paid to the bond.
- There is a potential liability to a periodic charge of up to a maximum of 6% of the trust fund on every ten-year anniversary.
- There is a potential liability to an exit charge up to a maximum of 6% when capital leaves the trust.
- The trust fund will not form part of the beneficiary's(ies)' estate.

Any potential periodic charge would apply to the trust fund at the ten year anniversary. Assuming that the Settlor made no chargeable transfers in the seven years before or at the time he created the trust, there will only be an IHT charge if the value of the trust fund exceeds the NRB at the time of any potential charge.

In all cases, investors should seek their own financial and legal advice regarding the taxation implications of a particular arrangement or course of action, and to ensure that the use of a particular trust is suitable for their personal circumstances.

HM Revenue & Customs (HMRC) Reporting

(i) Creating the Trust

It is currently a legal requirement for any CLTs that cause the Settlor to exceed certain thresholds to be reported to HMRC. In respect of the transfer of a life policy to the Discretionary Gift Trust, if the creation of the Trust causes the Settlor to exceed his NRB (taking account of the lifetime chargeable transfers made in the previous seven years), the transfer is reportable using Revenue forms IHT 100, IHT100a and D34. These forms are available on the HMRC website at www.hmrc.gov.uk

(ii) Periodic/exit charges

An IHT charge can arise on the trust every ten years (periodic charge) or when assets leave the trust (exit charge). The occasion of a periodic charge or exit charge also needs to be reported even if no IHT liability arises unless, in broad terms, the total of:

- the value of the trust fund at the ten-year anniversary
- all capital withdrawals in the previous ten years and
- the chargeable transfers made by the settlor in the seven years before he/she established the trust does not exceed 80% of the then NRB. The forms to use here, when relevant, are IHT 100c and d.

Introduction

Friends Provident International policies are written under the law of the Isle of Man and, regardless of the place of residence of the policyholder, are Isle of Man assets. The political and economic stability of the Isle of Man make it a secure environment for their assets.

The Discretionary Gift Trust gives the Settlor the ability to gift a policy to a trust to be held for the benefit of a nominated beneficiary(ies) and at the same time reduce exposure to UK IHT. The Settlor is specifically excluded from beneficial entitlement, making the gift an effective means of estate reduction.

The Discretionary Gift Trust will be suitable where IHT planning is the principal objective and the Settlor is able to forego access to trust assets completely. Being excluded as a beneficiary means that the Settlor will have no recourse to the policy or other assets representing it once it is within the trust.

This draft is provided for consideration by the settlor and their legal adviser and Friends Provident International recommends legal advice is taken before taking or refraining from a particular course of action. In particular, Friends Provident International does not accept legal responsibility for the efficacy or tax consequences of the draft trust wording.

The information in this document is based on Friends Provident International Limited's (Friends Provident International) understanding of UK tax law and HMRC practice as at May 2015 and is therefore relevant for UK resident/domiciled investors.

Discretionary Gift Trust – a guide to the stages involved

Stage 1

The Settlor(s) complete(s) an Investment Bond Application Form.

Checklist

The Applicant is the Settlor.

Signed investment instructions must be given and a Personal Charges Illustration obtained.

Important: Each Settlor must provide us with a certified copy of his or her passport or national identity card together with an original or certified copy of a utility bill (or bank statement, employer's letter) verifying their residential address.

Stage 2

The Applicant completes the Discretionary Gift Trust – Trust Deed (page 4)

Checklist

The Settlor may or may not be included as a Trustee.

The Trust Deed must be left undated.

The Settlor(s) and all Trustees must sign the document in the presence of an independent witness, who must also sign.

Important: Each Trustee must provide us with a certified copy of his or her passport or national identity card together with an original or certified copy of a utility bill (or bank statement, employer's letter) verifying their residential address.

