

# Trusts FAQs



**When a policy is transferred into Trust, it's important to understand if there are any restrictions or differences as to how the administration of the policy 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 policy has been transferred into Trust, the Trustees are the owners, not the individual(s) who assigned the policy to it. We have listed below frequently asked questions for each type of Trust Friends Provident International offers.**

## Beneficiary Trust

**Which Friends Provident International products can this trust be used with?**

All single and regular premium products.

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

**Yes** in accordance with the policy 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 policy's terms and conditions.

**Can additional premiums be paid into the policy?**

**Yes.**

**Can the policy be assigned back to the Settlor?**

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

**Can the policy be assigned to a Beneficiary?**

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

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

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

Policies 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 policy 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.**

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## Isle of Man Probate Trust

### Which Friends Provident International products can this trust be used with?

All single and regular premium products.

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

Yes in accordance with the policy 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 policy?

Yes.

### Can the policy be assigned back to the Settlor?

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

### Can the policy 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 policy come to an end upon the Settlor's death?

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

Policies 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 policy comes to an end?

This is determined by the Trustees.

### Will Isle of Man probate be avoided?

Yes.

## Loan Trust

### Which Friends Provident International products can this trust be used with?

All single premium products.

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

Yes in accordance with the policy 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 policy?

Yes. These could be additional loans.

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

No.

### Can the policy 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 policy come to an end upon the settlor's death?

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

Policies 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 policy comes to an end?

This is determined by the Trustees.

### Will Isle of Man probate be avoided?

Yes.

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## Gift Trust

### Which Friends Provident International products can this trust be used with?

All single and regular premium products.

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

Yes in accordance with the policy 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 policy?

Yes.

### Can the policy be assigned back to the Settlor?

No.

### Can the policy 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 policy come to an end upon the Settlor's death?

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

Policies 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 policy comes to an end?

This is determined by the Trustees.

### Will Isle of Man probate be avoided?

Yes.

## Discounted Gift Trust (DGT)

### Which Friends Provident International products can this trust be used with?

All single premium products.

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

Yes in accordance with the policy 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 policy?

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

### Can the policy be assigned back to the Settlor?

No.

### Can the policy 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 policy come to an end upon the Settlor's death?

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

Policies 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 policy 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 Friends Provident International products can this trust be used with?

All single and regular premium products.

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

**Yes** in accordance with the policy 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 policy?

**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 policy be assigned back to the Settlor?

**Yes.**

## Can the policy 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 policy come to an end upon the Settlor's death?

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

Policies 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 policy 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 HM Revenue and Customs (HMRC) at April 2023. 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.

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