Discretionary Loan Plan Trust Deed and Loan Agreement
Discretionary Loan Plan Trust Deed

What is it?
A discretionary trust designed for use with single premium life assurance plans, more commonly known as investment bonds, where the settlor (the person creating the trust) wishes to establish a trust by making an interest-free loan (the ‘Settlor’s Loan’) to the trustees which is repayable at any time. The settlor cannot benefit from the trust but he is entitled to have his settlor’s loan repaid. This means that he cannot benefit from any growth in the value of the trust investments and nor does he achieve any immediate decrease in the value of his taxable estate. An investment bond is referred to as a ‘plan’ in these notes.

This trust deed is for a single settlor only and not for joint settlors.

Aims of the trust
To enable you (the settlor) to establish a trust and make an interest-free settlor’s loan to the trustees which is repayable on demand. The trustees invest the settlor’s loan in an investment bond.

To ensure that all of the investment growth on the plan will not be liable to inheritance tax as part of your taxable estate.

To enable you to receive tax efficient cash payments from the trust by way of repayment of the settlor’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 plan for yourself. You (as ‘Appointor’ under the trust) cannot appoint this back to yourself at any time.

If it is essential that you make a gift for inheritance tax purposes.

If you envisage needing continuing access to funds once the settlor’s loan has been repaid.

How does it work?
You create a trust by declaration and then agree to make a settlor’s loan to the trustees. The trustees then invest the amount you have lent to them in an investment bond. To save the trustees having to open a bank account to receive the cash sum, the trust provides that the trustees appoint Sterling as their agent for the purpose of receiving any sums paid to them which are to be invested by the trustees in any life assurance plan that is subject to the trust.

The settlor’s loan is interest-free and repayable on demand. You will not be making a transfer into trust for inheritance tax purposes.

The Discretionary Loan Plan Trust enables you, and after your death your trustees, to appoint the plan benefits in favour of any of the trust beneficiaries. This power is always subject to the trustees’ contractual responsibility to repay the settlor’s loan. However, if the appointment is in favour of your spouse or civil partner, it must always be made by the trustees. If a trust beneficiary should die or if you or your trustees change the default beneficiaries in Box ‘B’ (see below) during the trust period (125 years from the start of the trust), there will be no adverse inheritance tax consequences.

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

Box ‘B’ – you must write the full names of the default beneficiaries of the trust fund and the share each is to take (expressed as a percentage) in this box. Please ensure that the shares add up to 100%. The reason you should specify the amount of each beneficiary’s share is so that it is clear how much each beneficiary should have if the trust fund has not been fully distributed by the time the trust must end – i.e. 125 years after it was set up. You, or after your death your trustees, can change these beneficiaries at any time during the trust period, provided no irrevocable appointments have already been made which relate to the whole of the trust fund. Do not leave Box ‘B’ blank.

In the boxes underneath the box marked ‘B’, 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.
Box ‘C’ – 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 should be appointed.** You, the settlor, are automatically a trustee and so you should not be included in this box.

You and the trustees must also complete the Loan Agreement.

**How is the plan taken out?**

The trustees jointly take out the plan on the lives of one or more of the beneficiaries of the trust. We normally recommend that more than one life assured is included. All of the trustees must be named as applicants for the plan and all of them must sign the application form. **The settlor must not be a life assured.**

You must date the application for the plan on or after the date of the loan agreement.

You should draw the cheque in respect of the cash sum (which will be the payment for the plan) directly to Sterling. The trust deed gives the trustees specific power to allow this. The cheque should be from your individual account (not from a joint account) and any settlor’s loan repayments should be paid to an individual account.

**Trustees and trustee bank account**

During your lifetime, you will (as ‘Appointor’) be in control of most of the decisions relating to who should benefit from the trust. The main exception to this is where you wish to appoint any benefits in favour of your spouse or civil partner, in which case you must obtain the agreement of all the trustees. Decisions about the plan, which is the trust property, including encashing it or taking withdrawals, will usually be taken by all the trustees. If you wish the trustees to repay all or part of the settlor’s loan, you must instruct them to do this. The trustees can then ask Sterling to pay the amount you have requested directly to you. However, as we will make any payment (other than a settlor’s loan repayment that we have been asked to pay to you) to all the trustees, you should consider setting up a trustee bank account.

What is the position if a husband and wife, or both civil partners, each establish a Discretionary Loan Plan Trust where each is a potential beneficiary under the other’s trust?

