Aviva's protection trusts and inheritance tax

Leaving as much as you can
to the people you care for

Inheritance planning... why it's so important

Nobody likes to think about what will happen when they've gone. But you're already thinking ahead by having a protection policy in place. And if you spend an hour or so planning ahead now, you can help make sure that those you love get the money you've left for them quickly and without paying excessive tax.

The information in this guide will provide a good introduction to inheritance planning, but we'd recommend you speak to a legal or financial adviser before making any decisions.

Putting a life insurance policy into a trust

You may already know that you can put assets like money, investments and property into a trust for the benefit of your loved ones. But did you know you can do the same thing with your life insurance policy?

In the first part of this brochure, we'll look at trusts **designed to hold life insurance policies** – sometimes called protection trusts – and explain how they can help with your inheritance planning.

The basics about trusts

What is a trust?

A trust is a way of giving some property (such as your Aviva life insurance policy) to other people without giving them full control over it.

Who's involved?

Settlor

The settlor is the legal name given to the person who sets up the trust and transfers the property into it. If you put an Aviva life insurance policy under trust, you will be the settlor. As the settlor, you need to think about who you want to benefit from the money (the beneficiaries), and who would look after it for you if you die during the policy term (the trustees).

Trustees

The settlor passes the legal ownership of the property to the trustees. They're legally bound to look after the property in line with the terms of the trust for the people who'll ultimately benefit from it.

As the settlor, you'll also automatically be a trustee. We recommend that you appoint at least one other trustee to help you look after the trust.

Beneficiaries

The beneficiaries are the people who will receive the benefits from the trust. In a protection trust, this means the pay out from your life insurance policy.

We can't deal directly with the beneficiaries because they don't legally own the life insurance policy that forms the trust property. Instead, we'll deal with the trustees on their behalf.

Why use a trust?

There are a number of reasons why it can be a good idea to put your life insurance policy in a protection trust:

- As the settlor, you choose who you wish to receive the money from your life insurance policy – the beneficiaries.
- Your trustees should receive the money quickly. Once we've accepted the claim, we'll pay the money from your policy to the surviving trustees, who'll pass it on to your beneficiaries, or look after it until the beneficiaries are old enough to deal with the money themselves.
- As the settlor, you'll automatically become one of the trustees, so you keep an element of control over your life insurance policy.
- Your life insurance policy won't be counted as part of your estate when you die. This means the trustees will usually be able to pay your beneficiaries without having to pay inheritance tax on the money (unless you name yourself as a potential beneficiary, see the 'Things to think about' section below).
- HM Revenue & Customs (HMRC) treat the premiums you pay as gifts as far as inheritance tax is concerned, but they will often be exempt. This can be a good way of using your inheritance tax exemptions.

Things to think about

- You can't put your life insurance policy under trust if you've assigned it to a lender (for example, your mortgage provider) as security for a loan.
- Using a trust is not usually appropriate for stand-alone critical illness policies.
- If you name yourself as a potential beneficiary, the policy won't be outside your estate for inheritance tax. So the money from your policy will be included in your estate for inheritance tax calculations when you die. This will happen even if you haven't received any money from it during your lifetime. HMRC call this a gift with reservation of benefit. Your policy won't be treated as a gift with reservation of benefit if you choose only to receive any pay-out from your life insurance policy for critical illness, terminal illness or mortgage payment protection. (please note the Bare Trust (see below) does not enable you to receive these pay-outs).

Gift with reservation of benefit

A gift which is not fully given away. The person getting the gift receives it with conditions attached, or the person making the gift keeps back some of the benefit for themselves.

Choosing the right trust for your life insurance policy

We have three protection trusts which you can use with your life insurance policy.

Aviva Discretionary Gift Trust (Protection)

Any money paid out because of a death claim would be paid to the trustees for the beneficiaries as described below. However, the trust will give you the option, if included, to keep any terminal illness, critical illness and total permanent disability benefits for yourself.

This trust is very flexible. You can choose from a wide range of beneficiaries including your children and grandchildren. You can even choose children or grandchildren who are born after you set the trust up.

You can also add to the range of potential beneficiaries – to include nieces or nephews, for example – any of whom could receive money from your policy. This means that if your circumstances change, the trustees can agree to give one or more of the potential beneficiaries a share of the money. You should tell the trustees (ideally in writing) how you'd like the money from your policy to be divided amongst the beneficiaries. You can change your mind at a later date if you want to.

