

## Does the trust have tax implications?

As none of the assets in the fund belong to anyone personally, there is no inheritance tax due on those assets if a beneficiary dies.

There may be inheritance tax charges throughout the duration of the trust, namely:

- anniversary charges which are payable every 10 years; and
- exit charges which are payable when assets are transferred to beneficiaries.

However, when compared with the overall value of the fund, these charges do tend to be relatively small.

The trustees are also required to pay tax on income and capital gains in a similar way to individuals.

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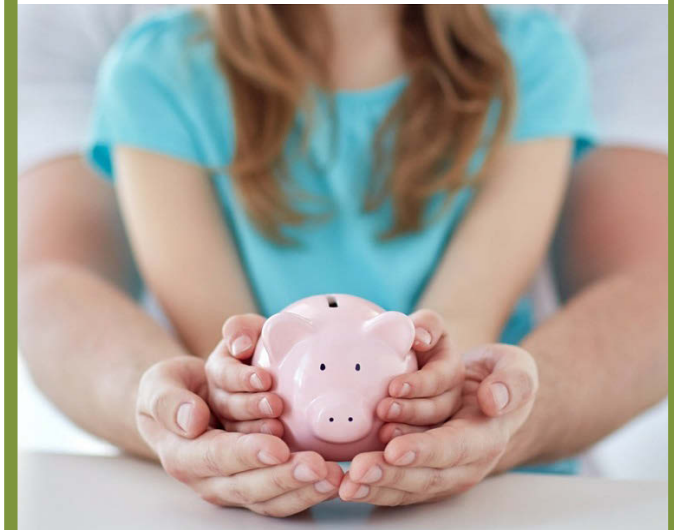
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## **Gifts to Vulnerable Beneficiaries**



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### **Who is a 'vulnerable beneficiary'?**

Anyone who finds it difficult to manage their own money, such as a child with a learning disability or a family member with mental health problems, could be considered vulnerable.

### **Can I leave money to them in my Will?**

There are different ways of leaving money to people in your Will. It is usually not appropriate to leave an outright gift to a vulnerable person.

One reason for not leaving a direct gift is that the person may not be capable of looking after their own money or that the gift would put them under unnecessary stress or pressure.

Secondly, any entitlement to means tested benefits may be affected if the person receives a large sum of money all at once.

In these circumstances, we recommend that you consider a discretionary trust.

### **What is a discretionary trust?**

A discretionary trust is an arrangement whereby money or property (a fund) is looked after by trustees for the benefit of a group of beneficiaries named in your Will.

The trustees have full control and can decide if, when and how the beneficiaries receive money from the fund. As a result, no beneficiary has an absolute right to any money held in trust.

This preserves any entitlement to means tested benefits and ensures that the beneficiaries are supported by the trustees and not put in situations they might find difficult.

### **Letter of wishes**

Although your trustees will have full discretion, you can prepare a letter of wishes to give guidance on how you would like them to make decisions. For example, you can say that you would like the vulnerable person to be treated as the main beneficiary.

### **Who are my trustees?**

Your trustees are normally the same people as the executors of your Will. You can choose trusted family members or friends, professionals such as solicitors or a combination of the two.

### **Other reasons for a discretionary trust:**

- Flexibility where the future needs of beneficiaries are unknown
- Providing for a loved one who is not good with money or receives any form of state support
- Avoiding unnecessary inheritance tax when a beneficiary dies
- Protecting assets if a beneficiary were to face divorce or bankruptcy in the future
- Retaining a degree of control should relationships within the family change
- Keeping assets within the family and preserving them for future generations