Guide to trusts

A brief guide to Trusts and our Trustbuilder tool

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Introduction

This brief guide explains some of the main features and benefits of our trusts, and gives you some information to help you decide whether you want to put your life insurance policy into one of our trusts. You'll find out what a trust is, how it works, and some of the advantages and disadvantages of putting your life insurance policy into trust. We also explain how you can put your policy into one of our trusts using our Trustbuilder tool.

It's important to be aware that this is only a guide and doesn't give you advice. It's up to you to decide if putting your life insurance policy into one of our trusts is right for you. If you have any doubts you should speak to a financial adviser or a solicitor.

This guide is based on our understanding of current legislation and HM Revenue & Customs practice as at April 2017. Whilst many different things can be put in trust, this guide assumes that the contents of the trust will be a life insurance policy.

Trusts – the basics

What is a trust?

Put simply, it's a legal arrangement that lets the owner of something 'gift' it to someone else. This could be shares, your home, cash, or a life insurance policy. As explained above the rest of this guide assumes that you are 'gifting' a life insurance policy. This is usually done by creating a trust deed. The deed sets out the terms and conditions that the trust can operate under – these are known as the 'trust provisions'. Once the trust has started it can only be operated in line with the 'trust provisions'.

Normally placing a policy in trust is an 'irrevocable' act. This means once you've put your policy in trust you can't normally change your mind later on. This is different to say making a will, where you can change the terms throughout your life as your circumstances change.

So it's really important that you think carefully about whether putting a policy in trust is right for you.

Who is needed to set up a trust?

There are three groups of people needed to set up a trust. These are the settlor, the trustees, and the beneficiaries. These are commonly used terms referred to in our trust deeds, and throughout this guide.

The settlor – this is the person or people who set up the trust, and put their life policy into it. So the person or people who set up the trust will be the current owners of the life insurance policy. The settlor chooses the trustees, and decides who they would like the beneficiaries to be.

The trustees – these are the people responsible for looking after the life policy put into trust, for the person or people who will get the money when the life policy pays out – the beneficiaries.

The beneficiaries – these are the people who will get the money from the trust.

So the trust holds the life insurance policy, and the trustees look after it, until it is due to be paid to the beneficiaries.

Structure of a trust

Settlor
makes a gift to the trust

↓ ↓ ↓

The trust
Trustees look after the contents of the trust

↓ ↓ ↓

Beneficiaries
receive the contents of the trust

Why might I want to put my life insurance policy in trust?

There are a number of reasons why you might want to put your life insurance policy in trust. The main reasons are:

- To make sure that the policy proceeds get paid to the right person or people - By writing a policy in trust you can indicate who you want the proceeds from your life insurance policy to be paid to. These people or groups of people are named on the trust deed, and are called the beneficiaries. If you don't write your policy in trust the proceeds are usually paid to the policy owner.

In many cases this will also be the person who is insured under the policy, and so for a life insurance policy they won't be alive when the policy proceeds are paid out. In this case the proceeds would usually then be paid to the people who are appointed to look after your affairs when you die (your executors or administrators). If you've made a will then you may have left specific instructions about who should get what. But if you haven't left a will, you will be deemed to have died 'intestate'. If this happens then there are strict rules around who will get what from your assets when you die (called the intestacy rules). This may mean that the people who eventually get the money from your life insurance policy may not have been the people you wanted to get it.

- To make sure that the policy proceeds get paid out quickly - One of the main advantages of putting your policy in trust is that payment of the policy proceeds can be made quickly to the trustees. All the trustees need to do is send us the original death certificate, and the original trust deed. We won't need to wait for Probate to be granted (or confirmation in Scotland), which can be a lengthy and complicated process, taking up to several months in some cases.
- To help avoid inheritance tax - Once you've put your life insurance policy in trust, the proceeds that are paid out won't normally be included in your estate for inheritance tax purposes, and can usually pass tax-free to whoever you choose as beneficiaries.

What are some of the disadvantages of placing my life insurance policy in trust?

