

bright grey®

Protection. We make it personal

Our guide to trusts



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The purpose of a trust.

At Bright Grey we know that trusts, the laws around them, and deciding how to set up a trust to best suit your client's needs can be complicated. This guide is to help you understand the purpose of a trust and the benefits of putting your client's plan in trust.

Bright Grey offers 4 different trusts: split trust, split trust +30, a business trust and a relevant life policy trust.

If you're unsure about any of the terms used in this guide, please refer to the glossary at the back.

A trust is a legal means that allows a gift to be made to someone without giving them any control over the gifted property.

The benefits of putting a plan in trust.

Trusts are used to put the right money in the right hands at the right time.

When a protection plan is put in trust, the main advantages are:

- 1 Bright Grey can pay a claim more quickly than we could if the plan was not put in trust.

If your client dies and their plan is not written in trust, their personal representatives will need to obtain the appropriate grant of representation before they can deal with the plan. This process is known as probate in England, Wales and Northern Ireland, or confirmation in Scotland, and can take several months. Until this happens, your client's family could be suffering financial hardship.

By putting your client's plan in trust, you can avoid the need for probate or confirmation, provided there is at least one surviving trustee following your client's death. Because the trustees are the legal owners of the plan, they can deal with it immediately and make sure the funds are distributed as soon as possible.

- 2 The plan proceeds may be free of inheritance tax.

Inheritance tax is currently payable at a rate of 40% on any part of an estate valued over £325,000 (2010/11 and 2011/12). When your client dies any money paid out from their protection plan is added to their estate. This means that your client may have to pay inheritance tax on their death even if their estate is worth less than £325,000 before the value of any plan has been added. Setting up a trust means that your client is making a gift of some, or all, of the plan. This means that your client is removing that part of the plan from their estate so no inheritance tax is normally payable on it.

However, some inheritance tax may still be payable following a claim if the plan proceeds are kept within the trust after the next 10-year anniversary of setting up the trust. There is an example of when this might happen and how to calculate the amount of tax payable on page 12.

The key people involved in a trust.

There are 3 distinct people involved in any trust and it's important to understand the role each of them plays.

Settlor

The settlor is the person who sets up the trust. They will appoint trustees to administer the trust and decide who the beneficiaries will be. They will also provide the property that will be held by the trust.

If the plan has been taken out on a life of another basis then the applicant, and not the person covered, will be the settlor. If 2 people jointly own the plan, then they will have to declare the trust jointly. It's not possible for only one of the plan owners to declare a trust on their own.

Anyone over the age of 18 who takes out a Bright Grey protection plan and who is mentally able can be a settlor.

Trustees

Once the trustees have been appointed, they are the legal owners of the trust property. The trustees hold and administer the trust fund for the sole benefit of the beneficiaries.

Under the terms of the trust, your client(s) as the settlor(s) are automatically trustees. To appoint someone to act with them as additional trustees, your client must provide their full name and address on the trust form. We recommend that your client appoints at least one additional trustee (this is mandatory in Scotland).

A trustee must be aged 18 or over (16 in Scotland), and be mentally able. They should also have a sound financial history.

When considering who they want to act as trustee(s), your client should appoint someone they feel they can trust. A trustee can be a family member, friend, professional adviser or corporate body.

Your client should also take care to avoid a conflict of interest. For example, where there are 2 children and only one of them is appointed to act as a trustee, he or she might try to take advantage of this position and try to influence the other trustees into appointing more benefits to them than their brother or sister.

Trustees must fulfil certain duties in relation to the trust. You can find more information about the role of the trustee in 'Our guide to being a trustee'.

Beneficiaries

The beneficiaries are the people your client wants to receive the benefits they're giving away. In a trust there can be different types of beneficiary depending on the exact wording of the trust. So it's important that the settlor and trustees understand what rights each type of beneficiary has under the trust.

Discretionary beneficiaries

Because Bright Grey's trusts are discretionary trusts, we've included a list of the most common beneficiaries you would see on this type of trust. This is the list of people who the trustees could make an appointment to at some point in the future. If your client wants to add someone else to this list, they simply need to put them on the form in the space provided. If they want to add someone else at a later date, they can do this by writing to the trustees or by asking us for an 'Adding discretionary beneficiaries' form.

Partners who are not spouses or civil partners (civil partnership being a form of legal union) are not automatically included in the list of discretionary beneficiaries, no matter the length of the relationship. If your client would like their partner to be able to receive benefits, they can add them to the trust form when completing it or at a later date by writing to the trustees.

