Loan Plan (Bare) Trust Deed and Loan Agreement
Loan Plan (Bare) Trust Deed

What is it?
The Loan Plan (Bare) Trust (LPBT) is designed for use with single premium life assurance policies, more commonly known as investment bonds.

This trust deed is for a single lender only and not for joint lenders.

Aims of the trust
- To enable the lender (you) to establish an inheritance tax efficient trust (not subject to the discretionary trust regime) by declaration and the making of an interest free loan (the ‘Lender’s Loan’), repayable on demand.
- To ensure that investment growth accrues free of inheritance tax and outside of your taxable estate and
- To enable you to enjoy tax efficient cash payments from the trust from time to time by way of repayment of the lender’s loan.

When should this trust not be used?
If you want to retain the right to receive any of the investment growth on the policy for yourself.
If you want to be able to change the beneficiaries, or their share of the trust fund, in the future.
If it is essential that you make a gift for inheritance tax purposes.

How does it work?
The lender creates a trust by declaration and then agrees to make a loan to the trustees which is the sum to be invested by the trustees. The lender’s loan is interest free and repayable on demand. No gift is made by the lender.
The LPBT ensures that the nominated beneficiary(ies) is/are entitled to the benefits of the trust fund. However, their entitlement is subject to the trustees’ contractual responsibility to repay an interest free loan (repayable on demand) to the lender. The beneficiaries should be individually named and, if there is more than one beneficiary, each beneficiary’s share of the trust fund must be stated.

Once the beneficiaries have been chosen they cannot be changed. Their interest in the bare trust is absolute and neither the lender nor the trustees can alter that. If a beneficiary should die, their interest in the bare trust will pass on in accordance with their Will, or by the laws of intestacy.

How is the trust set up?
Completion of the form is very straightforward – see below.
Your full name must be written in the space provided (as the ‘Lender’) and you should write the name of the trust in the box below that.

Beneficiaries’ box - you should write the full name(s) of the nominated beneficiaries and the share each is to take (expressed as a percentage) in this box. Please ensure that the shares add up to 100%. Do not leave this box blank.

Please note that once the beneficiaries have been chosen, neither the nominated beneficiaries, nor their share of the trust fund, can be changed in the future.

Additional trustees’ box - you should write in the full name and address of each additional trustee and each trustee should sign in the box. You can appoint up to four additional trustees in the boxes provided. At least one additional trustee must be appointed and we recommend that at least two additional trustees are appointed. You, the lender, are automatically a trustee and so you should not be included in this box.

In the boxes underneath the declaration, you should sign and date the deed and your signature must be witnessed by an individual who is neither a trustee nor a beneficiary under the trust, nor your spouse or civil partner.

You and the trustees must also complete the loan agreement.

What if the value of the investment falls and is not enough to repay the lender’s loan?
The trustees’ liability in respect of the lender’s loan shall not exceed the value of the trust fund from time to time except where they make payments to beneficiaries while any part of the lender’s loan remains outstanding. In that case the trustees’ liability in respect of the lender’s loan will not be reduced by the value of the payment unless (1) you (as lender) agree otherwise or (2) the beneficiary agrees to repay an amount equal to the payment to you on demand.

Inheritance tax
Inheritance tax is a complex subject. These notes are not comprehensive and are intended only to give a broad outline of our understanding of the tax position on 1 February 2016.

The trust is created by way of loan and so there is no transfer of value. A bare trust is not subject to the inheritance tax periodic charges and exit charges. The net value of the trust (ie. less any outstanding lender’s loan) is treated as forming part of the beneficiary’s taxable estate and does not therefore form part of the lender’s estate.

The death of a beneficiary will give rise to a chargeable transfer and, unless covered by the usual exemptions or the nil rate band, inheritance tax could be due. This will depend on the circumstances of each case.