Aviva Survivor Trust

Any money paid out because of a death claim would be paid to the trustees for the beneficiaries as described below. However, the trust will give you the option, if included, to keep any terminal illness, critical illness and total permanent disability benefits for yourself.

This trust could be suitable for you if your life insurance policy covers two people. It's common for couples to have a policy that covers both of them and pays the surviving partner when the other one dies. However, this type of policy can cause problems in some circumstances:

If both partners die at the same time

If a couple covered by the same policy die at the same time – in an accident, for example – we'll pay the money to the younger partner's personal representatives. It will then become part of their estate for inheritance tax. What's more, there's likely to be a delay before the beneficiaries of their estate receive the money, and they may also have to pay inheritance tax on it.

If the surviving partner dies very soon after their partner

If a couple covered by the same policy die very close together, we'll pay the money to the personal representatives of the second of the two to die. This means the money will be part of that person's estate. Because of this, the beneficiaries of their estate may have to wait to receive the money, and they may also have to pay inheritance tax on it.

The Aviva Survivor Trust can help in both of these situations. If you put your joint life insurance policy in this trust, the trustees can pay the money to the surviving partner as long as they're still alive 31 days after the death of their partner.

If the surviving partner dies within 31 days of the other partner, the trustees can pay the money from the policy to the couple's chosen beneficiaries. They won't have to pay any inheritance tax on the money as part of either partner's estate.

Aviva Bare Trust (Protection)

This trust is not flexible. The beneficiaries of the trust and the share that any beneficiary is to receive cannot be changed at any time once the trust is set up. Also, the Trustees will not be able to decide when the benefits are paid to those beneficiaries. Any money under the trust must be offered to the beneficiaries if they are 18 or over (in England and Wales), or 16 or over (in Scotland).

Your named beneficiaries will receive all of the benefits of the policy. If included, you cannot keep any terminal illness, critical illness and total permanent disability benefits for yourself.

Trusts: looking at your tax position

Our Aviva Discretionary Gift Trust (Protection) and our Aviva Survivor Trust give trustees the power to invest money. Because the trusts just hold life insurance policies, the trustees can only use this power after they have made a claim on the policy. This may also apply to our Aviva Bare Trust (Protection) until the beneficiary reaches age 18.

We recommend that the trustees get financial advice on the best way to invest the money if they're not paying it straight to the beneficiaries.

An adviser would also be able to give the trustees more information on the tax implications for any investment they make.

Trusts and UK inheritance tax

If you put your life insurance policy into one of our protection trusts, HMRC will treat it as a lifetime transfer. This will be a chargeable lifetime transfer (a transfer of assets made during a settlor's lifetime that is liable to an inheritance tax charge) where our Discretionary Gift Trust (Protection) or our Aviva Survivor Trust is used and a potentially exempt transfer if our Aviva Bare Trust (Protection) is used. But this doesn't mean you'll be presented with a tax bill.

For a whole of life insurance policy, the value of the lifetime transfer when you set up the trust will be the greater of the:

- open market value of the policy when the trust is created (if you're in good health, the surrender value will give you a good idea of what this will be)
- total amount of the premiums you've paid up to the time you create the trust.

For a term life insurance policy, only the open market value counts. The surrender value is usually nil, but it can still have an open market value. This would be the case if the person covered by the policy is in poor health and likely to die before the policy ends.

What about the premiums?

If you put your life insurance policy into a trust and can no longer benefit from it, HMRC will treat the premiums you pay as gifts as far as inheritance tax is concerned. This means that these premiums will usually be exempt from any inheritance tax calculation, under the normal expenditure from income exemption or the annual exemption. However, if your premiums are too large to be fully covered by any inheritance tax exemptions, HMRC will treat the excess as lifetime transfers.

Tax on our Aviva Discretionary Gift Trust (Protection) or our Aviva Survivor Trust

It's possible that, as the settlor, you may make a chargeable lifetime transfer when you set up a trust for your policy or you pay the premiums for the policy in trust. That's unlikely for a term life insurance policy, but may be the case for a whole of life insurance policy.

There may be an inheritance tax liability if the total value of all your lifetime transfers in any seven-year period is more than the nil rate band (currently £325,000). If this happens, inheritance tax would be based on the amount above the band and charged at half the death rate, which is currently 40%. Because the tax you pay is also treated as a gift, you will effectively pay tax at 25% on the excess.

