Flexible trust form

This Trust form is designed for use to hold the lump sum death benefits payable under the following plan types in trust:

- Individual Plan issued in connection with your past membership of an occupational pension scheme,
- Section 32 Buy Out Bond, and
- Section 226/226A Retirement Annuity Contracts.

This form can also be used for plans written under the following schemes:

- The Royal London Personal Pension Scheme (No2), and
- The Royal London Stakeholder Pension Scheme (No2).

This draft Trust form is supplied merely as a specimen. Trust law is complicated and we strongly recommend you seek advice from a legal or tax adviser, or any other professional adviser who is qualified to provide advice on this matter. Royal London cannot accept any responsibility for any consequences, losses or claims that may arise from the use of the Trust form or the manner in which it is completed.

Trusts establish legal entitlements and establishing a trust can have material financial and taxation implications.

You should take specific professional advice on the tax implications of setting up a trust. See Tax considerations in the use of the flexible trust section in the notes.

Important information

Please read before completing this form.

- Please use BLOCK CAPITALS and black ink when filling in your answers.
- On completion of this form, please ensure the original copy is retained by the **Trustee(s)** with a copy returned to us at:

  Royal London Group
  Royal London House
  Alderley Park
  Congleton Road
  Nether Alderley
  Macclesfield
  SK10 4EL

- You should complete this form along with your professional adviser. Your adviser is acting on your behalf not only by giving you advice, but also regarding the completion of this form.
- Please note that if you do not return a copy of this form to Royal London, this may invalidate the transfer of any death benefits to the trust.

Glossary

Please read this section.

Throughout this **Trust form** the expressions below have the following meanings:

Beneficiaries are the class of people from which the **Trustees** will decide who to pay your death benefits to. See Section 3 for further details.

Nominated Beneficiaries are the people you would like to benefit from your lump sum death benefits.

Plan refers to your Royal London plan as identified in the **Trust form**. It includes more than one qualifying Royal London plan where this has been indicated on the **Trust form**.

Retained Rights are all the rights under your **Plan** excluding the lump sum death benefits. See Section 3 for further details.

Settlor is you, the person creating the trust.

Trust form means this form.

Trust property refers to any lump sum death benefits payable under the **Plan** on your death. See Section 3 for further details.

Trustee exoneration clause seeks to limit or exclude any individual Trustee of any liability, loss or damage not attributable to wilful fraud or wrongdoing. Your professional adviser will provide more information on this clause. See Section 3 for further details.

Trustees are the people you appoint to manage the trust. This includes any persons who may be appointed to act as **Trustees** in the future.

1 Flexible trust notes

Please read this section.

What is the purpose of this Trust form?

In some circumstances your **Plan** will produce a lump sum death benefit. The purpose of the **Trust form** is to provide that any such lump sum death benefit is not paid to your estate on your death but is paid instead to the **Trustees** appointed by way of the trust set out in this form. The lump sum death benefit is then applied in accordance with the terms of the trust. This may have advantages for tax and estate planning purposes.

The trust

The reason to use the trust is to provide that any lump sum death benefits arising from your **Plan** may be paid outside your estate. It is therefore important to specify in the **Trust form** who you would like to benefit from the lump sum death benefit. You might choose your children or other family members. In the **Trust form** the people you would like to benefit are referred to as **Nominated Beneficiaries**. Please note that while you may choose **Nominated Beneficiaries** in this way, under trust law the **Trustees** are not bound by your choice, although they will give great weight to your wishes in deciding how to pay any benefit.

If, following the **Trust form** being completed, you change your mind about who you would like to receive your death benefit or you wish to provide more detailed instructions, you should complete an expression of wishes providing further instructions. If you do complete an expression of wishes then you should keep it with the **Trust form** in a safe place.

Trustees

This trust is intended to deal with any lump sum death benefits payable from your **Plan** after your death. You must appoint people to make decisions about the use of these benefits. These people will be referred to as **Trustees**. As the person creating the trust you may be a **Trustee** so you can continue to be involved in the trust during your lifetime. It is good practice to appoint at least 2 additional **Trustees**. The additional **Trustees** are given powers to administer the lump sum death benefit and those powers include authority to decide who should receive the benefit of the trust and in what proportion among the potential **Beneficiaries**.