Stage 3

After completion, **ALL** the following items must be forwarded to Friends Provident International:

- Investment Bond Application Form.
- Personal Charges Structure Illustration.
- Method of payment details.
- Discretionary Gift Trust – Trust Deed (page 4).
- A certified copy of a passport or national identity card in respect of the Settlor(s) and each Trustee, together with an original or certified copy of a utility bill (or bank statement, employer's letter) from the Settlor(s) and each Trustee verifying their residential address.

Stage 4

When Friends Provident International receives the premium, it is invested according to the Applicant's investment instructions and the policy is issued.

Important: The following steps take place at least one business day after Friends Provident International has issued the policy.

- The Trust Deed will be dated by Friends Provident International.
- Friends Provident International will insert the policy number in the Trust Deed.
- Friends Provident International will assign the policy into trust.

Discretionary Gift Trust – Declaration of Trust

1 Declaration of Trust

This is the date the Trust will take effect and should not pre-date the policy commencement date. For new applications, please leave blank – the date will be added by Friends Provident International.

The name of the policyholder(s) should be inserted here. The policyholder(s) will be the Settlor(s) of the Trust.

Trustees

The Settlor is automatically included as a Trustee unless the appropriate deletion is made here*.

If the Settlor is NOT to be a Trustee, please delete 'THE SETTLOR and'.

The names and addresses of the Additional Trustees should be inserted here. Please also note proof of identity will also be required for all Trustees, i.e. passport, plus confirmation of each Trustee's residential address, i.e. utility bill.

This Deed of Trust is made on the day of 20

Between

of

and

of

(hereinafter called 'the Settlor' which term if there is more than one person shall refer to both persons) of the one part and

THE SETTLOR and*

(i)

of

and (ii)

of

of

and (iv)

of

(*the Original Trustees') of the second part.

WHEREAS the Settlor is the absolute beneficial owner of the Policies detailed in the First Schedule to this Trust ('the Policies') and the Settlor being desirous of transferring the Policies into Trust hereby declares that from the date first before written the Trust Fund shall be held by the Original Trustees ('the Trustees') together as Trustees of the Trust set out below:

2 Definitions

In the Trust set out below and in the above Declaration the following terms where the context admits have the following meaning:

- (i) The 'Appointor' means whichever of the following definitions is indicated by the initials of the Settlor in the appropriate box:
- (a) The Trustees (as defined in (vi) below)
- or
- (b) The Settlor(s) during his lifetime (and where two persons are the Settlor both of them during their joint lifetime and then the survivor) and thereafter the Trustees
- But provided any person whose name is added as a Beneficiary(ies) under Part 2(ii)(e) below shall not include the Settlor
- (ii) 'Potential Beneficiaries' means:
- (a) any person to whom the Settlor shall be or shall have been married and any widow or widower of the Settlor provided however that it shall not be possible for a person who is also a Settlor or is a spouse or widow/widower of a Settlor who makes any premium payments under the Policies subject to this Trust to be a Beneficiary in this class. The term 'spouse' also includes a civil partner under the UK Civil Partnership Act 2004 for UK-domiciled individuals;
- (b) any children of the Settlor or either of them whenever born;

Discretionary Gift Trust – Declaration of Trust (continued)

2 Definitions (continued)

- (c) any grandchildren or remoter issue of the Settlor or either of them whenever born;
- (d) any person to whom any beneficiary in classes (b) or (c) shall be or shall have been married;
- (e) any other person other than the Settlor whose name has been notified to the Trustees in writing by the Settlor during his lifetime/their joint lifetime or the lifetime of the survivor of them as being a person he wishes/they wish the Appointor to consider as a possible recipient of the Trust Fund or part thereof;
- (f) any one or more of the persons other than the Settlor beneficially entitled under his will/either of their wills or in accordance with the rules relating to intestacy to any interest in his estate/their estates;
- (g) any person named in Part 2(iii) below;

Insert in (h) the details of any other person (not covered by the above classes, for example a charity) you wish to include as a potential beneficiary. Do not include the name of the Settlor(s). If a charity is included here, care should be taken to specify the correct name of that charity.