Choosing which trust form to use.

Bright Grey offers a menu-based product that can be tailored to suit your client's needs.

For tax reasons, however, we sometimes need to split the applications we receive into 2 or more plans.

Plans with more than one Life Cover or Life or Critical Illness Cover on the lives of different people will be split into the relevant number of jointly owned plans.

For example, if you send in one application form with one quote, but with 2 single life covers each covering a different person, the plan will be split into 2 single life, jointly owned plans. The plan charge will also be split. In these circumstances you only need to complete one trust form.

If you would like each person to own the plan on his or her own life, you would have to submit 2 application forms with 2 quotes and 2 trust forms.

When you're considering which trust form is right for your client, you should take into account how many plan owners there are as well as how and when the benefits need to be paid.

The chart on page 4 shows you which trust you should use for certain situations. This may not cover your client's exact circumstances. If you're still unsure which trust to use, please contact us on 0845 6094 500.

For information on how to complete the forms please see our guides 'How to complete the Bright Grey split trust and split trust +30 forms' or 'How to complete the Bright Grey business trust form'.

Choosing which trust form to use.

continued

Situation

If the plan is owned by only one person; or if the plan is owned jointly by 2 people and they do not want the survivor of them to receive benefits paid on death or terminal illness.

Form to use

Split trust

SCOTLAND - SPLIT TRUST

bright grey
a division of Royal London

Declaration of Trust (Scotland)

Use this form if the plan is owned:

- by only one person; or
- Owned jointly by 2 people and they do not want the survivor to receive any benefits paid because of death or terminal illness.

About this form

If the plan is owned jointly by 2 people and they do want the survivor of them to be able to receive benefits paid on death or terminal illness.

Split trust +30

SCOTLAND - SPLIT TRUST +30

bright grey
a division of Royal London

Declaration of Trust (Scotland)

Use this form if the plan is owned:

- jointly by 2 people; and
- they do want the survivor to receive the gifted benefits if one of them dies.

About this form

If the plan is to be used for shareholder, member or partnership protection.

Business trust

SCOTLAND - BUSINESS TRUST

bright grey
a division of Royal London

Declaration of Trust (Scotland)

Use this form if the plan is:

- Owned by only one person; and
- To provide benefits to the co-owners of the plan in the event of your death or terminal illness.

About this form

If the plan is owned by an employer and is to be used to provide death-in-service benefits for an employee or director outside of a registered group life scheme.

Relevant life policy trust

RELEVANT LIFE POLICY TRUST AND NOMINATION FORMS

bright grey
a division of Royal London

Use these forms if an **employer** owns the plan and they want to provide **life cover** for one of their **employees** outside of a registered group life scheme.

Deciding how to set up the trust.

Our split trust and split trust +30 are particularly suitable for plans with more than one cover because they can deal with the different covers separately.

So your client can use them if they want to keep some of their covers for themselves, but give the rest away to someone else.

Both trusts are also discretionary trusts. This means they're very flexible and that the chosen beneficiaries can benefit in a tax-efficient manner.

Under each trust your client chooses:

- The person or people who are going to administer the trust (the trustees)
- The person or people they want the trustees to choose from to receive the gifted benefits (the discretionary beneficiaries)

Retained benefits

The retained benefits are those that your client would always want to benefit from during their lifetime. Under Bright Grey's trusts Income Cover for Sickness, Income Cover for Unemployment, Carer Cover and Children's Critical Illness Cover are all retained benefits.

Gifted benefits

The gifted benefits are the benefits your client would want someone else to benefit from if they die. Under Bright Grey's trusts Life Cover, Critical Illness Cover and Life or Critical Illness Cover are automatically gifted benefits.

In most trusts available from protection providers, Critical Illness Cover would automatically be a retained benefit. If the plan owner suffers a critical illness it means the money would be paid to them. Bright Grey trusts are different. Your client can give the proceeds away if they die shortly after being diagnosed with a critical illness or Total Permanent Disability, but have them paid to themselves if they survive for 30 days or longer.