If you make chargeable lifetime transfers of more than £325,000 (the current nil rate band) in the same tax year, or in the seven years before setting up the trust, there are two forms – IHT100 and IHT100a – you need to complete and send to HMRC. The trustees should also complete IHT100 and either IHT100c or IHT100d when they report an exit or periodic charge.

You can find these forms on the HMRC website, **www.hmrc.gov.uk**

The trustees may have to pay periodic inheritance tax charges on your trust at ten-year intervals after you set it up. This will only happen if the value of the trust is higher than the nil rate band for the trust at that time. As your trust will only hold a life insurance policy, the value will be very small as long as you're in good health.

This means it's unlikely that there will be any tax charge. If there is, when the trustees calculate the tax, they'll take into account any chargeable lifetime transfers you've made in the seven years before you set up the trust. You'll pay inheritance tax on the amount over the nil rate band at 30% of half the death rate. This means you'll effectively pay inheritance tax at 6%, but only on the value in excess of the nil rate band. As long as you're not named as a beneficiary, the trustees can normally pay the money from your life insurance policy to the beneficiaries without it forming part of your estate.

However, the trustees may have to pay exit charges when they pay the money from the policy to the beneficiaries. This will happen if they paid an inheritance tax charge at the last 10-year anniversary, or at the start of the trust if that was less than10 years ago. Again, this is unlikely to happen with a protection policy trust.

If you die within seven years of making a chargeable lifetime transfer, the value of the transfer will become liable for inheritance tax at the rate applying on death (currently 40%). Any tax due on death will be reduced by the tax that was paid when the transfer was made.

Neither the trustees nor the beneficiaries will normally have to pay inheritance tax on the money from the policy as it is not part of your estate.

Tax on our Aviva Bare Trust (Protection)

No inheritance tax is payable when you set up a trust or pay the premiums, as the lifetime transfer or gifts made will be potentially exempt transfers. However, if you die within 7 years of making any lifetime transfers or gifts, their value during that 7 year period will be included with the assets of your estate on death, to calculate the amount of inheritance tax payable.

Also, the Trust will not pay any periodic inheritance tax charges or an exit charge when the trustees pay the money from the policy to the beneficiaries. However, if a beneficiary dies, their share of the open market value of the policy (or, if greater, the total of the premiums paid to date where the policy is a whole of life insurance policy) will be included in their estate for inheritance tax purposes.

If you have a partner

If you have a spouse or civil partner, but take out a life insurance policy on your life only, you shouldn't pay the premiums from a joint account. This is because it may affect your inheritance tax position.

If you and your partner set up the life insurance policy - and trust - together, you can pay the premiums from a joint account. But you shouldn't name yourselves as beneficiaries because this will also affect your inheritance tax position.

Example – John Black

John Black is married with two young children. After getting financial advice, he takes out a life insurance policy for £400,000 and writes it under a Discretionary Gift Trust (Protection) for the benefit of his children.

As the death benefit from this policy won't be part of his estate, it won't be subject to inheritance tax. Also, if John dies, we can pay the money from the policy to his surviving trustees as soon as we accept the claim. We won't need to wait for probate or other grant of representation.

Because he's in good health, the open market value of the policy is nil when John creates the trust. This means there's no chargeable lifetime transfer and no need to complete an IHT100 form. Also, John's premiums are exempt so they're not treated as chargeable transfers.

As long as John is in good health at every 10-year anniversary, the policy will have little or no value. This means there won't be a periodic inheritance tax charge. If John dies and we pay the claim before the next 10-year anniversary, there won't be an exit charge if the trustees distribute the money before the following 10-year anniversary.

Trusts and other taxes

UK income tax

The trustees will only have to pay income tax on the money from the life insurance policy if the surrender value is more than the total value of the premiums you've paid. This is unlikely to happen with a protection policy.

UK capital gains tax

Trustees don't generally have to pay capital gains tax on the money from life insurance policies held in a protection trust.

Some questions about trusts

1. Who is the settlor?

The person, or people who set up the trust. They should be 18 or over and of sound mind.

2. Who can be a trustee?

You can appoint any adult who is of sound mind as a trustee. You can also appoint a trust company. There are a number of things to bear in mind when you appoint your trustee, so you should get some advice. With our protection trusts, as the settlor, you automatically become a trustee. We recommend that you appoint at least one other trustee.