Important note
Creating a trust is an important matter and has lasting legal and tax consequences. These notes are for your general information only and cannot cover every situation. The trust is provided in draft form for consideration by your legal advisers. They are responsible for ensuring that it takes into account your individual circumstances and requirements. The trust, once created, is irrevocable and the policy and its benefits must be held according to the terms of the trust. The trustees will be in control of the operation of the trust which means that they may need to set up a trustee bank account. Any options and any further policies that are issued as a result of the exercise of any options will also be held subject to the trust.

The draft trust and these notes are based on our understanding of current law and HM Revenue & Customs’ practice (1 February 2016). Although every care has been taken in the preparation of these notes and the draft trust, neither Zurich Assurance Ltd nor any of its officers, employees or agents accept responsibility for the operation of the trust which should be referred to your own legal advisers to ensure it meets your requirements.
The name of the trust

We suggest you identify the trust by using your full name, e.g., The John Smith Trust.

The Beneficiaries

Enter the full name(s) of the person(s) you want to benefit. If there are more than one, also state their share, making sure the total comes to 100%.

The Additional Trustees

Each Additional Trustee must sign to acknowledge their acceptance of the appointment. We do not recommend more than four Additional Trustees. However, if there are more than four, please provide their details and signatures on a sheet of paper marked with the Policy number and sign it. At least one Additional Trustee must be included here.
The Additional Trustees (continued)

Each Additional Trustee must sign to acknowledge their acceptance of the appointment. We do not recommend more than four Additional Trustees. However, if there are more than four, please provide their details and signatures on a sheet of paper marked with the Policy number and sign it.

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Declaration

1. The Lender wishes to appoint the Additional Trustees specified above to act jointly with him as Trustees of this trust upon the trusts and subject to the powers set out below.

2. The Lender intends to make an interest free loan to the Trustees to the intent that the monies lent shall be held by the Trustees (subject only to the right of the Lender to be repaid the principal amount of the loan on demand) upon the trusts and with and subject to the powers and provisions declared and contained in this trust.

3. The Trustees hereby agree to accept the funds transferred to them by the Lender as an interest free loan and to repay the principal amount of the loan to the Lender on demand and to hold any resulting investments on the terms set out below.

The Lender’s signature

To create a trust the Lender must sign here. Your signature must be witnessed.

Signed and delivered as a Deed by the Lender:

________________________________________________________________________
(Date)

In the presence of:
Witness signature

________________________________________________________________________
Full name

________________________________________________________________________
Address
Trust Provisions

Definitions
1. ‘Beneficiaries’ means those identified under “The Beneficiaries” above.
   ‘Civil Partner’ means someone who has formed a civil partnership with the
   person referred to in accordance with the Civil Partnership Act 2004.
   It includes surviving Civil Partners but it does not include former Civil
   Partners if the civil partnership has been ended.
   ‘Lender’ means the person declaring this trust.
   ‘Lender’s Loan’ means the loan the Lender will make to the Trustees
   specified in clause 2 of the Declaration above.
   ‘Policy’ means any life assurance policy included in the Trust Fund. If a life
   assurance policy is included in the Trust Fund all policies identified by that
   number, and any other policies set up in the exercise of rights under that
   policy, and any property derived from that policy will also be included.
   ‘Specified Percentage Share’ in respect of a Beneficiary is the percentage
   shown in the box marked “The Beneficiaries”.
   ‘Spouse’ means husband or wife or widower or widower of the person
   referred to at the relevant time. It does not include divorced persons who
   were previously married to each other.
   ‘Sterling’ means Zurich Assurance Ltd trading as Sterling.
   ‘Trustee(s)’ means the Lender and the Additional Trustee(s) named above
   or the Trustee(s) for the time being of this trust.
   ‘Trust Fund’ means:
   (a) any policies of assurance that are subject to this trust
   (b) any policies effected in accordance with any option in any policy
      subject to this trust
   (c) all monies, investments or other property paid to or transferred by
      any person or persons so as to be under control of and (in either case)
      accepted and held by the Trustees subject to this trust
   (d) any property representing any of the above.
   Unless the context indicates otherwise, words in the singular will be
   deemed to include the plural and the masculine to include the feminine
   and vice versa.