1 Flexible trust notes continued

Your other retirement benefits

Your **Plan** may produce retirement benefits other than lump sum death benefits. These retirement benefits are reserved for your benefit only and any other annuity that may be payable to a spouse/civil partner/dependant after your death will be reserved for the benefit of the spouse/civil partner/dependant. In the trust these are referred to as **Retained Rights**.

This Trust form is designed for use throughout England, Wales, Scotland and Northern Ireland in relation to any lump sum death benefits arising from the following plans:

1. New and existing Individual Plan issued in connection with your past membership of an occupational pension scheme.
2. New and existing policies of the 'Section 32 Buy Out' type issued in connection with your past membership of an occupational pension scheme.
3. Existing Section 226 and/or Section 226A Retirement Annuity Contracts.
4. The Royal London Personal Pension Scheme (No2) unless you wish to leave the decision as to whom payment should be made on your death to The Royal London Mutual Insurance Society Limited as Scheme Trustee.
5. The Royal London Stakeholder Pension Scheme (No2) unless you wish to leave the decision as to whom payment should be made on your death to The Royal London Mutual Insurance Society Limited as Scheme Administrator.

The form may also be used to create a spousal bypass trust.

Completing the Trust form

Once you have considered the trust with your professional adviser(s) and decided to use it you must make the following decisions:

1. You must decide who will act with you as **Trustees**. The **Trustees** will be responsible for making decisions about the management of the trust.
2. You must decide who you would like to be the **Nominated Beneficiaries** of the trust and in what proportion. You can suggest one or more persons to receive any lump sum death benefits and the **Trustees** will normally bear your wishes in mind but will not be bound to follow them.
3. In order to confirm the establishment of the trust, the trust must have the initial **Trust property** of £10. You should keep that sum with the completed **Trust form** to confirm the establishment of the trust.
4. Finally, you should return a copy of the completed **Trust form** to Royal London at the address noted on the front of this form.

There is space to provide the names of four **Nominated Beneficiaries** on the Declaration of Trust. If additional **Nominated Beneficiaries** are required or you would like to give more detailed guidance to the **Trustees** on how to distribute any benefit and (if relevant) in what proportions, please add them to a separate sheet of paper and attach it to this form.

Tax considerations in the use of the Flexible Trust

The notes in relation to the use of this **Trust form** and in relation to taxation are for general guidance only and are based on our understanding of the law and current HM Revenue & Customs (HMRC) practice concerning the taxation of trusts. Every effort has been made to ensure its accuracy, nevertheless we can take no responsibility for our interpretation of the law or future changes in the law or practice. Tax liabilities are dependent on individual circumstances and we cannot give any assurance that the use of this **Trust form** is suitable for your circumstances. We strongly recommend that you seek separate advice in this respect. In addition as the taxation of death benefit payments from pension schemes can differ depending on the age of the member on their death, such advice should be revisited on a regular basis and in particular prior to turning 75.

1. The transfer of your interest in the **Plan** into the trust will be treated as a transfer of value for Inheritance Tax purposes. If the value of the **Plan** (after deducting any relevant Inheritance Tax exemptions) together with the value of all chargeable lifetime transfers made by you in the seven years immediately prior to setting up the trust exceeds the nil rate band applicable at the time the trust is created, Inheritance Tax will be due on the excess value of the gift at the lifetime rate of Inheritance Tax. In addition if a lifetime Inheritance Tax charge arises, and if you die within seven years of the transfer to the trust, further Inheritance Tax may become due on your death.

2. The value of a potential lump sum death payment for Inheritance Tax purposes will often be small. For example assuming you are in good health the value of a potential lump sum death payment placed into trust will likely have a negligible value for Inheritance Tax purposes.

3. HMRC has stated that provided you survive 2 or more years after the transfer they will not normally investigate the circumstances of the transfer. If you do die within 2 years they will investigate the transfer to see, for example, whether your life expectancy was impaired due to ill health or disease.

