

# GUIDE TO TRUSTS

## WHAT IS A TRUST?

A Trust is simply a legal arrangement that holds your Life Insurance policy, separately from the rest of your assets for the benefit of at least one other person.

### JARGON BUSTER

#### The Settlor

The policyholder (you) who sets up the Trust and puts their life cover into it

#### The Beneficiaries

The person or people who will get the money from the Trust

#### The Trustees

Those looking after the Trust and the policy on behalf of the beneficiaries.

### THE BENEFITS

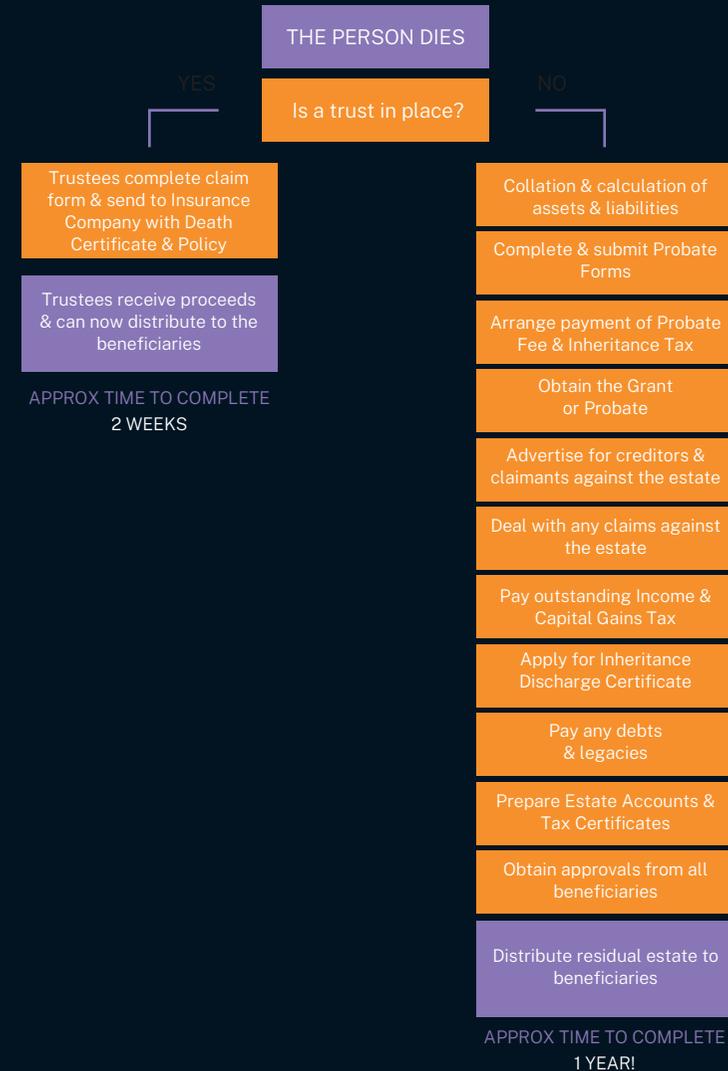
- Keeping Life Insurance in a Trust, and outside your estate, means your beneficiaries typically get access to the money faster, alleviating any financial burdens more quickly.
- With your life cover put in a Trust, the payment goes straight to your beneficiaries after your death.
- There's no additional cost to putting Life Insurance into Trust and minimal additional paperwork.

### Remember...

If you don't place your Life Insurance in a Trust, it becomes part of your estate when you die for inheritance tax purposes. As a result, your family might not receive the full benefit of the policy.

A Trust is a more streamlined process, meaning the people who need the money (your family) have access to this a lot quicker than if it was not in Trust.

This flowchart highlights the different potential time frames



## FURTHER INFORMATION

A discretionary Trust, can also allow the addition of potential beneficiaries in the future. However, the settlor has no real control over who gets their life insurance benefit – it's all down to the trustees.

You can send a 'letter of wishes' detailing how you'd ideally like the benefit to be split. Here at Mortgage 1st we strongly recommend this.

When you write your Life Insurance into Trust, you can gain more control over the payout than you would have if the money simply went into your estate and then to your beneficiaries from there.

For instance, you could dictate that the money in the Trust must be used by your children to pay for their education, will only be released once they reach a certain age (e.g. 25), or at a particular life event, such as a wedding or when they purchase their first home.

Your Life Insurance, written into Trust, and protected by a Will is a belt and braces approach to ensuring your finances and final wishes are taken care of, if you are not here to do so.

In making a Will, you can direct how your property is distributed the way you wish; including gifts to family, friends, charities and other persons; avoid additional expense, difficulty, delay and possible anguish in relation to winding up your estate.

We can arrange for our Will writer to be in touch to write a Will for you.

### NEXT STEPS

- Complete the Trust paperwork, being careful to choose the Trustees.
- Trustees to sign paperwork and this should be witnessed by a separate party.
- Complete optional Letter of Wishes, should you decide to have more control over the proceeds of a payout.
- Return Trust paperwork to Mortgage 1st, along with the authority for us to contact the Trustees, to explain their role in the process.
- Ensure each Trustee has a copy of the Life Insurance Policy and our contact details. The pack is then to be kept in a safe place, so in the event of a claim we can ensure the claim is handled as quickly as possible.
- In the event of a claim, we here at Mortgage 1st suggest the Trustees contact us so we can get them in touch with the necessary claims departments as soon as possible. The claims department at the insurance providers are trained to deal with these calls and understand how difficult a situation it can be.

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