



Why Make a Trust? - A Guide

Trusts have been around for 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 an arrangement where assets are transferred to a group of people (known as Trustees) for them to hold on behalf of others (known as the Beneficiaries).

Trusts made in your lifetime are called 'Lifetime Trusts' and Trusts created 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.

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.

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 people who will benefit from the assets held in trust

The Settlor

The person(s) creating the Trust

Lifetime Trust

A Trust created by the Settlor during their lifetime

Will Trust

A Trust created in an individual's Will

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

1. Interest in Possession Trusts (often called Life Interest Trusts) give 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 any assets remaining passing to another Beneficiary.
2. Discretionary Trusts are 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.

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.

Renaissance Legal is part of the Renaissance group of companies alongside Renaissance Trust and Renaissance Financial. Together, the group offers legal services, financial services, Inheritance Tax planning, welfare benefits advice and Trusts administration.

The expert team at Renaissance Legal can assist you with all aspects of planning for the future, including Wills, Letters of Wishes, Trusts, Powers of Attorney, Estate Administration and Court of Protection work.

If you would like to appoint professional Trustees to manage your Trust, or would like advice to help you fulfil your role as a Trustee, our specialist Trust company, Renaissance Trust, can assist in these areas. The specialist team can advise you on the nature and extent of your powers and duties as a Trustee, as well as the ongoing management, administration and compliance aspects.

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 in relation to investment and wealth management services - including, retirement and Inheritance Tax Planning, as well as the financial management of Trusts.

Why Make a Trust?

- Stop a family member inheriting assets too young
- Protect someone who is vulnerable from the influences of others
- Protect a family member from the risk of bankruptcy, divorce or incapacity
- Protect yourself if you have a fear of losing capacity or being influenced by others
- Tax planning for future generations

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