   Payments to the **Plan** are not normally treated as transfers of value although if you were to make a large payment and were to die within 2 years of making that payment, it may be regarded as such by HMRC.

4. There may be a periodic and exit charges to Inheritance Tax on the trust.

   A periodic Inheritance Tax charge may arise on each 10 year anniversary of the creation of the trust. The charge is based on the value of the property in the trust i.e. the value of the **Plan**. The calculation of the periodic charge is complex but the effective rate of Inheritance Tax will never be more than 6%, based on current tax rates.

   The exit charge arises when capital leaves the trust and is advanced to a **Beneficiary**. Again, based on the rates referred to, it can never be more than 6% and is usually less as one factor which determines the rate of charge is the period that the property has been in trust since the last periodic charge.

5. No charge to tax arises to the trust upon the death of a **Nominated Beneficiary** or a **Beneficiary**.

   However if capital has been advanced to a **Nominated Beneficiary** or a **Beneficiary** then on the death of such beneficiary, a charge at 40% may arise on the value of the capital advanced.

6. Following a transfer to a trust, the lump sum death benefit does not form part of your estate and is not considered to be a 'gift with reservation', provided the relevant pension scheme is "approved".

7. Following the payment of a death benefit or if the trustees hold other assets, there may be Income Tax and Capital Gains Tax liabilities for the **Trustees** in addition to the Inheritance Tax charges already mentioned.

8. Please note that the establishment of the trust may impact on the Capital Gains Tax and Income Tax allowances available to any other trust that you establish (either before or after the signing of the **Trust form**).

It is important to note that a transfer of a death benefit to a trust, or other tax planning involving pensions, undertaken during the final two years of an individual's life or following a diagnoses of a serious medical condition is likely to be investigated by HMRC and may have important tax consequences – if you are in any doubt about your own position we would strongly recommend that you obtain appropriate legal or taxation advice.

2 Declaration of Trust

Please complete this section.

Flexible Trust
Declaration of Trust

Date

Add the date you sign the Trust

1. This Declaration of Trust is dated the D D M M Y Y Y Y

Settlor

Complete your full name, address and date of birth

2. It is made by the **Settlor** named below and the initial **Trustees** are the **Settlor** and additional persons named below.

The **Settlor**

of

Date of birth D D M M Y Y Y Y

Trustees

Complete the full names, addresses and dates of birth of additional **Trustees**

The First Additional **Trustee**

of

Date of birth D D M M Y Y Y Y

The Second Additional **Trustee**

of

Date of birth D D M M Y Y Y Y

Trust property

3.1 The initial **Trust property** of this Declaration of Trust is £10 and this sum has been paid to the **Trustees**.

3.2 The **Settlor** hereby:

(i) assigns the **Plan** (or each **Plan** where this applies) to the **Trustees** to hold in terms of this Declaration of Trust (but subject to the terms of paragraph 1 of the Schedule in relation to **Retained Rights**, which shall not form part of the **Trust property**); and

(ii) to the extent that the **Settlor's** rights under the **Plan** are not capable of transfer, nominates the Trust as the recipient of any lump sum death benefit that may be paid in terms of the **Plan**.

3.3 **Applicable Plan(s) (the Plan)**

Please tick the relevant box to identify which **Plan(s)** you are using for the Trust

- Individual Plan ☐
- Section 32 Buy Out Bond ☐
- Section 226/226A Retirement Annuity Contracts ☐
- The Royal London Personal Pension Scheme (No2) ☐
- The Royal London Stakeholder Pension Scheme (No2) ☐

2 Declaration of Trust continued

Please insert your **Plan** number(s)

4. The Nominated Beneficiary or Beneficiaries **(Nominated Beneficiary)** and their respective shares shall be as follows:

Provide the names and addresses of the person or persons you would like to benefit from the Trust and in what proportion

Name	Address	Proportion %
		100%

5. The Schedule hereto sets out the terms of the Trust.

Please read the terms of the Trust contained within Section 3

2 Declaration of Trust continued

6. In witness whereof this Declaration of Trust including the schedule hereto has been signed and delivered as a deed the day and year first above written.