- You can't change your mind later on - As explained earlier, placing a life insurance policy in trust is what's known as an 'irrevocable' act. This means that once you've done it, you can't change your mind later on and take it back out of the trust.
- You're giving up control over your policy - When you put your policy in trust you have effectively given it away to the trustees to look after. This means that you no longer own it, or have any control over it. So if you need to make changes to it you can't – only the trustees can do this. Our trust deeds automatically make the settlor a trustee as well, so you can still have an element of control over your policy. But your role as a trustee is different – as a trustee you are looking after the policy for the beneficiaries, and so any actions you take must be in the interests of the beneficiaries. We've produced a separate guide called 'Your guide to being a trustee', which is available on our website. It explains the roles and responsibilities of a trustee.
- You can't benefit from your policy any more - As a settlor you cannot normally benefit from the trust under our trust deeds. This isn't usually a problem if you're the only settlor – your life insurance policy will pay out when you die. But it can be a problem if you've taken out joint life first death life insurance. In most circumstances, if you've got joint life first death life insurance, you want the survivor of you to receive the money. This would happen automatically under a joint life first death policy, and you don't need to put the policy into trust.

  But what if you die together? Usually in this scenario, you want to make sure the money goes to your family without any inheritance tax liability. You can achieve this by placing the life insurance policy into trust. But if one of you survives then they won't be able to access the money in the trust. To help address this issue, we've added a survivorship clause to our trust deeds. We've explained this in more detail later on.
- Our trust deed might not be suitable for you - We have produced two types of trust deed, a Fixed Trust and a Flexible Trust. We explain how each of these work later on. It's really important that you read the deed carefully before you sign it, to make sure that it's going to be suitable for you.

It's really important that you think carefully about the advantages and disadvantages of putting your policy in trust. If you have any doubts at all, you should seek advice from a financial adviser or a solicitor.

When can I put my policy in trust?

You can put it in trust as soon as your policy has started, or you may decide to do this at a later date.

However it's important to understand that you can only put your policy in trust if you are the policy owner at the time. For example if you took your policy out and then charged or assigned it to your bank or building society for security against a loan, you no longer own the policy, which means you can't put it in trust.

Also it's important to make sure that you haven't got any legal charges over your policy. For example you may have taken out our 50 Plus plan, and selected the funeral benefit option we offer in association with Dignity – a nationwide funeral services provider. If you've selected this option it means your 50 Plus plan is now 'charged' to Dignity, and so you won't be able to write your policy in trust unless you have cancelled the Funeral Benefit Option first. If you're not sure whether this applies to you, then give us a call and we can check for you.

Trusts – the types of trust we offer

We've produced two types of trust deed, a Fixed Trust and a Flexible Trust. These are different types of trust and work in different ways, so it's important that you understand how each one works so you can decide if it's right for you.

We've designed a tool that will help you put your life insurance policy into one of our trusts. It's called Trustbuilder. We explain our Trustbuilder tool and how this can be used a bit later on.

Below we describe the two types of trust we offer through our Trustbuilder tool, and how they work. We also explain what types of policy you can and can't put into our trusts using this tool. If you're unsure you should speak to a financial adviser or a solicitor.

What types of life policy can I put into your trusts?

Normally our trusts are used for life protection policies only. In other words these are policies that only pay out if you die. If you have one of the following polices then it can be put into one of our trusts:

- LV= 50 Plus plan*
- LV= Life Insurance
- Life Protection (available as part of our Flexible Protection Plan)
- LifeTime+
- Family Income Assurance

As long as you are the policy owner of one of these types of policy then you can put it into trust.

If you have a different type of policy speak to a financial adviser or a solicitor who will be able to help you further.

*With our 50 Plus plan there is an option called the Funeral Benefit option. If you've chosen this option you can't also put your policy in trust. If you think this applies to you, please contact us, and we'll be able to tell you if you've taken out this option.

What types of life policy shouldn't I put into your trusts?

You shouldn't usually put any policy in trust that you want to use for yourself in the future. For example if you have a joint life first death life insurance policy where you are both the policy owners, once you've put it into trust you can't benefit from it any more. So if one of you dies the other one of you can't receive the payout (unless you add a survivorship clause to your trust - we explain this in more detail in the FAQs later on).

Also if you've already charged or assigned your policy to someone else (for example a mortgage lender or a funeral services provider) then you can't also put it in trust. If you're unsure if this applies to you, then speak to a financial adviser or a solicitor.

