



Helpful definitions

A quick-reference guide to legal jargon, helping you understand Trusts

Trust

the formal transfer of assets from a person(s) to others to hold for the benefit of someone else

Trustees

the people (or trust company) holding the assets

Beneficiaries

the person(s) who will benefit from the assets held in trust

The Settlor

the person(s) creating the trust

Lifetime Trust

a trust which lasts for the lifetime of the beneficiary

Will Trust

a trust created by an individual's will



Why Make a Trust?

Trusts have been around for many hundreds of years and are still used for many reasons, including family succession planning, asset protection and tax planning.

What is a Trust?

A trust is the formal transfer of assets to others to hold for the benefit of someone else. It is usual for the trust to be 'made by deed' - i.e. by the creation of a legal document. But some trusts can be made purely by the 'conduct of the Settlor'. This is where the law on trusts becomes complicated as you can create a trust purely by your actions and this might even be unintentional.

Trusts made in your lifetime are called 'Lifetime Trusts' and trusts made in a Will are called 'Will Trusts'. Lifetime Trusts nearly always take effect immediately. Will Trusts only come into effect on the death of the person who made the Will.

A typical example of a Lifetime Trust is where grandparents place money in trust to pay for the school fees of their grandchildren.

Why Make a Trust?

- Stop a family member inheriting assets too young;
- Stop someone who may be vulnerable from frittering away the assets;
- Protect someone who is vulnerable from the influences of others;
- Where there is a risk of bankruptcy of a family member, or divorce, or incapacity;
- Protect yourself if you have a fear of losing capacity or being influenced by others;
- Tax plan for future generations.

Complementary Services

When making a trust it is a good opportunity to update or make a Will, review your financial circumstances, any tax planning you have in place and consider making a Lasting Power of Attorney.

As lawyers we are not permitted to provide you with financial planning advice. **Renaissance Financial**, our dedicated financial services company, provides tailored financial advice for families, individuals, Trustees, Deputies and Attorneys.

A separate, FCA-regulated company, the expert team at Renaissance Financial provide investment and wealth management services, including retirement and Inheritance Tax Planning, as well as the financial management of Trusts.

This information sheet is intended as guidelines for clients and other readers. It is not a substitute for considered advice on specific issues. Any action taken depends upon your individual circumstances. Consequently, we cannot accept any responsibility for action which may be taken as a result of reading this information sheet or for errors or omissions contained in this information sheet.

If you make a provision in your Will that your children inherit your estate at a certain age, then you have created a Will Trust.

When should I set up a Trust?

It is usually advisable to create a trust as early as possible. Having said that, you should not rush into any arrangement without fully understanding and considering all of the implications of the trust that you are creating.

Lifetime Trusts can be difficult and costly to change once they have been created. Will Trusts are easier to change as until the death, the Will Trust does not come into effect.

What type of Trusts are there?

Trusts fall into one of two main categories depending upon how income from the trust is dealt with. The categories are 'Interest in Possession Trusts' and 'Discretionary Trust'.

1. Interest in Possession Trusts (often called Life Interest Trusts) gives the income from the assets to the Beneficiary for the rest of the Beneficiary's life or for a fixed period. When the Beneficiary dies the right to income might pass to another Beneficiary or the trust might come to an end with the assets remaining passing to another Beneficiary.

2. Discretionary Trust is one where none of the Beneficiaries have the right to income and the Trustees have a discretion as to how they pay or apply income and capital to the Beneficiaries.

How can Renaissance Legal help?

We will guide you through the decisions to be made to enable a bespoke trust to be created for you that suits your needs and personal circumstances.

If you would like to discuss this further then please call us on 01273 610 611 or email us at info@renaissancelegal.co.uk