This would mean that the cover:

- Will not form part of your client's estate if they die shortly after being diagnosed
- Will go to their chosen beneficiaries
- Will not be subject to inheritance tax; unless your client survives for 30 days after the diagnosis, and
- Will allow your client to give away the benefits if they die shortly after being diagnosed, but have them paid to themselves if they survive for 30 days or longer

Life or Critical Illness Cover is treated the same way as Critical Illness Cover. By including this cover as a gifted benefit your client can make sure that if they die the money is paid to their beneficiaries. But if your client is diagnosed with a critical illness and survives for 30 days, it's paid from the trust to the client themselves.

The tables in appendices 1 and 2 (page 13 and page 17) explain the above in more detail.

Bright Grey trusts.

Take a look at the following example to help you consider how a trust might work on a protection plan and to see how you could set up the gifted benefits and the retained benefits.

Mr A Client is taking out a Bright Grey protection plan with the following covers:

- £150,000 increasing Life Cover – for family protection
- £75,000 decreasing Life Cover – to cover his mortgage
- £100,000 increasing Critical Illness Cover
- £24,000 Income Cover for Sickness

He comes to you for help with putting the plan in trust. He is married, with 2 children.

To make sure the benefits get to the right people at the right time, you could set up the trust like this:

£150,000 increasing Life Cover – gifted benefit

The 2 children and his wife are discretionary beneficiaries so benefits can be appointed to any of them in the future depending on the circumstances at the time. For example, this money could be used to pay school fees for the children.

£100,000 increasing Critical Illness Cover – gifted benefit

Any claim proceeds would only be paid to the settlor if he survives the diagnosis by 30 days. If he dies within 30 days, the payments would be made in the same way as the other gifted benefits.

£75,000 decreasing Life Cover – gifted benefit

The 2 children and his wife are discretionary beneficiaries so benefits can be appointed to any of them in the future depending on the circumstances at the time. For example, this money could be given to his wife so that she can repay the mortgage.

£24,000 Income Cover for Sickness – retained benefit

Any claim proceeds would be paid to the settlor.

Deciding how to set up the trust.

Our business trust is suitable for plans that are to be used for partnership, member or shareholder protection.

The business trust is a discretionary trust. This means that it's very flexible and that the chosen beneficiaries can benefit in a tax-efficient manner.

Under the trust your client chooses:

- The person or people who are going to administer the trust (the trustees)
- The person or people they want the trustees to choose from to receive the gifted benefits (the discretionary beneficiaries)

Retained benefits

The retained benefits are those that your client would always want to benefit from during their lifetime. Income Cover for Sickness and Children's Critical Illness Cover are retained benefits under Bright Grey's business trust. This means these benefits would be paid from the trust to your client instead of their business partners, co-members or co-shareholders.

Gifted benefits

The gifted benefits are the benefits your client would want someone else to benefit from if they die or suffer a critical illness. Under Bright Grey's trusts Life Cover, Critical Illness Cover and Life or Critical Illness Cover are automatically gifted benefits.

This would mean that the cover:

- Will not form part of your client's estate
- Will not be subject to inheritance tax, and
- Will be paid to their business partners, co-members or co-shareholders making sure they have the funds available to purchase your client's share of the business

For information on how to complete the form please see our guide 'How to complete the Bright Grey business trust form'.

Our relevant life policy trust is suitable for plans that are owned by an employer and are to be used to provide death-in-service benefits for an employee or director outside of a registered group life scheme.

The relevant life policy trust is a discretionary trust. This means that it's very flexible and that the chosen beneficiaries can benefit in a tax-efficient manner.

Under the trust:

- The employer is automatically a trustee and can choose others to administer the trust together with them (the trustees)
- The employee's children and spouse/civil partner are automatically included in the list of people the trustees can choose from to receive the proceeds of the Life Cover (the discretionary beneficiaries)
- The employee can add to the list of discretionary beneficiaries
- The employee should complete the nomination of beneficiary form to guide the trustees in deciding which discretionary beneficiaries to choose

By placing the relevant life policy in trust, the benefits from the Life Cover will be paid to the employee's family, not to the employer.

The cover:

- Will not form part of the employer's or employee's estate
- Will not be subject to inheritance tax
- Will not form part of the employee's pension lifetime allowance
- Will be paid to the trustees, who will then pay the benefits to the employee's family

If the employee's employment comes to an end, the trustees can transfer ownership of the relevant life policy to the employee. The employee can choose to keep the Life Cover in place by continuing with the payments once the employer stops paying. The plan will no longer qualify for favourable income tax and National Insurance treatment.

Your questions answered.

