



## PILOT TRUSTS

### WHAT ARE PILOT TRUSTS?

They are discretionary trusts which are set up in advance – often at the same time as a Will is made – to receive money from a Death-in-Service benefit, Pension Fund or from a Will.

### WHAT ARE THE ADVANTAGES?

They are very flexible Trusts, often used to benefit the whole family. Particular benefits include:

- The money/property/investments in the Trust do not belong to any one beneficiary, so the funds are not subject to inheritance tax when one of the beneficiaries dies;
- Pilot Trusts, which do not exceed the Nil Rate Band are particularly tax-efficient. For this reason it is sometimes better to set up more than one Trust to ensure that each one is limited to the NRB;
- You can regulate how the Trust is to operate, who will benefit and at what age;
- The funds, while they are in the Trust, are protected from divorce claims, creditors, second marriages and financial abuse of or by the beneficiaries.

### HOW DO THEY WORK?

The Pilot Trust Deed is prepared. A £10 note is pinned to it to set it up. As there is no income there is no need for trust accounts or for the trust to be registered with HMRC – so no trust tax returns are needed. There are no on-going administrative or legal costs until funds are paid into the Pilot Trust.

If the Trust is set up to receive a Death-in-Service benefit or Pension Fund, then we will prepare a nomination for signature and we will register it with your Employer's Trustees. This will ensure that on death the funds will immediately go into the Pilot Trust.

If the Trust is set up to receive a family inheritance, then we will ensure that your Will contains the appropriate gift, so that the inheritance is paid into the Pilot Trust when the estate is administered. From that point, the Trustees of the Pilot Trust take over the running and administration of the Trust.

### LETTER OF WISHES

We will prepare a Letter of Wishes which sets out your guidelines for your Trustees to follow saying how you wish the Trust Fund to operate. You may want your spouse to be the primary beneficiary and for the Trustees to follow his/her views.

If your children are also beneficiaries under the Trust, you may want to say whether they are to be treated equally and whether you have any concerns about the age you would want them to take responsibility for their inheritance. You may also want your Trustees to be vigilant for such things as marriage breakdown, addictions, creditors' claims and financial abuse which may affect beneficiaries. In this way your Trustees can protect the funds and ensure they are available for your beneficiaries in a tax-efficient way with a minimum risk of loss of capital, but at the same time ensuring that your beneficiaries receive income and/or capital (depending on their personal circumstances).

### THE TRUSTEES

If the Pilot Trust is a family Trust then it is often advisable to appoint the surviving spouse as one of the Trustees. You will also need another Trustee who is financially responsible and sensitive to your wishes. If you wish, you may appoint The SRB Trustee Company Limited. This is a non-profit making Trust corporation which is regulated by the Solicitors Regulation Authority and covered by our professional indemnity insurance. The SRB Trustee Company can act alone if you wish.

### TAX IMPLICATIONS

- The Trust fund is not subject to Inheritance Tax if one of the beneficiaries dies;
- If the Trust fund is kept below the Nil Rate Band (currently £325,000) there is no set-up tax, no exit tax and no periodic charges;
- There is no tax while the Trust is dormant (before a death);
- Income on the Trust will be taxed in the usual way for Discretionary Trusts.

### WHAT DOES IT COST?

One Pilot Trust, from	£250
Each additional Pilot Trust, from	£100
Each Letter of Wishes/Nomination	£75

Plus Vat

### FOR MORE INFORMATION, JUST ASK

We will be pleased to provide any more information, please contact us and ask for the *private client team*.

Stone Rowe Brewer LLP Stone House 12-13 Church Street Twickenham Middlesex TW1 3NJ United Kingdom	<b>Telephone:</b> +44 (0)20 8891 6141 <b>Fax:</b> +44 (0)20 8744 1143 <b>Email:</b> <a href="mailto:info@srb.co.uk">info@srb.co.uk</a> <a href="http://www.srb.co.uk">www.srb.co.uk</a> DX200006 Twickenham
--	---

Stone Rowe Brewer LLP is a limited liability partnership regulated by the Solicitors Regulation Authority. A full list of members is available for inspection at the above registered office. Registered in England with Partnership No: OC 349339

This document does not intend to provide legal advice and is for general information only. Stone Rowe Brewer LLP and its staff accept no responsibility for loss which may occur from reliance on information contained in this document.