The Role of a Trustee

A trust is an agreement, usually in writing, which defines the relationship between individuals and assets. For example, a property is often held in trust for the benefit of specific individuals, known as Beneficiaries.

When a Trust is drafted the Grantee/Settlor (the person making the Trust) is asked to appoint Trustee's. The Trustee's role is to ensure that the assets of a Trust are applied for the benefit of the beneficiaries (e.g. their children or other dependants). Trustees are individuals who legally own the assets of the trust, but they are not permitted to benefit themselves (unless they are also beneficiaries) from the assets. They are there to manage and look after the assets for the beneficiaries.

The role and responsibilities of a trustee should not be taken lightly. The Trustee's are chosen to act by the Grantee/Settlor as they can be trusted to act in accordance with the Settlor's intentions and in the best interest of the beneficiaries.

Trustees general duties, established largely through case law, are:

- To exercise their powers in the best interest of the beneficiaries
- To invest the trust funds without profiting from their office and without causing loss to the trust, and
- To act impartially and treat all classes of beneficiaries fairly.

It is advisable to have a minimum of 2/3 trustee's that are:

- *Over 18*
- *Of sound mind & ordinarily UK based*
- *Ideally at least one independent trustee*
- *Beneficiary can be a trustee (if aged 18+)*

The Trustee Act 2000 introduce a statutory duty of care whereby trustees must exercise such care and skill as is reasonable in the circumstances, having regard to any special knowledge or experience they have or hold themselves out to have.

If you require further information regarding the role of a Trustee, please call us for further information.

What is a Trust?

A Trust is a legal arrangement which allows the owner of a life policy (the settlor) to give their policy to a trusted group of people (the trustees), who look after it. At some time in the future they pass it on to some people from a group that the settlor has decided (the beneficiaries).

The trustees have discretion about which of the beneficiaries to pass it on to, how much each will get, and when. When a life policy is looked after in this way, it is said to be 'in trust'. The life policy which is in trust, and any payment received from the life policy are called the trust fund.

What are some of the main benefits of using a Trust?

Using a Trust for a life policy has lots of practical and financial benefits. For example:

- **Inheritance Tax** – It should help to ensure that any money paid out from the life policy would not be part of the estate of the person covered, helping to minimise Inheritance Tax.

- **Quicker payout** – It should help to ensure that the money paid out from the life policy can be paid to the right people quickly, without the need for lengthy legal processes.

- **Control of funds** – By placing your policy in trust, you can indicate who you want the proceeds to be paid to. A trust can control when the money from the life policy will be paid out. This can ensure that children receive some financial support from the money, but do not have full access to it.

Why Trusts are important?

Trusts are often overlooked, and this can prove costly. By not arranging a policy in Trust, it may mean that up to 40% of the policy proceeds are liable to tax. This rather defeats the object of arranging Life Cover in the first place!

The other major advantage is that the policy proceeds can be paid almost immediately. In England and Wales when a person dies, the representatives need to apply for a Grant of Probate (if a Will is in place) or Letters of Administration (where there is no Will). The main purpose of this process is to see if any Inheritance Tax is due on the proceeds of your Estate. This process takes time and if you die without having made a will it takes even longer. Since the trustees are the owners of a policy placed in trust, they do not have to go through this process in order to make a claim.

Both processes can often take weeks, sometimes months to be granted. This effectively means that your estate is 'frozen' so there may be little or no money available to those who need it.

Unless written on a joint life first death basis. Life Assurance Policies will not typically pay out until Probate or Letters of Administration have been granted. If a policy is placed in Trust, the policy proceeds are outside the estate for Inheritance Tax purpose, so any policy proceeds can be paid out without Probate or Administration being granted.

Are your Life Assurance Policies in Trust?

Why not take advantage of My Mortgage & Protection Experts review service where we can review your existing arrangements for:-

- **Cost**
- **Suitability**
- **Trust Provision**

Contact us today on 03300 949 409 to arrange a review of your situation,

Other Services My Mortgage & My Protection Experts can provide: -

- Independent Mortgage Broker
- Mortgage Advice
- Re-Mortgage Advice
- Secured Loans
- Life Assurance
- Critical Illness
- Income Protection
- Family Protection

Important Information

This factsheet is based upon our understanding of current regulation, law, tax and other legislation at the release date and may be subject to change in the future. Whilst every care has been taken to ensure the accuracy of this information, My Mortgage & Protection Experts can accept no responsibility for any actions taken as a result of this information.

THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TRUSTS AND INHERITANCE TAX PLANNING