These questions and answers are for Bright Grey's split trust, split trust +30, business trust and relevant life policy trust.

Can my client change the trustees once the trust has been set up?

The Bright Grey trusts are flexible enough to allow existing trustees to be removed or new trustees to be appointed. The settlor has the power to remove a trustee by giving him or her at least 30 days' written notice. This is known as a notice of removal. They can do this as long as at least 2 trustees remain, one of which is not the settlor. Bright Grey can supply the following forms to help administer existing trusts. These are:

Deed of appointment of trustees

This deed can be used to appoint a new trustee to act with the current trustees.

Deed of appointment & retirement of trustees

This deed can be used when the settlor has requested the retirement of one or more of the trustees and wants to appoint other trustees at the same time. To request the retirement of trustees, the settlor must serve a notice of removal.

Deed of appointment & retirement of trustees (voluntary)

This deed can be used when one or more of the trustees are retiring voluntarily and the settlor is appointing other trustees at the same time.

Deed of retirement of trustees

This deed can be used when the settlor has requested the retirement of one or more of the trustees but is appointing no other trustees. To request the retirement of trustees, the settlor must serve a notice of removal.

Deed of retirement of trustees (voluntary)

This deed is used when one or more of the trustees are retiring voluntarily and no other trustees are being appointed.

Adding discretionary beneficiaries

You should use this form where your client wants to add a new discretionary beneficiary to their trust.

What are the main duties of a trustee?

The trustees' main duties are as follows:

- To invest the trust fund.
- If providing different benefits to each beneficiary, to act impartially.
- The trustees may delegate their powers of investment and management to someone else.
- To obtain and consider proper advice before exercising powers of investment.
- To secure the trust property.
- To keep records of any decisions and actions as they may need to prove they are managing the trust fund properly.
- To not use the trust to benefit themselves. If the trustee is also a beneficiary, then they must not use their powers as a trustee to gain any benefits over the other beneficiaries.

You can find more information about the role of trustee in 'Our guide to being a trustee'.

Can my client's spouse or partner be a beneficiary?

Spouse-split trust and split trust +30

Your client's spouse is automatically included as a discretionary beneficiary in the split trust and split trust +30 and can therefore potentially benefit. This can allow a great deal of flexibility for future planning, particularly where each of a married couple is taking out their own plans.

For example, quite often plans are taken out by a couple with the intention that should one of them die the other would receive the money to pay off their mortgage. But if both of them were to die they would like the benefits to be paid to their children free of inheritance tax. The most flexible way to do this is for each of them to take out a plan on their own life and write this under trust.

Each trust should be completed so that the spouse is one of the additional trustees. Should both of the couple die at the same time, both plans are already held outside of their estates and will be free of inheritance tax. But if only one of the couple dies, the trustees have the ability to make an appointment to the survivor allowing them to repay the mortgage.

Further planning can be carried out. Instead of making an appointment to the survivor, the trustees make a loan to them. The survivor can use this loan to repay the mortgage but until the loan is repaid to the trust it would remain as a debt against their estate for inheritance tax purposes. This therefore reduces the amount of tax payable when the survivor dies and gives the children an even greater inheritance.

Partner - split trust

Your client's partner is not automatically included as a discretionary beneficiary in the split trust. If your client would like their partner to be able to receive benefits, they can add them as a discretionary beneficiary when completing the trust form or at a later date by writing to the trustees.

If your client marries or enters into a civil partnership in the future, their new spouse will be included in the list of discretionary beneficiaries.

Partner - split trust +30

Your client's partner is not automatically included as a discretionary beneficiary in the split trust +30. If your client would like their partner to be able to benefit from the trust, they can add them as a discretionary beneficiary.

If your clients are partners placing a jointly owned plan in trust, each of them will be able to benefit if they survive the other's death or diagnosis of critical illness by 30 days.

Spouse or partner - business trust

Your client's spouse or partner should not be included as a beneficiary under the business trust unless they are also a partner, member or shareholder in the business. It is essential that any business protection arrangement be entered into on a totally commercial basis. The inclusion of people who are not also owners of the business would mean that this is not the case. This can lead to adverse tax consequences.

Spouse or partner - relevant life policy trust

The employee's spouse is automatically included as a discretionary beneficiary in the relevant life policy trust and can therefore potentially benefit.

The employee's partner is not automatically included as a discretionary beneficiary in the relevant life policy trust. If the employee would like their partner to be able to benefit from the trust, they can nominate them as a discretionary beneficiary.