3. Who can change the beneficiaries?

For our **Aviva Discretionary Gift (Protection)** or **Aviva Survivor Trust** – As the settlor, you can choose who will benefit from the trust when you set it up. You can also change the beneficiaries. When you die, any surviving settlor can change the beneficiaries. When all the settlors have died, the trustees can change the beneficiaries until the trust ends, but they can only choose from the potential beneficiaries you have included in your trust.

For our **Aviva Bare Trust (Protection)** – **This trust is not flexible** so once it has been set up, neither you nor the Trustees will be able to change the beneficiaries of the trust, or the share that any beneficiary is to receive, at any time.

4. Can a couple make individual trust arrangements?

Yes, but we recommend that you discuss this with an adviser first as it could remove any inheritance tax advantage.

5. Can a couple establish a trust together?

Yes, you can do this with the Aviva Discretionary Gift Trust (Protection), the Aviva Survivor Trust or the Aviva Bare Trust (Protection).

6. Can I use a trust with existing life insurance policies?

Yes, you can put any existing life insurance policies under trust using the Aviva Discretionary Gift Trust (Protection), the Aviva Survivor Trust or the Aviva Bare Trust (Protection).

Looking at the broader picture

Protection trusts are just one of the things you need to think about in your inheritance planning. So now we'll take a closer look at inheritance tax in general.

Inheritance tax

If you're concerned that inheritance tax will mean you won't leave as much as you'd like to your loved ones, you're not alone. Not too many years ago, inheritance tax was seen as something which only the very rich need worry about. But times have changed.

With increases in the inheritance tax threshold failing to keep pace with property price rises over the years, more people have fallen into the tax band.

However, taking steps to reduce your inheritance tax liability now can make a big difference, helping you leave as much as possible to the people you care for.

What is inheritance tax?

Put simply, inheritance tax is a tax on everything you own – your net assets – which is payable when you die.

Your assets may be more extensive than you think. They could include the following:

- Your home – and any other property you own.
- Your investments.
- Any insurance policies you've got.
- Items such as antiques and other collectables, cars, furniture and valuables like jewellery.
- Gifts you've made, if you still benefit from them. An example would be a home which you still live in, even though you have given it away.
- Gifts you've made during the last seven years – we'll look at these in detail later.
- Assets held in certain kinds of trust, from which you still benefit personally.

Inheritance tax charges

Inheritance tax is currently charged at 40% of the value of your assets (your estate) which exceeds the nil rate band of £325,000 and any main residence nil rate band. In certain cases, assets can be exempt from inheritance tax, or the liability may be reduced by reliefs.

From 6 April 2017, the main residence nil rate band applies to the value of a residential property that is part of an estate passed to direct descendants. It can also apply where the deceased sold or downsized their residence during their lifetime. The maximum amount will be:

- £100,000 for 2017 to 2018
- £125,000 for 2018 to 2019
- £150,000 for 2019 to 2020
- £175,000 for 2020 to 2021

The main residence nil rate is reduced by £1 for every £2 that the value of the estate exceeds £2,000,000 and can be transferred to a surviving spouse or civil partner.

Who pays inheritance tax and on what?

If you are **UK domiciled** your estate has to pay inheritance tax on your worldwide assets. If you're classified **as non-UK domiciled**, it will only be liable for inheritance tax on your assets in the UK.

Domicile

Not the same as nationality or residence, it's usually the country that your **father** considered to be his real or permanent home at the date of your birth.

Domicile is a very important concept in relation to inheritance tax. It's determined by the place you have your permanent home. At birth you take the same domicile as your father, and you keep it unless you take steps to change it (to a 'domicile of choice') when you become an adult. You can only have **one** domicile.

How the tax is calculated

The simplest way to show how inheritance tax works is through an example. The one below represents a typical situation:

Example – Raymond Jackson

Raymond, a widower, died aged 77 in May 2017. At the time the inheritance tax threshold stood at £325,000. As Raymond's wife's nil rate band was unused on her earlier death a nil rate band of £650,000 (£325,000 x 2) can be applied to his assets. In addition, the main residence nil rate band of £200,000 (£100,000 x 2) applied.

Raymond's assets were:

His home	£750,000
His investments	£346,000
Household items, antiques etc	£46,000
His car	£16,000
Total	**£1,158,000**
Debts, including funeral expenses	£14,000
Raymond's estate	**£1,144,000**
Assets liable to IHT £1,144,000 – £650,000 (£325,000 x 2) – £200,000 (£100,000 x 2)	**= £294,000**
IHT payable @ 40%	**= £117,600**

Raymond had 3 children and 6 grandchildren who were all equal beneficiaries of his estate. After IHT of £117,600 was deducted, his total estate was worth £1,026,400 (£1,144,000 – £117,600). This would result in each beneficiary receiving £114,044 (£1,026,400 / 9 beneficiaries), meaning that the biggest beneficiary in this example would be HM Revenue & Customs (HMRC).