We do not recommend this course of action. This is because it could be argued that the two trusts are set up simultaneously, or in contemplation of each other, and are an associated operation. If this is the case, they would be seen as one arrangement and this could be a gift with reservation of benefit that would arise when one of you received a benefit from the other’s trust.

**Can the trustees make payments out of the trust to beneficiaries while the settlor is alive?**

Although this is possible if the trustees make an irrevocable appointment of benefits, it is strongly recommended that such action is not taken while the settlor’s loan remains outstanding because this could jeopardise the trustees’ ability to repay the settlor’s loan which is of paramount importance. The trustees’ liability in respect of the settlor’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 settlor’s loan remains outstanding (see “What if the value of the investment falls and is not enough to repay the settlor’s loan?” on page 4).

If I set up the trust, can my spouse or civil partner be a potential beneficiary?

Yes, this is possible, particularly to provide for your surviving spouse or surviving civil partner after your death when the trustees could make an irrevocable appointment of some of the remaining trust fund (after the settlor’s loan has been repaid) to your surviving spouse or surviving civil partner. If such an appointment is made, this will be capital leaving the trust and therefore it could be subject to an exit charge for inheritance tax purposes – see the section on inheritance tax below.

However, we strongly recommend that no appointments be made in favour of your spouse or civil partner during your lifetime, unless there are very good reasons for doing so. This is because it is likely that you could then derive a benefit, directly or indirectly, from such an appointment and, if so, this would be a gift with reservation of benefit and it would destroy the inheritance tax efficiency of the trust.
Can I increase the amount of the settlor’s loan?

Yes, this is possible. You can make a further settlor’s loan to the trustees who will then be able to either make an additional payment to the existing plan or purchase a new one.

What if I want to waive my right to repayment of the settlor’s loan?

You can release the trustees from their obligation to repay the amount of the settlor’s loan that remains outstanding by entering into a suitable deed. By doing this, you will be making a transfer into trust of the outstanding amount of the settlor’s loan which will be a chargeable lifetime transfer for inheritance tax purposes – see the section on inheritance tax below. Before taking any action, you should obtain professional advice to ensure such action does not jeopardise the inheritance tax efficiency of the arrangement.

What if the value of the investment falls and is not enough to repay the settlor’s loan?

The trustees’ liability in respect of the settlor’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 settlor’s loan remains outstanding. In that case the trustees’ liability in respect of the settlor’s loan will not be reduced by the value of the payment unless (1) you (as settlor) agree otherwise or (2) the beneficiary agrees to repay an amount equal to the payment to you on demand.

What happens when the settlor’s loan has been repaid?

Once the settlor’s loan has been repaid, any amount remaining in the plan will be held by the trustees for the benefit of the beneficiaries. You are not a beneficiary so you will not be able to receive any further payments from the plan. Please note that the trustees should keep records of the settlor’s loan repayments as it is the trustees, not Sterling, who are responsible for ensuring that the payments made to you to repay the settlor’s loan do not exceed the amount of the settlor’s loan.

What happens if I die before the settlor’s loan is repaid?

The trustees will need to repay the outstanding amount of the settlor’s loan to your estate. The amount of the outstanding settlor’s loan will be added to the value of your estate for inheritance tax purposes. Depending on the way in which your Will is drafted, your executors may have the power to waive the repayment of the settlor’s loan. Whilst this will avoid the need for encashment of the plan, if this occurs, the value of the amount of the outstanding settlor’s loan will still form part of your estate for inheritance tax purposes. Alternatively, if you specifically bequeath the outstanding settlor’s loan to a beneficiary under your Will and that beneficiary does not then demand full repayment, there will be no need for the plan to be encashed to repay the settlor’s loan.
Inheritance tax

Inheritance tax (IHT) 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.

What are the IHT consequences of setting up the trust?
As you will be making a settlor’s loan to the trustees, as opposed to making a gift, you will not be making a transfer into trust for IHT purposes when you transfer funds to the trust.

How are the settlor’s loan repayments treated?
As these are merely repayments of an amount that is owed by the trustees to the settlor, they will not give rise to any exit charges.

How does the 10 yearly (or periodic) charge work?
There is a 10 yearly (or periodic) charge which can arise 10 years after the trust was set up and on every 10 year anniversary after that. The trustees are liable for this charge. The calculation can be quite complicated but, in very general terms, the amount that is charged to tax is the value of any ‘relevant property’ which is held in trust immediately before the 10 year anniversary (i.e. the value of the trust fund minus the outstanding balance of the settlor’s loan). If this amount (and see below) does not exceed the nil rate band at that time, there will be no IHT due. However, if this amount is more than the nil rate band at that time, IHT will be payable.