On a jointly owned plan can my clients specify that, if either of them dies, a specified gifted benefit automatically goes to their beneficiaries but any other gifted benefit goes back to the survivor after 30 days?

No. In this situation your clients must take out 2 separate plans:

- One for the covers they don't want to have any access to, and to set up a trust using the Bright Grey split trust (where they won't be able to benefit from any benefits paid if either of them dies) and
- A second plan for the covers they do want access to and use the Bright Grey split trust +30

What happens if my client adds more covers to his plan?

Any new cover added to a plan is automatically subject to the existing trust arrangements. It will therefore automatically become either a gifted benefit or a retained benefit depending on what kind of cover it is. For example, a new Life Cover will automatically be a gifted benefit but a new Income Cover for Sickness will be a retained benefit.

When we can't add a new cover to an existing plan, we'll offer your client a new plan for the new cover. If this new cover is to be placed under trust, your client would then have to complete a separate trust form for the new plan.

If your client adds a new cover to a relevant life policy, it will no longer qualify for favourable income tax and National Insurance treatment. To avoid this, the new cover should be applied for as a new plan, which can be placed under a separate trust.

Can my client change a gifted benefit to a retained benefit?

No. If your client were able to do this, the trust would have no effect for inheritance tax purposes.

Your questions answered.

continued

Can my client change a retained benefit to a gifted benefit?

No. The trust form sets out which of the covers are gifted and which are retained and this cannot be changed once the trust is completed.

How are the funds from a trust distributed?

Any monies from the protection plan will always be paid to the trustees. The trustees are then responsible for paying the money to the beneficiaries but must complete the Bright Grey 'Deed of appointment to benefit (absolute)' form before distributing any benefits. Depending on the circumstances this may give rise to a tax liability so specialist tax advice should be sought before the trustees make such an appointment.

The trustees should also prepare trust accounts. They may wish to take independent advice on this and on obtaining a receipt and discharge from the beneficiaries once payment has been made.

Can my client use a Bright Grey trust with a plan he has from another company?

We don't recommend using a Bright Grey trust with another company's plan. The Bright Grey trust forms have been designed with the terms and conditions of a Bright Grey plan in mind and the words we use within the trust fit with our plan terminology. To use it with another plan would be dangerous as the words we use in the trust are unlikely to be exactly the same as those used by another company. This could mean the trust is invalid or could have adverse tax consequences. If your client wants to put another company's plan in trust, we recommend that they ask the other company or their solicitor to supply the appropriate form.

For the same reasons, we also don't recommend that you use other companies' trust forms with a Bright Grey plan.

Will any inheritance tax be payable in the event of a claim?

Although the plan is in trust, inheritance tax could still be payable in some circumstances and is dependent on the trust used.

Split trust

If the claim is for Income Cover for Sickness no inheritance tax is payable as this has no value in your client's estate when they die.

If the claim is on diagnosis of a critical illness or Total Permanent Disability and your client survives the diagnosis by 30 days, inheritance tax would only be payable if they then die and have not spent the money from the plan. Any remaining amount will be treated as part of their estate for inheritance tax and could be subject to tax at 40%.

If the claim is on death or terminal illness there will be no immediate liability to inheritance tax as this will not be part of your client's estate. But, if the proceeds of the plan remain in trust past the next 10-year anniversary of the date the trust was created, a liability can arise.

The liability is calculated by looking at the value of the trust fund on the 10-year anniversary, any chargeable lifetime transfers your client made in the 7 years before the trust was created and any amounts that have been taken out of the trust before the 10-year anniversary. If the total of these amounts is more than the nil rate band for inheritance tax at the 10-year anniversary, tax is payable on the excess. Tax may also be payable if money is given to a beneficiary after a 10-yearly charge has arisen. There is an example on page 12.

Split trust +30

If the claim is for Income Cover for Sickness no inheritance tax is payable as this has no value in your clients' estates when they die.

If the claim is on death or diagnosis of terminal illness, a critical illness or Total Permanent Disability and one of your clients survives the death or diagnosis by 30 days, inheritance tax would only be payable if the survivor then dies and has not spent the money from the plan. Any remaining amount will be treated as part of the survivor's estate for inheritance tax and could be subject to tax at 40%.