You as **Settlor** must sign. Your signature should be witnessed. The full witness details should be added where shown

Signed by the **Settlor**

Signature

In the presence of:

Signature

Witness

Name

Occupation

Address

Your first additional **Trustee** must sign. The full witness details should be added where shown

Signed by the first Additional **Trustee**

Signature

In the presence of:

Signature

Witness

Name

Occupation

Address

Your second additional **Trustee** must sign. The full witness details should be added where shown

Signed by the second Additional **Trustee**

Signature

In the presence of:

Signature

Witness

Name

Occupation

Address

This Trust form is issued as a draft, and it is the responsibility of those signing it to ensure they are satisfied that the form and content meet their requirements and that the form has been completed and signed correctly.

3 The Schedule

Please read this section carefully.

This section sets out the terms of the trust and explains what powers the Trustees have.

Rights in the Plan retained by the Settlor

1. The **Retained Rights** means all the **Settlor's** rights under the **Plan** other than the Death Benefits. This includes the right to an annuity or any other payment to the **Settlor** during his lifetime together with any other annuity payable under the **Plan** to a surviving spouse or surviving civil partner or dependant of the **Settlor** or other payment made to a spouse or civil partner during the spouse's or civil partner's lifetime. The **Retained Rights** shall not form part of the **Trust property** but shall be reserved absolutely for the **Settlor**, his surviving spouse or surviving civil partner or dependant as the case may be. During his lifetime the **Settlor** (or his validly appointed legal representative) shall retain sole power to give instructions in relation to investments or any other rights or options under the **Plan**.

Beneficiaries

2. The **Trust property** shall be held for the **Beneficiaries** in trust for the benefit of such one or more of any of the **Beneficiaries** and in such shares (or wholly to one) and for such interests as the **Trustees** may, before the expiry of the **Trust Period** by deed(s) revocable or irrevocable, appoint.

Beneficiaries means:

(a) the Nominated **Beneficiary**;

(b) the surviving spouse or surviving civil partner of the **Settlor**;

(c) any children or other descendants of the **Settlor**;

(d) any spouse or civil partner or surviving spouse or surviving civil partner of any person mentioned in sub clauses (a), (b) and (c) above;

(e) any one or more of the persons entitled under the Will of the **Settlor** or in accordance with the rules relating to intestacy;

(f) any other individual other than the **Settlor** whose name has been notified to the **Trustees** in writing by the **Settlor** during his lifetime as being an individual he wishes the **Trustees** to consider as a possible **Beneficiary**.

Trustee power to pay out the Trust property

3. The **Trustees** shall have power to pay or apply the income and/or capital of the **Trust property** to or on behalf of any one or more **Beneficiaries** and insofar as such income is not so paid or applied it will be accumulated.

Benefiting from the Trust – determining what happens with any Trust property held at the default termination date of the trust

4. Upon the expiry of the **Trust Period** the **Trustees** shall make over the **Trust property** or the part then remaining equally amongst such of the **Beneficiaries** as then survive whom failing to the intestate heir(s) of the last of them to die.

Trustee powers

5. The **Trustees** shall have the following powers in addition to their powers which they have by law:

   (i) **The Trustees shall have flexible powers to invest the Trust property**. The **Trustees** shall have full power to invest trust monies in or upon any property or investment of any kind including policies of insurance or assurance (whether or not effected by them) as if they were absolute beneficial owners including investing in property of any kind for the actual possession or enjoyment of any one or more of the **Beneficiaries**, provided that the **Trustees** are not obliged to diversify the **Trust Property**.

   (ii) **The Trustees can pay the Trust property to a guardian of Beneficiaries who are children**. The **Trustees** shall have power to pay to or make over to a parent or legal guardian of any minor **Beneficiary** any sum of income or capital intended to be applied for the maintenance, education or benefit of that **Beneficiary** and the receipt of such parent or guardian shall be a complete discharge to the **Trustees**.