Exclusion of Lender from benefit
2. Notwithstanding any provision contained in this trust no discretion or
   power conferred hereby or by law on the Trustees shall be exercised and
   no provision contained herein shall operate directly or indirectly so as to
   cause or permit any part of the Trust Fund or the income thereof in any
   way or in any circumstances whatsoever to be or to become paid payable
   and shall not be paid out of the income of any part of the Trust Fund
   which is not held on the same trusts as the property representing the
   moneys so borrowed and for this purpose property shall represent any
   money which was used to purchase it to improve it or to discharge an
   encumbrance on it or is otherwise traceable into it.

Beneficiaries
3. (i) The Trustees shall hold the Trust Fund and the income thereof for the
   absolute benefit of the Beneficiary(ies) and if more than one in the
   Specified Percentage Shares and if there are no Specified Percentage
   Shares and there is more than one Beneficiary then in equal
   shares absolutely.
   (ii) The trust shall carry the intermediate income and section 31 of the
   Trustee Act 1925 shall not apply to the same and whilst any Beneficiary
   entitled to income under the trust is a minor the Trustees shall pay or
   otherwise apply for or towards his maintenance education or benefit so
   much of the income from his share in the trust as the Trustees may in
   their absolute discretion think fit and the Trustees shall retain the balance
   of any income on trust for that Beneficiary absolutely and until he shall
   attain the age of majority the Trustees shall invest the same and the
   resulting income therefrom in investments hereby or by law authorised
   and shall hold the same as an accretion to the said balance Provided
   Always that so long as the said Beneficiary has not attained the age of
   majority the Trustees may pay or apply as aforesaid any such balance or
   accretion as it were income arising in the then current year.

Trustees’ Powers
4. The Trustees during the minority of the Beneficiary or if there is more than
   one during one of the minority of any of the Beneficiaries shall have the
   following powers. However, Sterling cannot be held accountable for, and is under no
   duty to investigate the exercise of any of their powers by the Trustees, or
   how they apply any part of the Trust Fund:
   (i) WIDE POWER TO INVEST
   POWER to invest any money requiring to be invested under the trust in any
   investment or property of whatsoever nature (including any policies
   of insurance) and wheresoever situated whether producing income or
   not and whether involving liabilities or not and upon such security,
   (ii) POWER TO PAY CAPITAL TO BENEFICIARIES
   (iii) POWER TO PAY TO REPRESENTATIVES
   (iv) POWER TO BORROW
   (v) POWER TO DEAL WITH INSURANCE POLICIES
   (vi) LIMITING EXERCISE OF POWERS
   (vii) POWER TO DELEGATE

(i) POWER TO PAY TRANSFER or apply any part of the whole or any part or parts of the
Trust Fund to which any Beneficiary is entitled to or for the benefit of
such Beneficiary in such manner as the Trustees shall in their absolute
discretion think fit.
(ii) POWER TO PAY TO REPRESENTATIVES
   (iii) POWER TO BORROW
   (iv) POWER TO DEAL WITH INSURANCE POLICIES
   (v) LIMITING EXERCISE OF POWERS
   (vi) POWER TO DELEGATE
(vi) POWER TO VOTE AND TO EMPLOY NOMINEES AND CUSTODIANS

In respect of any property comprised in the Trust Fund the Trustees shall have power:

(a) To vote upon or in respect of any shares securities bonds notes or other evidence of interest in or obligation of any corporation trust association or concern whether or not affecting the security or the apparent security of the Trust Fund or the purchase or sale or lease of the assets of any such corporation trust association or concern

(b) To deposit any such shares securities or property in any voting trust or with any depository designated under such a voting trust

(c) To give proxies or powers of attorney with or without power of substitution for voting or acting on behalf of the Trustees as the owners of any such property

(d) To hold any or all securities or other property in bearer form or in the names of the Trustees or any one or more of them or in the name of some other person or partnership or in the name or names of nominees without disclosing the fiduciary relationship created by this trust and to deposit the said securities and any title deeds or other documents belonging or relating to the Trust Fund in any part of the world with any bank firm trust company or other company that undertakes the safe custody of securities as part of its business without being responsible for the default of such bank firm trust company or other company or for any consequent loss.