Fixed Trust

What is a Fixed Trust?

A Fixed Trust is a very simple type of trust. It's sometimes called a bare trust or an absolute trust. All the proceeds of the life insurance policy that has been put into trust are given to the beneficiaries.

When you set up the trust, you must name the beneficiaries of the trust (these are the people you want to benefit from your life insurance policy when you die). You also need to decide how the proceeds of your life insurance policy that you're putting in trust will be split between the beneficiaries. For example you might decide to choose two beneficiaries and split it equally between them both – 50% each.

Once a beneficiary reaches the age of legal capacity (which is 18 in England and Wales and 16 in Scotland)**, they are legally entitled to own the contents of the trust. This means they can force the trustees to transfer the ownership of the trust contents (for example the ownership of a life policy) to them, if they want to.

Important – as its names suggests – with this type of trust once you've chosen the beneficiaries, and how much each will receive from the proceeds of your life insurance policy you can't change them later on. In other words the decisions you make when you set up the trust are 'fixed'.

**The trust will be subject to Scottish Law if the settlor (or both settlors if there are two of them) live in Scotland at the time the trust is set up)

When can I use a Fixed Trust?

You should only consider using a fixed trust if you:

- Know who you want to receive the proceeds of the trust, and
- You won't want or need to change your mind about this in the future.

Remember a fixed trust is just that – it doesn't offer you any flexibility. You can't change the person or people that you want to benefit from the life policy that you put into trust at a later date. For this reason a fixed trust isn't right for everyone.

However if you're happy that you won't want to change the beneficiaries later on, or won't want anyone else to do this either – then a fixed trust might be worth considering. But it's really important you think carefully about this, and if you're unsure you should seek advice from a solicitor or a financial adviser.

Flexible Trust

What is a Flexible Trust?

A Flexible Trust is also sometimes called a 'power of appointment trust'. The trustees have the power to choose who will benefit from the proceeds of the life insurance policy that you put into trust. This is different from a Fixed Trust where all the proceeds are paid to the beneficiaries, who once chosen can't be changed.

When you set up the trust, you name all of the people that you might want to benefit from the policy you put into trust. This can be groups of people, for example children or grandchildren, or you can name individuals. This wide group of people is called the 'potential beneficiaries'.

From these 'potential beneficiaries', you name the person or people that you would want to benefit from the proceeds of your policy if you were to die now. This person or people are called the 'default beneficiaries'.

You must also decide how you want the proceeds of your life policy to be split between the default beneficiaries. For example the beneficiaries may be two children and you want them to have equal shares.

The trustees then have the power to change the default beneficiaries to any of the people listed as potential beneficiaries. The trustees also have the power to change how the proceeds are split between the beneficiaries. The advantage of giving the trustees these powers is that if circumstances change, the trust can be changed to make sure it's still effective.

Example

Ian and Jayne live together and have a son, Simon, who is eight years old. Ian takes out a life policy to help protect his family financially if he dies. He wants to leave the money to Jayne. But if she dies before he does, he'd like it to be kept for Simon until he's old enough to receive it.

Ian uses a flexible trust, and names both Jayne and Simon as potential beneficiaries. He names Jayne as the default beneficiary. But if Jayne dies before Ian, the trustees can change the default beneficiary to Simon. The money will then be held in trust until the trustees pay it out to him.

When can I use a Flexible Trust?

You could consider using a flexible trust if you:

- know all the people you want to receive the proceeds from your life policy when you set the trust up (for example your widow or widower, children, grandchildren, mother, father, brothers or sisters), and
- know who you want to receive the proceeds unless circumstances change, and
- want the option to change who will actually receive the proceeds if things do change in the future.

But you can't add any new 'potential beneficiaries' once you've set the trust up, the trustees can only change the default beneficiary to another one of the potential beneficiaries.

Also it's important to choose people to act as trustees that you can trust to make fair and reasonable decisions about who should benefit from the trust. For these reasons a flexible trust isn't right for everyone. So it's really important you think carefully about this, and if you're unsure you should seek advice from a solicitor or a financial adviser.