Enter the name(s) of the people you would like to receive the benefit if you were to die today and the relevant percentages.

Please do not leave blank.

(h) Name

Date of birth

Address

- (iii) 'Default Beneficiaries' means the one or more persons named in the boxes below.

FULL NAME(S) OF BENEFICIARY(IES) (in block capitals)

Name

Date of birth

Address

Share %

Name

Date of birth

Address

Share %

Name

Date of birth

Address

Share %

Name

Date of birth

Address

Share %

Discretionary Gift Trust – Declaration of Trust (continued)

2 Definitions (continued)

- (iv) The 'Company' shall mean Friends Provident International.
- (v) A person who has been adopted (whether adopted before or after the date hereof and under any system of law) shall be treated for all the purposes of this deed as the child of his or her adoptive parent or parents.
- (vi) 'Trustees' means the Original Trustees and all other Trustees for the time being who has or have been appointed in accordance with the terms hereof.
- (vii) 'Trust Fund' means the Policies together with all the benefits and all money or monies payable thereunder including any accrued income and all assets for the time being representing the same.
- (viii) 'This Trust' means the trust powers and provisions which are constituted by this document.
- (ix) Where the context permits, words importing the singular shall include the plural, the masculine shall include the feminine, and vice versa.
- (x) 'Trust Period' means the period of one hundred and fifty years from the date hereof which period and no other shall be the perpetuity period for the purposes of this Trust.

3 The Trust

NOW THIS DECLARATION OF TRUST WITNESSES as follows:

- (i) The Settlor HEREBY ASSIGNS the Policies the full benefit thereof and all moneys assured thereby to the Trustees to hold for the Trust Period subject to the trusts and powers and provisions set out below from the date first before written.
- (ii) During the Trust Period the Appointor shall have power by deed or deeds revocable (whether by the person(s) making the deed or some other person(s)) during the Trust Period or irrevocable to appoint the whole or any part or parts of the Trust Fund and the income thereof for such one or more of the Beneficiaries in such one or more shares and for such interests and subject to such trusts powers and provisions (including protective trusts discretionary trusts or powers operative or exercisable at the discretion of the Appointor or any other persons) as the Appointor shall in his absolute discretion think fit Provided Always that no such appointment shall infringe the rule against perpetuities where this is relevant or affect the entitlement of any person to any payment made or asset transferred to him. Provided also that where the Appointor is the Trustees no appointment shall be made in favour of a Beneficiary who is one of the Trustees unless there is at least one other Trustee who does not benefit directly or indirectly from the appointment.
- (iii) Subject to any exercise of the power of appointment conferred by paragraph (ii) of this Part 3:
 - (a) The Trustees may accumulate the whole or part of the income of the Trust Fund during the Trust Period. Such income shall be added to the Trust Fund.
 - (b) The Trustees shall pay or apply the remainder of the income to or for the benefit of such of the Beneficiaries as the Trustees think fit during the Trust Period.
- (iv) Subject to any exercise of the power of appointment conferred by paragraph (ii) of this Part 3, during the Trust Period:
 - (a) The Trustees shall have power to pay transfer or apply the whole or any part or parts of the capital of the Trust Fund as they in their absolute discretion think fit to or for the benefit of any Beneficiary entitled to such whole or part.
 - (b) The Trustees shall have power to lend with or without security to any Beneficiary the whole or any part of the Trust Fund upon such conditions as to interest (if any) and repayment and generally upon such terms as the Trustees in their absolute discretion think fit Provided Always that any such loan must be repayable before the end of the Trust Period.
- (v) Subject to the preceding trusts and to any exercise of the powers conferred above the Trustees shall at the end of the Trust Period hold the Trust Fund upon trust for such of the Default Beneficiaries as are living at the end of the Trust Period and if more than one in the shares shown in Part 2 (iii) and if no shares are shown in equal shares.
- (vi) Subject as above and to any or every exercise of the Trustees' powers the Beneficiaries' Fund and its income so far as not otherwise disposed of shall be held in trust for the Default Beneficiaries in equal shares absolutely.
- (vii) For the avoidance of doubt, the Settlor (or either of them) shall not be able to benefit in any way from the Trust Fund.