It's worth noting that the £117,600 tax bill is the equivalent of nearly 10.3p in every £1 of the overall value of his estate – a considerable proportion.

How exemptions and reliefs could reduce your liability

In certain cases, assets can be exempt from inheritance tax, or the liability may be reduced by reliefs.

The main **exemptions** are:

- Spouse exemption – gifts made to a UK domiciled spouse.
- Gifts to charities/political parties.

There are no limits on the exemptions, and they apply whether the gifts were made during your lifetime, or on your death.

The most common **reliefs** are:

- Business property relief – this applies to a person's interests in a trade which have been held for two years or more. It normally stands at 100%, although a 50% rate applies to:
  - property which is owned by a partner or controlling shareholder and used in the partnership's or the company's trade
  - a controlling shareholder of a listed (quoted) company.
- Agricultural property relief – standing at 100%, this relief applies where a person owns property which:
  - he/she has used for the purposes of agriculture for two years; **or**
  - has been used for the purposes of agriculture by another person for seven years.

Please note, only the agricultural value of the property qualifies. For farmhouses to fully qualify, their size must be proportionate to the land used for agriculture.

For a full list of all IHT exemptions and reliefs you can visit the HMRC website **www.hmrc.gov.uk/inheritancetax**

Work out what your liability might be with our inheritance tax calculator

You can use this simple calculator to get an idea what your potential inheritance tax liability might be. The calculator is based on your current assets and liabilities – you should use it only as a guide before you talk to a professional adviser.

Assets	
House	£
Cash eg your bank/building society accounts	£
Investments eg shares, funds, premium bonds	£
Other assets eg cars, holiday home, boat, personal effects such as jewellery	£
Life insurance (not under a suitable trust) eg your term assurance pay-out	£
Other	£
Estimated value of assets	£

Liabilities	
Mortgages	£
Loans/overdraft	£
Credit cards	£
Other expenses eg bills, hire purchase, funeral expenses etc.	£
Estimated liabilities	£

Working out your potential inheritance tax liability

Firstly, you need to calculate the estimated value of your estate. To do this, take your estimated liabilities away from the estimated value of your assets:

Estimated value of assets	–	Estimated liabilities	=	Estimated value of your estate

Then to get the amount liable for inheritance tax, take the nil rate band away from the estimated value of your estate:

Estimated value of your estate	–	IHT & main residence nil rate band	=	Estimated amount liable for inheritance tax

Finally, to work out the potential inheritance tax charge, multiply the amount liable for inheritance tax by the death rate:

Estimated amount liable for inheritance tax	X	Death rate (currently 40%)	=	Estimated amount of inheritance tax payable

When you know the potential inheritance tax charge, you can work out how much you could leave to your beneficiaries:

Estimated value of your estate	–	Estimated amount of inheritance tax payable	=	Estimated amount payable to your beneficiaries

Not just a tax on the very wealthy

We've seen that inheritance tax is no longer just a worry for the rich. In fact, under some circumstances, inheritance tax liability can cause financial difficulty for less wealthy individuals.

Looking back to the previous example, Raymond's inheritance tax bill of £117,600 may have to be paid by his personal representatives before any of the estate can be released to them.

If they aren't in a position to pay this amount up front, they may need to take out a short-term loan to clear the debt. They may then be forced to sell Raymond's house more quickly than they'd wanted.

In any case, they would normally need to settle the bill within six months of the end of the month in which Raymond died – unless they could pay some of the tax in instalments.

Why it can pay to plan early

Fortunately, there's lots you can do to improve your inheritance tax position. In some cases, you can 'gift' assets without losing control of, or access to, them.

You can also make use of exemptions. Gifts of up to £3,000 in each tax year are exempt from inheritance tax. By using this exemption carefully over a number of years, you can transfer a substantial amount from your estate to your chosen beneficiaries.

But what if you want to make a larger gift?

Generally speaking, as long as you survive for at least seven years after making the gift, it won't be liable for inheritance tax**.** You'll find more detail on the types of gifts which qualify for this ruling in the 'More about lifetime gifts' section of this guide.