Trustbuilder – and how it works

We've designed a simple and straightforward way for you to put your life policy into either our Fixed Trust or our Flexible Trust. This is our 'Trustbuilder' tool.

Why 'Trustbuilder'?

The tool takes you through the process of setting up a trust. You'll be able to print off a completed trust deed, which you simply need to sign, and get your signature witnessed. Once you've done this, send the completed trust deed to us, so we can update our systems to note that you've put your policy in trust.

The tool has two stages:

In the first part you'll be asked a few questions to establish:

- whether the policy you have can be put into one of our trusts using the Trustbuilder tool.
- who you want the money from your life policy to go to when you die,
- and if you want the flexibility to change your mind about this in the future

If the policy you've got can't be put into one of our trusts using the tool, it will recommend you speak to a financial adviser or a solicitor. It's important to be aware that if the system does this, you shouldn't go any further, and instead speak to a financial adviser or a solicitor.

Once you've answered these questions and your policy can be put into trust using the tool and depending on the answers you've given, it will present you with either a fixed trust or a flexible trust.

Then in the second part the tool will ask you for:

- details of the policy owners
- who you would like to act as trustees (along with yourself)
- who you want to benefit from the proceeds of your life policy

The system then takes this information and pre-populates a trust deed for you in the correct places with this information.

What do I need to do once the deed has been created for me?

Once the deed has been created for you, you'll need to:

- print out the deed
- sign the deed, and get your signature witnessed
- get the trustees you've chosen to sign the deed, and get their signatures witnessed
- return the deed to us at Freepost RSSL-HSKC-STHS, LV= Trust, Pynes Hill House, Rydon Lane, Exeter EX2 5SP.

The people you ask to witness the signatures must be independent (in other words not involved with the trust). So for example you couldn't get the trustees to act as a witness for your signature, and also you shouldn't get your relatives to act either, as depending on the type of trust you've chosen they could also be a 'potential beneficiary'. Instead it would be wise to get someone else who you trust to witness your signature for example a close friend.

What happens after I've sent you my completed, signed trust deed?

When we receive the deed, we'll check it to make sure it'd been fully completed correctly. If we notice anything is incorrect or missing, we'll contact you to let you know, and tell you what is missing or incorrect, and if necessary send the deed back to you for you to correct.

As long as it's correctly completed then we'll update our records to note that you've put your policy in trust, and we'll make a note of all the people who you've chosen to act as trustees as well as yourself. The reason we do this, is that once you've put your policy in trust, it is effectively owned by the trustees, and it's the trustees that we'll communicate with after the trust is all set up.

Then once we've updated our records, we'll send your original deed back to you as the trustee for safekeeping with your policy documents.

What happens to the information I give you?

Any information that you enter into our Trustbuilder system is only used to create your trust deed, and won't be used for marketing purposes. Once the trust deed has been created for you, the information you've entered will be deleted from our records and systems. We'll only record the information on our systems once you've sent the signed deed back to us. So it's important for you to tell anyone whose details you've entered and named in the trust deed, that this will be happening.

Is the Trustbuilder tool right for me?

You shouldn't use our Trustbuilder if your financial arrangements or the plans you've made for when you die are complex. The trusts available through our Trustbuilder are basic types of trust for use with life cover policies only. They do not include a survivorship clause. It's up to you to decide if the trust selected by the LV= Trustbuilder is right for you.

If you need advice on the type of trust that's right for you, or how best to set it up, you should speak to a financial adviser, or a solicitor.

What types of policy can I put in trust using Trustbuilder?

The system is only designed for policies that you own, where you are the owner and the life insured. Also it's only designed to be used with policies that pay out on your death only.

The following policy types can be put into trust using our Trustbuilder.

- LV= 50 Plus plan*
- LV= Life Insurance
- Life Protection (available as part of our Flexible Protection Plan)
- LifeTime+
- Family Income Assurance

If the policy you have isn't listed here, please speak to your financial adviser. Just because your policy isn't listed here doesn't necessarily mean that it can't be put into trust. It's just that our Trustbuilder system has been designed to only be used with certain types of policy, so if you have another type of policy you should speak to a financial adviser or a solicitor to get advice on the most appropriate type of trust deed for you.

