

For customers only | Bare Discounted Gift Trust

What it is and why we use it

If you're looking for a way to reduce your inheritance tax liability without losing access to your money, our Bare Discounted Gift Trust could be the answer.

What's the Bare Discounted Gift Trust used for?

You can use it to reduce your potential inheritance tax (IHT) liability – immediately and in the future – while still having access to your money through regular payments from the trust fund.

Who's it suitable for?

It **may be** suitable if you:

- want to make immediate and future IHT savings
- think you'll live longer than seven years
- want to have regular payments from the trust fund
- are in good health and/or under 89 years old, so you're likely to be successful in the underwriting process
- are clear about who you want to benefit from the trust fund, and are sure this won't change

The trust **may not be** suitable if you:

- are unlikely to be successful in the underwriting process because you're in poor health and/or over 89 years old
- might change your mind about the amounts you want back from the trust and when
- want to put an existing bond into trust
- are unlikely to live longer than seven years
- might change your mind about who you want to benefit from the trust fund

Key points:

- A settlor is normally the person or people who set up the trust by transferring (gifting) a cash lump sum to the trustees.
- The trustees are appointed by the settlor(s). They're responsible for safeguarding the assets of the trust.
- A transfer to a bare trust is a potentially exempt transfer (PET) for IHT purposes. This means no lifetime IHT charges will arise on the transfer to the trust.

How does it work?

Setting up the trust

To set up the trust, you have to complete the *Bare Discounted Gift Trust deed*.

Before completing this deed, you'll need to find out what's known as the discount. This is the amount you're likely to get back from the trust, which is then discounted from your trust investment for IHT purposes. To work this out accurately, we'll need to underwrite you. We can then calculate the discount and let you know how much it is. The rest of your trust investment is a potentially exempt transfer (PET) for IHT purposes.

Once you've completed the deed you then have to give a cash lump sum to your chosen trustees, who'll buy an AEGON investment bond. You can choose how much you want to get from the trust, and when the payments should start. It's important to consider this carefully as you can't change the amount and frequency later.

Joint settlors

This trust can be set up by one or two people, known as settlors. If it's set up with two settlors (known as joint settlors), each is assumed to make a gift of 50% of the amount paid to the trustees. After underwriting, each settlor is given an accurate calculation of the discount applying to their contribution. The payments they get from the trust fund are paid to them jointly into their joint bank account. When one of the settlors dies, the surviving settlor will continue to get the same level of payments for the remainder of their life, as long as there's enough money available in the trust.

What are the benefits?

- At the start, you can choose how much you want to be paid and when. This will continue as long as you live and as long as there's enough money available in the trust fund.
- If there are joint settlors, then when one settlor dies the surviving settlor continues to receive the same level of payments for the rest of their life, as long as there's enough money available in the trust.
- The settlor can be a trustee.
- Investment bonds are income tax efficient.
- There are immediate IHT savings, with the discount on the PET (if underwriting has been successful).
- There will be future IHT savings, as the growth on the bond is outside your IHT estate from the start.
- If you live for seven years from the date of the gift, there will be future IHT savings.
- The beneficiaries can be lives assured on the bond.

What documents are needed?

Before creating the trust

- Health assessment questionnaire for underwriting purposes

If there are two settlors, they should each complete a separate health questionnaire.

After the underwriting stage

- The *Bare Discounted Gift Trust deed*
- Investment bond application completed by the trustees

This information is based on our understanding of current taxation law and HM Revenue & Customs practice, which may change.

This is a brief overview of this trust. Trusts can be complicated, so it's important you discuss this with your financial adviser.

If you want to know more about the Bare Discounted Gift Trust, other trusts in our range or our onshore and offshore bonds, please contact your local Regional Sales Centre.