Appointment of Agent

5. The Trustees appoint Sterling as their agent for the purposes of receiving any sums paid to the Trustees in respect of any policy of assurance made subject to this trust. The Trustees instruct Sterling to apply such sums in the payment of premiums or contributions in respect of the Policy.

Lender's Incapacity

6. If the Lender becomes mentally incapable, as defined by the Mental Capacity Act 2005 or any Act of Parliament which supersedes that Act, the powers under this trust will be exercisable as if he is dead at that time.

Appointment and Removal of Trustees

7. The Lender has the power to appoint new Trustees. After the death of the Lender the Trustees for the time being may appoint new Trustees.

8. During the Lender's lifetime the Lender has the power to remove any Trustee provided that there are at least two Trustees remaining after the removal and one of the remaining Trustees is neither the Lender nor the Lender's Spouse or Civil Partner.

9. As long as there are at least two other Trustees, if a Trustee cannot be found, after reasonable efforts have been made to find him, the remaining Trustees can discharge the missing Trustee. It is up to the remaining Trustees to decide whether reasonable efforts have been made to find the missing Trustee and no other person shall be under any duty to ensure that it was proper for the Trustees to have exercised their power to discharge the missing Trustee.

Administration of Trust outside the UK

10. All or part of the administration of this trust can be transferred outside the United Kingdom and persons resident outside the United Kingdom can be Trustees.

Charging by Trustees

11. Apart from the Lender and his Spouse or Civil Partner, any Trustee who is in a profession, business or trade can charge his usual fees and charges for work done on behalf of the Trust. This applies even where a Trustee who is not in the relevant profession, business or trade could have done the work personally.

Liability of Trustees

12. (i) A Trustee shall not be liable for a loss to the Trust Fund unless that loss was caused by his own fraud or negligence. The duty of reasonable care set out in section 1, Trustee Act 2000, or any Act of Parliament which supersedes that Act and which sets out a Trustee's duty of care, applies to all the functions of the Trustees.

(ii) Subject to (iii) below, the liability of a Trustee in respect of the Lender's Loan shall not exceed the value of the Trust Fund from time to time.

(iii) Where a Trustee distributes capital to a Beneficiary, any liability in respect of the Lender's Loan shall be reduced by the value of that distribution only if either:

(a) the Lender agrees; or

(b) the Beneficiary enters into a binding agreement with the Trustee to repay the amount of the distribution to the Lender on demand.

Choice of law and jurisdiction

13. This trust is subject to the law of England. The parties are subject to the jurisdiction of the English Courts.
The Loan agreement

I agree to lend the sum of £ (the ‘Lender’s Loan’) to

____________________________________________________________
____________________________________________________________
____________________________________________________________

and myself, as Trustees of

The __________________________ Trust

Dated __________________________

The Lender’s agreement

The Lender’s Loan is interest free and repayable on demand.

I agree that I will not have any lien, or other security interest, over any asset of the trust identified above to secure the Lender’s Loan.

I agree that the Trustees’ liability in respect of the Lender’s Loan will be as set out in provision 12 (Liability of Trustees) of the Trust Deed.

Signed as a Deed by the person making the Lender’s Loan (the Lender)

Witness signature

Witness name

Address

(Date)

The Trustees’ agreement

We authorise the Lender to pay the Lender’s Loan directly to Sterling, to purchase a life assurance policy.

We agree that the issue of this Policy to us will amount to payment of the Lender’s Loan to us.

We agree that our liability in respect of the Lender’s Loan will be as set out in provision 12 (Liability of Trustees) of the Trust Deed.

Signatures

Signatures

Witness signature

Witness name and address
Please contact us or your adviser if you would like this in large print, Braille or on audio tape or CD.