   (iii) **The Trustees may borrow money if appropriate**. The **Trustees** shall have power to borrow on the security of the **Trust property** (or any part) to raise money for any purpose for which trust money could be used.

   (iv) **The Trustees may make over assets to Beneficiaries**. The **Trustees** may exercise any powers of appropriation without being bound to obtain any consent to their action.

   (v) **The Trustees may lend money**. The **Trustees** may lend money to any person who is one of the **Beneficiaries** on such terms (whether or not involving payment of interest or the provision of security) as they shall think fit.

(vi) **The Trustees may amend the terms of this Trust**. The **Trustees** shall have power at any time by deed to release, restrict or otherwise amend any power vested in them.

(vii) **The Trustees may accept additional property**. The **Trustees** may accept as an addition to the **Trust property** all assets and property which may be made over to them by any person or persons and to hold such property and assets for the same purposes in all respects as if the same had been originally included in the **Trust property**.

6. **The Settlor may appoint and remove Trustees**. During their lifetime and while they are mentally capable the **Settlor** shall have the power to appoint and remove **Trustees**. At all other times the **Trustees**, acting by majority, may appoint and remove **Trustees**.

7. **Professional Trustees may be paid**. Any **Trustee** other than the **Settlor** or any spouse or civil partner of the **Settlor** may, if in practice as a solicitor or engaged in any other profession, business or trade be paid all usual professional business, or trade charges for business transacted time expended and acts done by them, or any employee or partner of theirs in connection with this trust.

8. **A Trustee receipt is valid**. The receipt of a **Trustee**, or of any person duly appointed by them for this purpose for all money paid to the **Trustees**, shall be a satisfactory discharge to the payer(s) who shall not be concerned to see to the application of any such moneys.

9. **Decisions of a majority of the Trustees are binding on all Trustees**. Each of the **Trustees** shall be bound by any decision of a majority of the **Trustees**.

10. **Beneficiaries may be Trustees and exercise such powers**. None of the **Trustees** shall by reason of the fact that they are or may become one of the **Beneficiaries** be precluded from joining in the exercise of any of the powers of the **Trustees** hereunder so long as there is at least one other **Trustee** acting and not so interested.

11. **When appropriate, the Trustees may delegate their powers**. The **Trustees** may delegate any power or discretion vested in them as **Trustees** to any person or persons, including one of their own number, subject to the **Trustees** setting out the parameters within which such person or body shall operate and to their consulting with such person or body on a regular basis.

12. **The Trustee Exoneration clause**. No individual **Trustee** acting gratuitously shall be liable for loss or damage not attributable to wilful fraud or wrongdoing on the part of such **Trustee**.

13. Definitions and other general provisions in addition to such definitions set out above.

(i) The **Death Benefits** means all capital sums or guaranteed pensions or other benefits (other than the annuities payable to a surviving spouse or surviving civil partner or dependant of the **Settlor**) payable under the **Plan** by reason of the death of the **Settlor** including any interest, bonuses or other additions thereto together with the money and investments from time to time representing the same.

(ii) The **Trust property** means all assets from time to time held by the **Trustees** in terms of this Declaration of Trust.

(iii) The **Trust Period** means the period of 125 years from the date of this Declaration of Trust which is the perpetuity period applicable.

(iv) The accumulation period shall be the longest such period allowed by law.

(v) Minor beneficiary shall mean a **Beneficiary** under the age of 16 where the applicable law is Scotland and 18 where the applicable law is England.

(vi) If the address of the **Settlor** when the Declaration of Trust is signed is in Scotland then Scottish Law shall apply to this Declaration of Trust, otherwise English Law shall apply to this Declaration of Trust. The Plan shall be governed and construed according to the law stated in the Plan.

(vii) The singular shall include the plural and the masculine the feminine.

(viii) There shall be no appropriation of income between capital and revenue at any time, all income being deemed to have accrued at the date upon which it is payable.

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We're happy to provide your documents in a different format, such as braille, large print or audio, just ask us when you get in touch.

This product is made of material from well-managed FSC®-certified forests, recycled materials, and other controlled sources.

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