

Realising the Benefits of an Assurance Trust when a Client Dies

When a client dies, the full benefit of Trust planning can be realised by the family and Beneficiaries. Probate solicitors often advise clients to close life cover Trusts (because many solicitors have little Trust experience, or do not know how to maintain Trusts economically). This will result in clients losing the protective and generational benefits. It may be beneficial to remind the Trustees of the benefits of the Assurance Trust:

- Families may avoid the unnecessary payment of significant amounts of inheritance tax (IHT) for future generations, specifically benefiting their own children, grandchildren, nephews and nieces. Benefits equating to £40,000 for every £100,000 directed through the framework is achievable.
- Protection of Trust assets down the generations.
- Potential protection of the inherited assets from third-party claims e.g. second marriages and care fee assessment.

Actions required after a client dies

1) Contact Solidus

Email support@solidustrusts.co.uk to advise us of a client death.

Let us know if details of the 'Assisted Probate Service' provided by our sister company Advisor Trusts and Probate Services Ltd ("ATPS") is required. Alternatively, for complex estates, the Executors may wish to engage for full Probate services.

To retrieve any documents stored with us we will need an authority letter signed by the Executors along with a copy of the death certificate.

2) Contact the Provider

Contact the provider and send them a copy of the death certificate. This will trigger the provider to send out a claim form to the Executors.

3) Trustee Bank Account

At the same time as you are notifying the life assurance company, the Trustees of the Assurance Trust will need to establish a Trustee Bank Account. This can either be at a local bank used by one or more of the Trustees, or Cater Allen who offer Trustee accounts (contact details are available from Solidus). Anti-Money Laundering (AML) for all Trustees will be required.

Once the account details are established list them on the life company claim form. A transfer can then be made to the Assurance Trust Trustee Bank Account under the terms of the provider.

4) Realising the Benefits of an Assurance Trust

Once the assets are transferred to the Trustee account the advice process can be implemented. The Letter of Wishes to the Trustees should be reviewed and followed, unless the Trustees have good reason to follow an alternative approach. Any deviation requires unanimous agreement. There are several options open to the Trustees, and they can adopt one or more of the following approaches:

- **Appoint out capital to a Beneficiary** - this is generally for smaller values as the protective and generational benefits may be lost, but is not uncommon if, for example, Trustees are seeking to minimise periodic charges.
- **Make a loan to a Beneficiary to pay off a mortgage** - this is commonly used and requires Solidus to provide minutes and a loan agreement (typically to a surviving spouse). The Beneficiary uses the funds to reduce the mortgage and the loan offsets the increase in capital in their estate for IHT purposes. Any surplus can be invested by you for the client.
- **Make a loan to a Beneficiary to pay off an IHT bill** - this is commonly used and requires Solidus to provide minutes and one or more loan agreements. The Beneficiary can then use the funds to pay off any tax liability. The loaned sum becomes a debt on the Beneficiary's estate which effectively creates a future 40 percent rebate on the IHT paid on the estate. Any surplus can be invested by you for the client.
- **The original purpose of the policy is no longer relevant** - if this is the case then you can invest the sum in a tax-efficient investment in the names of the Trustees. Usually a bond is invested so that Trust reporting requirements are not triggered. Minutes are suggested from Solidus and the Trustees can transfer funds from the Trustee Bank Account to the provider chosen for the investment.

5) Instructing Solidus

We require details of the transfers to the Trustees. If a loan or Appointment of Capital is required we need to know the value and to whom the benefit is to be made.

Please instruct Solidus using the 'Asset Preservation Trust/Assurance Trust Fulfilment' application form which is available on the Knowledge and Resource Centre of the website.