*With our 50 Plus plan there is an option called the Funeral Benefit option. If you've taken out this option you can't then put your policy in trust. If you're not sure whether this applies to you, please contact us, and we'll be able to tell you if you've taken out this option. If you have you can't also put your policy in trust.

What types of policy can't I put in trust using Trustbuilder?

- Business Protection - Trustbuilder has been designed for use with policies that are for personal protection only. So if the policy you've got is for business protection, please don't use our Trustbuilder, as the trusts on it won't be appropriate for you.

  If you've got a policy for business protection purposes speak to a financial adviser or a solicitor for the correct type of trust deed.

- Pension Term policies - These policies were written under special rules, and have certain tax advantages. If your policy is written under these rules it's likely to be called Pension Term Assurance, Pension-Linked life cover, or Life Protection with Tax relief. If you have one of these policies don't use our Trustbuilder as the types of trust offered won't be suitable. Instead speak to a financial adviser or a solicitor for advice on a suitable type of trust.

- Critical Illness and Combined Life & Critical Illness policies - These policies are designed to pay out a lump sum if you are diagnosed with one of a range of serious illnesses.

  You may have taken this out on its own, or under a combined policy. If your policy includes cover for critical illness, please don't use our Trustbuilder as the trust deeds won't be appropriate. Instead speak to a financial adviser or a solicitor for the most appropriate type of trust for you.

- Policies assigned to a bank or another lender as security for a loan or mortgage - If you've taken out your policy to provide cover for your mortgage then don't put it in trust. This is because if you do so the trustees can only pay the beneficiaries noted on the deed, and it can't be used to pay off your mortgage. Also your lender may require you to sign over your policy to them as security for your loan. If you've already put your policy in trust you won't be able to do this. Also if you've already assigned your policy to your lender you can't then put it in trust as well.

- A joint life first death life insurance policy - If you've taken out life insurance to provide a lump sum to the survivor of you, if one of you dies, you don't usually need to put the policy into trust. This is because you're both owners of the policy, so if one of you dies, the money is paid to the surviving owner.

Some people choose to plan for a scenario in which they both die together, as they want to make sure the money from their life insurance is paid to their family quickly and without any inheritance tax to pay. You can do this using a trust which includes a survivorship clause (which we've explained in more detail in the Frequently Asked Questions below).

The trusts available from our Trustbuilder don't offer a survivorship clause. Please call us and we'll send you the form you need.

Frequently asked questions

Here are some frequently asked questions about trusts, and our range of trusts that we haven't already covered above.

It's important to be aware that this information shouldn't be considered as advice. Choosing to put a policy in trust is an important decision that has serious implications, so you should think very carefully before doing it.

If you're unsure about anything to do with putting your policy in trust you should speak to a financial adviser or a solicitor who specialises in this area.

Who can be a trustee?

You can choose anyone to be a trustee as long as they are at least 18 years old (16 if the trust if established under Scottish Law), and are of sound mind (in other words mentally capable of looking after someone else's money).

Our trust deeds automatically include the settlor as a trustee as well, so they allow you to retain some control over your policy. This is because once it's put in trust the ownership of your policy passes to the trustees. So if you weren't a trustee as well you wouldn't be able to make any changes to your policy once it's been put in trust.

Although as a settlor you can also be a trustee, you can't also be a beneficiary. But it is possible for any other people you've chosen as trustees to also be beneficiaries if you like.

Do trustees have to live in the UK?

No, but it can present difficulties if they don't. This is because once the policy is put in trust, if any action needs to be taken, it will need to be agreed by all of the trustees. If a trustee isn't living in the UK this will delay any action needed as all trustees will need to correspond with each other before any action is taken. Also there may be tax issues if one of the trustees doesn't live in the UK. So if you're thinking of choosing a trustee who doesn't live in the UK you should seek advice from a financial adviser or a solicitor who specialises in this area.

How many trustees are needed?

It's normal for the settlor to appoint at least one other trustee, so that if they die, the contents of the trust can continue to be looked after by the remaining trustee. This is really important for life insurance policies because if you were the settlor and only trustee and you died, this would cause delays before a claim could be paid on the policy. So you would lose the chance of speedy payment which is one of the key advantages of placing a policy in trust.

