

Passing on wealth through trusts

Is it the right moment to begin safeguarding your wealth for the future?

A UK trust is a legal arrangement in which one party holds and manages assets on behalf of another party, in accordance with the terms set by the trust's creator.

They often serve as a safeguard for wealth, ensuring that assets are passed on to the next generation according to specific wishes. Trusts are essential in estate planning; however, due to their complexity, obtaining professional advice before setting one up is vital.

WHY CONSIDER A TRUST?

Imagine you want to leave your estate to your grandchildren, but they are still young adults. Would they handle sudden financial freedom responsibly, or might they lack foresight and spend it unwisely? Alternatively, you may have nieces and nephews, but you're unsure how to distribute your wealth fairly.

A trust helps address concerns like these by allowing you to decide how and when your beneficiaries access their inheritance. Whether it's providing for education, managing wealth for those who cannot handle large sums, or supporting future generations, trusts offer customisable solutions to suit individual circumstances.

THE MANY FORMS AND PURPOSES OF TRUSTS

Trusts have been utilised for centuries and serve various functions. They can distribute gifts gradually over time or safeguard wealth for beneficiaries who may face difficulties, such as being too young, lacking financial knowledge or encountering external risks like unstable personal relationships.

For some, using a trust reflects broader family strategies, such as safeguarding assets against specific risks like gambling issues or external influences. Additionally, in jurisdictions where tax laws differ, trusts can have varying tax implications, making expert advice essential for effective planning.

DEFINING A TRUST

At its core, a trust creates a legal relationship among three parties. The 'settlor' transfers their assets into a trust and specifies their wishes. The 'trustee', often a professional like a lawyer, manages the trust according to these instructions. Lastly, there is the 'beneficiary', who receives the trust's assets at the appropriate time and for its intended purpose.

Choosing a trustee is a crucial decision because they must act in the best interests of the beneficiaries. This often involves overseeing complex financial matters and managing practical responsibilities. Professional trustees bring neutrality and expertise to the role, ensuring the trust operates smoothly and accurately reflects the settlor's intentions.

WHEN OUTRIGHT GIFTS AREN'T THE RIGHT FIT

Sometimes, giving money directly isn't the best option. A trust enables you to retain control over your assets even after transferring them. You may prefer to distribute funds gradually or tie the disbursement to specific milestones, such as paying university fees or contributing to a house deposit.

Some families also use trusts when one or more beneficiaries might struggle to manage money due to personal challenges or incapacities. By structuring the trust carefully, it's possible to ensure that funds are protected and distributed to support the intended recipient at the right time.

A MEANS TO PROTECT WEALTH

Family dynamics and external influences can sometimes jeopardise financial security. For instance, a beneficiary might lead a high-risk lifestyle or be

swayed by an unreliable partner. A trust acts as a safeguard, imposing conditions on how and when wealth can be accessed whilst providing protection through agreements set out by the settlor.

Charitable trusts are another option for those wishing to leave a lasting legacy. They ensure that funds benefit chosen causes for many years to come, rather than just a one-time donation. ■

TIME TO TRUST IN YOUR FUTURE?

If you're considering a trust as part of your estate planning, professional advice is essential to help you make informed decisions and set up your trust properly. For expert guidance and additional support, contact us today and start safeguarding your wealth for the future.

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