If the claim is on death or diagnosis of terminal illness, a critical illness or Total Permanent Disability and neither of your clients survives the death or diagnosis by 30 days, there will be no immediate liability to inheritance tax as this will not be part of your clients' estates. But, if the proceeds of the plan remain in trust past the next 10-year anniversary of the date the trust was created, a liability can arise. There is an example on page 12.

Business trust

If the claim is for Income Cover for Sickness no inheritance tax is payable as this has no value in your client's estate when they die.

If the claim is on death or diagnosis of terminal illness, a critical illness or Total Permanent Disability, there will be no immediate liability to inheritance tax as this will not be part of your client's estate. However, if the proceeds of the plan remain in trust past the next 10-year anniversary of the date the trust was created, a liability can arise. There is an example on page 12.

Relevant life policy trust

If there is a claim on death or diagnosis of terminal illness there will be no immediate liability to inheritance tax as this will not be part of the employee's estate.

However, if the proceeds of the plan remain in trust past the next 10-year anniversary of the date the trust was created, a liability can arise.

The liability is calculated in the same way as the example on page 12. If the employer is an individual (partner, member or sole trader) any chargeable lifetime transfers made by them in the 7 years before the trust was created will be relevant to the 10-year anniversary charge calculation.

An example.

John took out a Bright Grey menu protection plan, which provided £300,000 of Life Cover. He wrote this in trust on 1 May 2006. In 2001 he made a gift to a discretionary trust of £50,000. This created a chargeable lifetime transfer of £44,000 as he had made no other gifts and was therefore able to deduct 2 years' annual exemption of £3,000.

On 1 June 2014, John dies and the plan pays out. No immediate tax is payable as the plan is outside John's estate. The trustees decide to leave the money in trust as the beneficiaries are intended to be John's 2 children who are both under the age of 18. On 1 May 2016, the trust fund has grown to £320,000 and the nil rate band has risen to £350,000. No money has been taken out of the trust. Inheritance tax is now payable out of the trust fund and is calculated as:

On 1 August 2017, the trustees decide to give John's eldest child, Emily, £20,000 to pay university fees and living expenses while she is studying. The nil rate band for inheritance tax is still £350,000. There would now be an exit charge calculated as:

Chargeable lifetime transfers in 7 years before trust was created

A £44,000

+ current value of trust fund

B £320,000

C £364,000

- nil rate band at 10-year anniversary

D £350,000

E £14,000

Tax at lifetime rates on E

£2,800

Tax at lifetime rates on A-D

NIL

F £2,800

Periodic charge = $F \times 30\%$ = £840

Trust value at previous 10-year charge

A £320,000

Periodic charge

B £840

Effective rate of tax (B/A) x 100

C 0.2625%

Number of whole quarters

D 5

since last 10-year charge

Amount appointed

E £20,000

Exit charge = $E \times C \times \frac{D}{40}$ = £6.56

Appendix 1

Who will benefit from the Bright Grey split trust?

Life or Critical Illness Cover – 2 people covered and both are owners

If	And	The money is held for
A suffers a critical illness	A and B both survive 30 days	A & B
A suffers a critical illness	A survives for 30 days but B dies within 30 days	A
A suffers a critical illness	A dies within 30 days but B survives for 30 days	B
A suffers a critical illness	Both A and B die within 30 days	Beneficiaries
A dies	B survives for 30 days	Beneficiaries
A dies	B dies within 30 days	Beneficiaries
B suffers a critical illness	A and B both survive 30 days	A & B
B suffers a critical illness	A survives for 30 days but B dies within 30 days	A
B suffers a critical illness	A dies within 30 days but B survives for 30 days	B
B suffers a critical illness	Both A and B die within 30 days	Beneficiaries
B dies	A survives for 30 days	Beneficiaries
B dies	A dies within 30 days	Beneficiaries

Appendix 1

continued

Who will benefit from the Bright Grey split trust?

Critical Illness Cover – 2 people covered and both are owners

If	And	The money is held for
A suffers a critical illness	A and B both survive 30 days	A & B
A suffers a critical illness	A survives for 30 days but B dies within 30 days	A
A suffers a critical illness	A dies after more than 14 days but less than 30 days and B survives for 30 days	B
A suffers a critical illness	Both A and B die after more than 14 days but within 30 days	Beneficiaries
A suffers a critical illness	A dies within 14 days	No payment is made
B suffers a critical illness	A and B both survive 30 days	A & B
B suffers a critical illness	B survives for 30 days but A dies within 30 days	B
B suffers a critical illness	B dies after more than 14 days but less than 30 days and A survives for 30 days	A
B suffers a critical illness	Both A and B die after more than 14 days but within 30 days	Beneficiaries
B suffers a critical illness	B dies within 14 days	No payment is made

Life Cover – 2 people covered and both are owners

If	And	The money is held for
A dies	B survives for 30 days	Beneficiaries
A dies	B dies within 30 days	Beneficiaries
B dies	A survives for 30 days	Beneficiaries
B dies	A dies within 30 days	Beneficiaries

Who will benefit from the Bright Grey split trust?