Our trust deeds automatically make the settlor a trustee, and allow for up to four trustees in total (including the settlors). You can have more than four trustees, but our Trustbuilder tool only allows for four in total, so if you want more trustees, don't use our Trustbuilder tool, and speak to a financial adviser or a solicitor instead. Because any decisions about your policy need to be agreed by all of your trustees it's worth bearing in mind that the more trustees you have the longer it might take to reach an agreement.

Can I change the trustees at a later date?

Yes. For example if one of the trustees no longer wants to be a trustee, they can retire as long as there is at least one other person still able to continue as a trustee. All the other trustees will normally need to agree to this.

If you want to change one of the trustees, then please contact us. We'll be able to provide you with the relevant forms for you to be able to do this. We'll need to know which trustee is being changed and who, if anyone, is being added as a new trustee. We can then arrange for a form to be sent to you for you to get signed and witnessed. Once you've done this send the form back to us, so that we can update our records.

Alternatively you can contact a solicitor to ask them to draft the appropriate forms for you, although you'll have to pay for this yourself.

It's really important you don't make changes to your original trust by simply crossing details through and adding new details as this could invalidate your trust. If you'd like to make a change please contact us or your financial adviser or legal adviser.

Also under our trusts the settlor of the trust (whilst they are still alive) not only has the power to appoint new trustees, but can also remove them and doesn't have to give a reason. If the settlor has died these powers pass to the trustees.

Anyone who feels that a trustee should be removed without their permission should seek legal advice before doing so.

Can I change the beneficiaries at a later date?

This depends on the type of trust you have. If you have a fixed trust then you can't change the beneficiaries at a later date.

If you have our flexible trust then the trustees can change the 'default beneficiary' to any one of the listed 'potential beneficiaries'. If the trustees want to do this, please contact us, and we can provide the relevant forms for you to complete, and send back to us.

Alternatively you can contact a solicitor to ask them to draft the appropriate forms for you, although you'll have to pay for this yourself.

What is a survivorship clause?

A survivorship clause allows a surviving settlor to benefit from the proceeds of a trust if they survive 30 days from the death of the first settlor to die. If both settlors die within 30 days of each other, then the trust property reverts to the beneficiaries as detailed in the trust.

Example

Harry and Anna are married with two children. They have taken out a joint life first death life insurance policy to give them some financial security, should either of them die. But they're concerned about the potential inheritance tax liability on their joint estate, if they died at the same time (for example, in a car accident).

By including the survivorship clause within the trust, Harry and Anna can ensure that if they both die together, the lump sum paid out will be held in trust for the benefit of their children, and not form part of their estate for inheritance tax planning. But if one of them survives the other by 30 days, they'll receive the money to help support their family.

When can I use the survivorship clause?

The survivorship clause is intended for use only in specific circumstances:

- two plan owners (we call this joint settlors when we're talking about the trust) and either
- a joint life first death life insurance policy, or
- a single life insurance policy (under our Flexible Protection Plan only).

You shouldn't include a survivorship clause for any of the following:

- Single settlor trusts (whether the cover is single life or joint life).
- Savings plans.
- Investment bonds.

Please note that you can use our trusts with or without the optional survivorship clause.

How do I add the survivorship clause to my trust?

The survivorship clause is an 'opt in' option. This means that you actively need to select this if you want it to apply. We've explained how to do this in the Guidance Notes for each of our deeds. Please note that you can only choose to include the survivorship clause when you set up your trust. You cannot add this at a later date. If you add this in error, you won't be able to change it later on.

The survivorship clause isn't available using our Trustbuilder. So if you want to include this, please ask us for a copy of our Fixed or Flexible Trust Deed and Guidance Notes.

If I live in Scotland can I still use your trusts?

Yes you can. Scottish law will apply to the trust if the address of each of the settlors is in Scotland when the policy is put into trust. If the trust is established under Scots Law, then the age of legal capacity for a beneficiary is 16, and also the minimum age for a trustee is 16.

Will income tax apply to the policy proceeds if they're held in trust?

For life insurance polices that only pay out on death, income tax won't apply.

Will inheritance tax apply?