Discretionary Gift Trust – Declaration of Trust (continued)

4 Additional powers

- (i) During his lifetime the Settlor shall have full power to remove a Trustee (and where two persons are the Settlor this power shall be exercised by them jointly during their lives and thereafter by the survivor) by delivering to such Trustee thirty days written notice of such removal at the expiry of which notice the Trust Fund shall be transferred to the remaining Trustees. The Settlor cannot exercise this power unless after such removal there remains at least two individual Trustees, or a trust corporation.
- (ii) The power to appoint new or additional Trustees shall vest in the Appointor.
- (iii) The Settlor shall have the power to remove by deed any Beneficiary (and where two persons are the Settlor this power shall be exercised by them jointly during their lives and thereafter by the survivor) from the class of Beneficiaries listed in paragraph 2(ii) above provided that at least one Beneficiary shall remain after such removal and Provided Always that any such deed shall not affect the entitlement of any person so removed to any benefit previously conferred on him.

5 Administrative powers of the Trustees

The Trustees shall have the following powers in addition to the power conferred on them by law:

- (i) The Trustees may exercise full powers of dealing with the Policy and any other assets for the time being held in trust including full powers of borrowing with or without security and full power to surrender or convert the Policy to a paid up assurance in all respects as if they were the absolute beneficial owners thereof.
- (ii) The Trustees shall have the right to recover receive or to give valid receipts for all monies due or to become due under the Policy so that the receipt by the Trustees of any monies payable under or deriving from any dealing with the Policy shall be a full and sufficient discharge to the Company who shall not be concerned to see to the application of any such monies.
- (iii) Any monies for the time being representing the Trust Fund or under the control of the Trustees may without derogating from any other provision of the trusts hereof be invested or applied in the purchase of or at interest upon the security of such stocks, funds, shares, securities or other investments or property of whatsoever nature and wheresoever situate and whether producing income or not including investment in policies of life assurance and including the purchase or improvement of real property anywhere in the world for use as a residence and whether involving liability or not or upon such personal credit with or without security as the Trustees may in their absolute discretion think fit to the extent that the Trustees shall have the same full and unrestricted powers of investing and varying investments (including the power to sell investments and reinvest the proceeds) in all respects as if they were absolutely and beneficially entitled thereto.
- (iv) The Trustees shall have power revocably to delegate any power or powers of making managing realising or otherwise dealing with any investment comprised in the Trust Fund to any person or persons upon such terms as to remuneration or otherwise as the Trustees may think fit and no Trustee shall be responsible for the default of any such agent if the Trustees in question employed or incurred expense in employing him in good faith.
- (v) The Trustees shall at their absolute discretion have power to pay to the parent or either parent or any guardian of any minor any sum of income to be applied for the maintenance or education or benefit of that minor or any sum of capital to be applied for the advancement or benefit of that minor. The receipt of such parent or parents or guardian shall be a complete discharge to the Trustees without the Trustees being in any way obliged to see into the application of such monies. It shall not however be possible for this power to be exercised if, for the purposes of Section 102 of and Schedule 20 to the Finance Act 1986 of the Parliament of the United Kingdom (or any like succeeding provision) the Settlor will have reserved a benefit under this Trust and not been entirely excluded therefrom.
- (vi) Any Trustee other than the Settlor, who shall be an advocate or accountant or engaged in any profession or business including any company which is a Trustee shall be entitled to and be paid all usual and proper professional and other reasonable charges for any business or work done by it, him or his firm or his company in relation to the trusts hereof. In addition to any such charges as aforesaid the Trustees including any company which is a Trustee, any firm of which such Trustee is a partner, and any subsidiary, associated or parent company of such Trustee or in which such Trustee is interested whether as an officer or shareholder shall be entitled to retain beneficially any brokerage, commission, fee, or remuneration payable directly or indirectly to him or it, in respect of any work done or advice given in relation to the trusts hereof or in advising or working for the Beneficiaries or other Trustees in any other capacity. Provided however that where the Settlor is a Trustee no such entitlement shall vest in them or in any company in which they have shares or firm in which they are partners or company or partnership from which they receive any remuneration or payment whatsoever.