Life or Critical Illness Cover – A is the person covered and both A & B are owners

If	And	The money is held for
A suffers a critical illness	A and B both survive 30 days	A & B
A suffers a critical illness	A survives for 30 days but B dies within 30 days	A
A suffers a critical illness	A dies within 30 days but B survives for 30 days	B
A suffers a critical illness	Both A and B die within 30 days	Beneficiaries
A dies	B survives for 30 days	Beneficiaries
A dies	B dies within 30 days	Beneficiaries
B suffers a critical illness or dies		No payment is made

Critical Illness Cover – A is the person covered and both A & B are owners

If	And	The money is held for
A suffers a critical illness	A and B both survive 30 days	A & B
A suffers a critical illness	A survives for 30 days but B dies	A
A suffers a critical illness	A dies after more than 14 days but less than 30 days but B survives for 30 days	B
A suffers a critical illness	A dies after more than 14 days but less than 30 days and B dies within 30 days	Beneficiaries
A suffers a critical illness	A dies within 14 days	No payment is made
B suffers a critical illness or dies		No payment is made

Appendix 1

continued

Who will benefit from the Bright Grey split trust?

Life Cover – A is the person covered and both A & B are owners

If	And	The money is held for
A dies	B survives for 30 days	B
A dies	B dies within 30 days	Beneficiaries
B dies		No payment is made

Life or Critical Illness Cover – one person covered and they are the owner

If	And	The money is held for
A suffers a critical illness	A survives for 30 days	A
A suffers a critical illness	A dies within 30 days	Beneficiaries
A dies		Beneficiaries

Critical Illness Cover – one person covered and they are the owner

If	And	The money is held for
A suffers a critical illness	A survives for 30 days	A
A suffers a critical illness	A dies after more than 14 days but less than 30 days	Beneficiaries
A suffers a critical illness	A dies within 14 days	No payment is made

Life Cover – one person covered and they are the owner

If	And	The money is held for
A dies		Beneficiaries

Appendix 2

Who will benefit from the Bright Grey split trust +30?

Life or Critical Illness Cover – 2 people covered and both are owners

If	And	The money is held for
A suffers a critical illness	A and B both survive 30 days	A & B
A suffers a critical illness	A survives for 30 days but B dies within 30 days	A
A suffers a critical illness	A dies within 30 days but B survives for 30 days	B
A suffers a critical illness	Both A and B die within 30 days	Beneficiaries
A dies	B survives for 30 days	B
A dies	B dies within 30 days	Beneficiaries
B suffers a critical illness	A and B both survive 30 days	A & B
B suffers a critical illness	A survives for 30 days but B dies within 30 days	A
B suffers a critical illness	A dies within 30 days but B survives for 30 days	B
B suffers a critical illness	Both A and B die within 30 days	Beneficiaries
B dies	A survives for 30 days	A
B dies	A dies within 30 days	Beneficiaries

Appendix 2

continued

Who will benefit from the Bright Grey split trust +30?

Critical Illness Cover – 2 people covered and both are owners

If	And	The money is held for
A suffers a critical illness	A and B both survive 30 days	A & B
A suffers a critical illness	A survives for 30 days but B dies within 30 days	A
A suffers a critical illness	A dies after more than 14 days but less than 30 days and B survives for 30 days	B
A suffers a critical illness	Both A and B die after more than 14 days but within 30 days	Beneficiaries
A suffers a critical illness	A dies within 14 days	No payment is made
B suffers a critical illness	A and B both survive 30 days	A & B
B suffers a critical illness	B survives for 30 days but A dies within 30 days	B
B suffers a critical illness	B dies after more than 14 days but less than 30 days and A survives for 30 days	A
B suffers a critical illness	Both A and B die after more than 14 days but within 30 days	Beneficiaries
B suffers a critical illness	B dies within 14 days	No payment is made

Life Cover – 2 people covered and both are owners

If	And	The money is held for
A dies	B survives for 30 days	B
A dies	B dies within 30 days	Beneficiaries
B dies	A survives for 30 days	A
B dies	A dies within 30 days	Beneficiaries

Who will benefit from the Bright Grey split trust +30?