One of the main benefits of placing a life policy in trust is that it won't normally be included in your estate for inheritance tax purposes. Also for most life insurance policies the premiums that you pay will usually be exempt, because the premiums are usually paid from your normal income. Exempt gifts are not subject to Inheritance Tax.

If you're concerned about Inheritance Tax you should speak to a financial adviser or a solicitor before you put your policy in trust.

How does the survivorship clause affect inheritance tax on a life insurance policy?

The survivorship clause is considered in legal terms as a 'reversionary interest'. This means that you retain an interest in the trust property.

- If one settlor survives the other by 30 days the amount of cover is paid to the survivor. The amount paid out is not included in the deceased's estate for inheritance tax purposes. However, it will form part of the surviving settlor's estate on their death.
- If both settlors die within 30 days of each other the amount of cover is paid to the trustees for the benefit of the beneficiaries. The lump sum paid out isn't included either of the settlor's estates for inheritance tax purposes.

I've put my policy in trust, but I no longer want it in trust, can I remove the trust?

No, not usually. This is because placing a policy in trust is an 'irrevocable' act. In other words once you've done it, you can't go back on this decision. There may be circumstances when a trust can be removed, but these are quite complex, and if you wish to remove a trust you'll need to take independent legal advice.

We've got a joint policy and we want to put it in trust. Can we name ourselves as beneficiaries?

No. Our trust deeds exclude any settlor from being named as a beneficiary of the trust. If you put a joint life first death policy into trust, then the survivor of you won't be able to benefit from the trust. But you can set up your trust to include a survivorship clause, which we explained in '**What is a survivorship clause?**' earlier in this guide.

If I put my policy in trust, do I still own it?

No - once you put something into trust (such as a life insurance policy) you don't own it any more - the trustees do. However our trust deeds automatically include the settlor as a trustee so you can keep some control over what happens to the contents of the trust. However as a trustee your responsibility is to act in the interest of the beneficiaries.

What happens if the trustees need to make a claim on the policy that's in trust?

The trustees should contact us as soon as possible to let us know that you'll be making a claim. They can contact us in writing, or by phone or fax. For details of how best to contact us, visit our website www.LV.com.

We'll let the trustees know what documents we'll need from them at the time. However we'll always ask them for the original trust deed, so it's really important that you keep this in a safe place, for example with your policy documents.

More details about how to claim and what documents we'll need can be found in the policy conditions for the policy that's in trust.

Once we agree to pay the claim, we'll usually pay the claim to the trustees. It's then their responsibility to make sure that the money is paid to the beneficiaries (or managed on their behalf).

Glossary

In this section we explain some commonly used terms associated with trusts, and what they mean.

- Trust - In simple terms it's a legal arrangement that allows the owner of something to 'gift' it to someone else.
- Trust deed - This is the document which records the policy being put in trust, and the terms and conditions that the trust can operate under.
- Settlor - This is the person who creates the trust. This is the owner or owners of the policy before it's put into trust.
- Trustees - these are the people responsible for looking after the contents of the trust, and are the owners of the policy once it's put in trust.
- Beneficiaries - these are the people who will eventually receive the proceeds of the policy put in trust.
- Potential beneficiaries - under a flexible trust these are the groups of people who you might want to benefit from the trust in the future. This term only applies to a flexible trust, not a fixed trust.
- Default beneficiaries - under a flexible trust these are the people you choose who you would like to benefit from the trust if you were to die as soon as you've set it up.
- Inheritance Tax - this is tax payable after you've died, if everything you own is worth more than a certain amount.
- Probate (or confirmation in Scotland) - When a person dies somebody has to deal with their estate (money property and possessions left) by collecting in all the money, paying any debts and distributing what is left to those people entitled to it. Probate is the court's authority, given to a person or persons to administer a deceased person's estate.

We hope that this guide has given you an understanding of trusts and our Trustbuilder tool.

Please bear in mind that the information in this guide is based on our understanding of current legislation and HM revenue & Customs practice as at April 2017. Legislation can change in the future, and tax treatment depends on your personal circumstances.

This brief guide doesn't give you advice. Placing a policy in trust is an important decision which has serious implications. If you're unsure about any aspect you should seek advice from a financial adviser or a solicitor.

You can get this and other documents from us in Braille or large print by contacting us.

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