Discretionary Gift Trust – Declaration of Trust (continued)

5 Administrative powers of the Trustees – continued

- (vii) In the professed execution and administration of the trusts hereof no Trustee shall be liable for any loss to the Trust Fund arising by reason of any investment made in good faith or by reason of any mistake or omission made in good faith by any Trustee hereof or by reason of any other matter or thing except wilful and individual fraud or wrong doing on the part of the Trustee who is sought to be made liable.
- (viii) In the event of any duties fees or taxes including without prejudice to the generality of the foregoing any probate succession estate gift capital transfer inheritance income or other duties fees or taxes being or becoming legally payable by the Trustees in any part of the world in respect of the Trust Fund or income or any part thereof to pay at their absolute discretion such duties fees and/or taxes out of the Trust Fund or out of the Income to the extent that such duties fees or taxes are properly payable out of the Trust Fund or as the case may be the Income notwithstanding that such duties fees or taxes or some part thereof are not or may not be recoverable from the Trustees by legal process and notwithstanding that payment of such duties fees or taxes may be prejudicial to one or all of the Beneficiaries.

This Trust shall be irrevocable and shall be governed by and construed in accordance with the law of the Isle of Man and the parties submit to the non-exclusive jurisdiction of the Manx courts.

First Schedule – The Policies

Insert here the plan name(s) and numbers(s) and all Policies.

Insert here the Plan name(s) and numbers(s) of all Policies which are to form part of the Trust Fund.

Second Schedule – Trust Name

This settlement may be referred to as

You should insert here the name by which the Trust should be known. This name will appear on all future policy documentation.

--

IN WITNESS whereof the parties have hereunto executed this Deed on the day and year first above written.

Signed and delivered as a deed by the said Settlor

by the said	Name	
	Signed	
in the presence of	Name	
	Signed	
	Address	

The signatures of the Settlor(s) and Additional Trustees should be included here. Please ensure that all signatures are witnessed by an independent person. The same person may witness all signatures.

Signed and delivered as a deed by the said Settlor

by the said	Name	
	Signed	
in the presence of	Name	
	Signed	
	Address	

Discretionary Gift Trust – Declaration of Trust (continued)

5 Administrative powers of the Trustees – continued

Signed and delivered as a deed by the said Trustee

by the said	Name	<input type="text"/>
	Signed	<input type="text"/>
in the presence of	Name	<input type="text"/>
	Signed	<input type="text"/>
	Address	<input type="text"/>

Signed and delivered as a deed by the said Trustee

by the said	Name	<input type="text"/>
	Signed	<input type="text"/>
in the presence of	Name	<input type="text"/>
	Signed	<input type="text"/>
	Address	<input type="text"/>

Signed and delivered as a deed by the said Trustee

by the said	Name	<input type="text"/>
	Signed	<input type="text"/>
in the presence of	Name	<input type="text"/>
	Signed	<input type="text"/>
	Address	<input type="text"/>

Signed and delivered as a deed by the said Trustee

by the said	Name	<input type="text"/>
	Signed	<input type="text"/>
in the presence of	Name	<input type="text"/>
	Signed	<input type="text"/>
	Address	<input type="text"/>

The information given in this document is based on Friends Provident International's understanding of UK and Isle of Man tax law and HM Revenue & Customs practice as at May 2015, which may change in the future. Individuals are advised to seek professional independent advice and no liability can be accepted for the personal tax consequences of this Trust or for the effect of future tax and legislative changes.