Life or Critical Illness Cover – A is the person covered and both A & B are owners

If	And	The money is held for
A suffers a critical illness	A and B both survive 30 days	A & B
A suffers a critical illness	A survives for 30 days but B dies within 30 days	A
A suffers a critical illness	A dies within 30 days but B survives for 30 days	B
A suffers a critical illness	Both A and B die within 30 days	Beneficiaries
A dies	B survives for 30 days	B
A dies	B dies within 30 days	Beneficiaries
B suffers a critical illness or dies		No payment is made

Critical Illness Cover – A is the person covered and both A & B are owners

If	And	The money is held for
A suffers a critical illness	A and B both survive 30 days	A & B
A suffers a critical illness	A survives for 30 days but B dies within 30 days	A
A suffers a critical illness	A dies after more than 14 days but less than 30 days but B survives for 30 days	B
A suffers a critical illness	A dies after more than 14 days but less than 30 days and B dies within 30 days	Beneficiaries
A suffers a critical illness	A dies within 14 days	No payment is made
B suffers a critical illness or dies		No payment is made

Life Cover – A is the person covered and both A & B are owners

If	And	The money is held for
A dies	B survives for 30 days	B
A dies	B dies within 30 days	Beneficiaries
B dies		No payment is made

Appendix 3

Who will benefit from the Bright Grey business trust?

Life or Critical Illness Cover – A is the person covered and A is the owner

If	The money is held for
A suffers a critical illness or dies	A's co-shareholders, members or partners

Critical Illness Cover – A is the person covered and A is the owner

If	The money is held for
A suffers a critical illness	A's co-shareholders, members or partners

Life Cover – A is the person covered and A is the owner

If	The money is held for
A dies	A's co-shareholders, members or partners

Appendix 4

Who will benefit from the relevant life policy trust ?

Life Cover – A is the person covered and B is the owner

If	The money is held for
A dies	The discretionary beneficiaries

Important note

The taxation information set out in this guide is based on our understanding of current taxation legislation and practice as at April 2011. We cannot accept any responsibility for its interpretation or any subsequent changes.

Glossary of terms.

Confirmation

The legal process in Scotland of confirming who can deal with an estate after someone dies. This has to happen before the assets of the estate can be distributed according to the terms of the will, or if there is no will, the rules of intestacy.

Deed of appointment of trustee

A deed used to appoint a new additional trustee.

Deed of appointment to benefit

A deed used to change the named beneficiaries or the shares they are to receive. The deed may be 'absolute' or 'irrevocable', both meaning that no further changes can be made, or 'revocable' meaning that the appointment can be changed in the future.

Deed of retirement

A deed used to allow someone who no longer wants to be a trustee to retire.

Discretionary beneficiaries

The list of people to whom the trustees may distribute some of the trust fund.

Discretionary trust

A trust under which the trustees can decide when, how much and to whom an appointment of the trust fund will be made.

Gifted benefits

The benefits from the plan that the settlor wants to give to someone else.

Grant of representation

The legal document granted by the court that gives authority to named individuals to deal with the estate of someone who has died.

Intestacy

When someone dies without leaving a valid will. It is also possible for a partial intestacy to occur if someone's will is not worded properly and does not cover all of their estate. Where someone dies intestate, the law sets out who will receive their estate.

Personal representatives

The people your client has asked to deal with his estate after his death.

Probate

The legal process in England, Wales and Northern Ireland of confirming who can deal with an estate after someone dies. This has to happen before the assets of the estate can be distributed according to the terms of the will, or if there is no will, the rules of intestacy.

Retained benefits

The benefits from the plan the settlor wants to keep for himself.

Trust fund

The property subject to the trust. This could be the Bright Grey plan, or after a claim the money paid or any investments made with it.

Any questions?

If you have any questions about trusts you can download, 'Our guide to being a trustee' and our guides showing 'How to complete the Bright Grey split trust and split trust +30 forms' and 'How to complete the Bright Grey business trust form' from our website www.brightadviser.co.uk

Or you can order copies from www.brightadviser.co.uk/literature

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