Why it's important to make a will

If you haven't already made a will, this should be the first step in your inheritance tax planning.

If you die without a will ("intestate"), your estate may be liable to more inheritance tax. And, more importantly, your assets may not go to the right people. So getting proper advice from an adviser, or lawyer, could be the single most important thing you do for your loved ones.

You and your partner

When a person who is married or in a civil partnership dies, their assets can be transferred to their surviving partner without any inheritance tax liability, meaning their nil rate band is not used. This is called **spouse exemption**.

In these circumstances, the percentage of any unused nil rate band can be transferred to the surviving partner to use when they die. The unused percentage will be applied to the nil rate band which applies when the second partner dies.

What you need to know about lifetime gifts

Some of the most common ways you can make tax-efficient lifetime gifts include:

- **The annual exemption** – this is the £3,000 exemption allowed each tax year. This exemption can be carried forward only to the next tax year if you don't use it all.
- **Small gifts exemption** – you can make gifts of £250 or less to as many different people as you choose within a tax year.
- **Gifts in consideration of marriage** – you can give different amounts depending on your relationship with the person receiving the gift. For example, gifts from a parent to a child in consideration of marriage qualify for a £5,000 exemption.
- **Normal expenditure out of income exemption** – this covers regular gifts out of income which you can make without reducing your normal standard of living. There's no upper limit, provided the conditions are met.

Lifetime gifts fall into two categories:

1. **Potentially exempt transfers** (PETs) – outright gifts to an individual or a bare trust (a basic trust in which the beneficiary has the absolute right to the capital and assets within the trust, as well as the income from them).

2. **Chargeable lifetime transfers** – gifts to a trust (other than a bare trust). If the gift causes you to exceed the available nil rate band, an immediate inheritance tax charge arises on the excess.

For example, a chargeable lifetime transfer of £400,000 is £75,000 over the current nil rate band of £325,000. The excess would incur an immediate inheritance tax charge of 20% of this amount (£75,000 x 20% = £15,000).

Understanding taper relief

If you die within seven years of making a gift, inheritance tax needs to be recalculated. The length of time that you lived will be taken into consideration – this is called taper relief.

Taper relief reduces the inheritance tax liability on the gift as follows:

Years between transfer and death	Taper relief %	% of tax payable
0 to 3	0	100
3 to 4	20	80
4 to 5	40	60
5 to 6	60	40
6 to 7	80	20
7+	100	0

Example – Henry Wright

Henry made a gift of £350,000 on 1 February 2014 and then died on 20 June 2017.

The nil rate band at the date of his death was £325,000.

As the gift exceeded the nil rate band by £25,000, the full rate of tax was applied on the excess (£25,000 x 40% = £10,000).

Because Henry made the gift within three to four years before he died, taper relief reduces the liability by 20% (£10,000 x 20% = £2,000).

The revised inheritance tax charge following taper relief was £8,000 (£10,000–£2,000).

Reservation of benefit – a potential problem...

To be tax-efficient, a gift has to be made **without reserving benefit** for the person making the gift. This means they can't continue to benefit from what they've given away.

For example, if you gave away your house but continued to live in it rent-free, that would be a gift with reservation, and the value of the house would still form part of your estate.

Setting up other trusts

We've already looked at setting up trusts for your life insurance policy. But you can also set up a trust to pass on money, or property, to your beneficiaries tax-efficiently.

You can use certain types of trust which are not affected by the gift with reservation rules:

- Setting up a trust can give you a greater degree of control.
- A trust can help you to time the distribution of gifts to your beneficiaries.
- Trusts can also improve tax efficiency by making sure future growth remains outside your taxable estate.

Your next step... talk to an adviser

Everyone's individual needs are different, and you shouldn't go it alone when it comes to inheritance tax planning. Instead, it's best to get advice.

This is worthwhile whatever aspects of inheritance planning you're considering, but it's particularly important if you're thinking of putting your life insurance policy in trust. This is because:

- there are tax and legal consequences when you set up a trust
- you can't cancel a trust once you set it up
- the trustees have a special duty to the beneficiaries and will be personally liable for any loss the beneficiary may suffer if they use their powers wrongly.

Important notes

References to tax treatment in this booklet are based on our understanding of current legislation and HM Revenue & Customs' practice.

Both of these are likely to change in the future, which may lead to you paying tax. Whilst we've been as accurate as we can based on current legislation and HMRC practice, we can't accept responsibility for loss you or anyone else may suffer if you act or don't act based on any information we've given.

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