It is important to appreciate that although Friends Provident International has sought expert views on the tax implications of the Trust and it is not considered that the arrangement constitutes a gift with reservation of benefit within the meaning of the Finance Act 1986, no guarantee can be given that (albeit unlikely) the Inland Revenue will not take a contrary view or that tax legislation will not change in the future. As the value of units can go down as well as up, due regard must be given to the level of possible future growth in the Bond when selecting the level of capital repayments required. A high capital repayment may not be thought advisable, at least in the early years following the commencement of the arrangement.

Holders of policies issued by Friends Provident International will not be protected by the UK Financial Services Compensation Scheme if the Company should become unable to meet its liabilities to them. Policyholders will receive the protection of the Life Assurance (Compensation of Policyholders) Regulations 1991 of the Isle of Man.

We do not condone tax evasion and our products and services may not be used for evading your tax liabilities.

Complaints we cannot settle can be referred to the Financial Services Ombudsman Scheme for the Isle of Man or the Financial Ombudsman Scheme in the UK, depending on the parties involved.

Some telephone communications with the Company are recorded and may be randomly monitored.

Legal interpretation

Each policy is governed by and shall be construed in accordance with the law of the Isle of Man.

A written statement of the policy terms and conditions of the products may be obtained from Friends Provident International on request.

Get in touch

To find out more about how the Discretionary Gift Trust could benefit your clients, please call us on **+44 1624 821153** or email us at: **alt@fpiom.com**

Data Privacy

We take the responsibility of handling your personal data very seriously and we will only ask you for details required to process your requests to us. Please be aware of our privacy policy – please visit **www.fpinternational.com/legal/privacy-and-cookies** to view the full policy or this can be provided on request from our Data Protection Officer.

About Friends Provident International

We are a leading financial services provider, with a reputation for trust, commitment and integrity, offering financial solutions to customers throughout their lives.

Friends Provident International has over 35 years of international experience in offshore savings and investments.

Copyright © 2018 Friends Provident International Limited. All rights reserved.

Friends Provident International Limited: Registered and Head Office: Royal Court, Castletown, Isle of Man, British Isles, IM9 1RA. Telephone: +44 (0)1624 821212 | Fax: +44 (0)1624 824405 | Website: www.fpinternational.com. Isle of Man incorporated company number 11494C. Authorised and regulated by the Isle of Man Financial Services Authority. Provider of life assurance and investment products. Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. **Singapore branch:** 4 Shenton Way, #11-04/06 SGX Centre 2, Singapore 068807. Telephone: +65 6320 1088 | Fax: +65 6327 4020 | Website: www.fpinternational.sg. Registered in Singapore No. T06FC6835J. Licensed by the Monetary Authority of Singapore to conduct life insurance business in Singapore. Member of the Life Insurance Association of Singapore. Member of the Singapore Financial Dispute Resolution Scheme. **Hong Kong branch:** 803, 8/F., One Kowloon, No.1 Wang Yuen Street, Kowloon Bay, Hong Kong. Telephone: +852 2524 2027 | Fax: +852 2868 4983 | Website: www.fpinternational.com.hk. Authorised by the Insurance Authority of Hong Kong to conduct long-term insurance business in Hong Kong. **Dubai branch:** PO Box 215113, Emaar Square, Building 6, Floor 5, Dubai, United Arab Emirates. Telephone: +9714 436 2800 | Fax: +9714 438 0144 | Website: www.fpinternational.ae. Registered in the United Arab Emirates with the UAE Insurance Authority as an insurance company. Registration date, 18 April 2007 (Registration No. 76). Registered with the Ministry of Economy as a foreign company to conduct life assurance and funds accumulation operations (Registration No. 2013). Friends Provident International is a registered trademark and trading name of Friends Provident International Limited.