In calculating whether the value of the trust fund exceeds the nil rate band at the 10 year anniversary, you also need to take account of any chargeable lifetime transfers (CLTs) you made in the seven years before you established the trust and the amount of any payments out of the trust (ignoring settlor’s loan repayments) in the previous 10 years.

NB For the purpose of these examples, it has been assumed that a Discretionary Loan Plan Trust was set up some years ago.

Example
A Discretionary Loan Plan Trust was set up in September 2003 with a settlor’s loan to the trustees of £500,000. The trustees have been repaying the settlor’s loan to the settlor at the rate of 5% a year so, in September 2013, £250,000 has been repaid leaving the amount of the outstanding settlor’s loan at £250,000. The value of the trust fund, excluding the amount of the outstanding settlor’s loan, is £350,000. The settlor did not make any CLTs in the seven years before the trust was set up and nothing has been added to or taken out of the trust fund since then (excluding the settlor’s loan repayments).

The IHT charge on the £350,000 trust fund would be:

value of the trust fund at the 10 year anniversary = £350,000
minus the nil rate band at that time = £325,000
value of trust fund in excess of the nil rate band = £25,000
IHT at 20% on the amount in excess of the nil rate band = £5,000

(IHT is charged at 20% on the amount in excess of the nil rate band to establish the ‘effective rate’ of IHT. The actual rate of tax that applies is 30% of the effective rate.)

the effective rate is calculated as:

\[ \frac{5,000}{350,000} \times 100 = 1.43\% \]

therefore, the rate of the 10 year charge = 1.43% x 30% = 0.43%

IHT payable = £350,000 x 0.43% = £1,505

A ‘quick’ method of calculating the IHT would be to apply 6% to the excess over the nil rate band.
How does the exit (or proportionate) charge work?

This charge arises when some or all of the trust property leaves the trust. The charge is measured by the amount of the loss to the trust. If the trustees pay the tax the amount charged to IHT is increased to take account of that tax.

Exit charge in first 10 years

Where the property leaves the trust before the first 10 year anniversary, IHT is payable at a fraction of the effective rate of IHT that would have been paid when the trust was set up using the nil rate band in the tax year of exit (assuming it has increased). The fraction is 30% multiplied by the number of quarter years (40ths) that have elapsed since the trust was set up. In general terms, if no IHT was paid when the trust was set up, there will be no IHT charge if property leaves the trust fund during the first 10 years.

Therefore, if the trust was set up with just a settlor’s loan, so there was no transfer of value when the trust was established (and the settlor had not made gifts that exceeded the nil rate band in the seven years before he established the trust), there will be no IHT charge if property leaves the trust fund during the first 10 years.

Exit charge after the first 10 years

If the property leaves the trust after the first 10 year anniversary the rate of the exit charge will, in general, be the appropriate fraction of the rate of IHT that was charged at the last 10 year anniversary. However, this will be increased if any property has been added to the trust fund since the last 10 year anniversary. The appropriate fraction is 1/40th for each quarter year that has elapsed since the last 10 year anniversary.

Example

Using the same facts and figures as are set out in the periodic charge example above, IHT of £1,505 was paid in September 2013 on the value of the relevant property in the trust, which was £350,000. This equates to a rate of IHT of 0.43%. Five years (i.e. twenty quarters) later, £40,000 is distributed to a beneficiary. On the assumption that the tax rates are unchanged and that nothing further has been added to the trust fund, the £40,000 will be taxed at the fraction of 20/40 of the rate of 0.43%. Therefore, the tax payable is £40,000 x 20/40 x 0.43% = £86.

However, if there was no IHT charge at the last 10 year anniversary and nothing has been added to the trust fund since then, there would be no exit charge.
Income tax

How are the proceeds of the plan taxed?

The proceeds of the plan are free of capital gains tax. However, a charge to income tax on a gain can arise:

- if the plan is fully surrendered
- if the plan is assigned for money or money’s worth
- if any partial encashments in a year exceed 5% per annum of the amount invested on a 20 year cumulative basis
- if the cumulative total of partial encashments exceeds 100% of the amount invested
- on payment of the death benefit.

These are called ‘chargeable events’ and if they occur while you are alive and UK resident for tax purposes, any gain or excess in respect of the plan is deemed to form part of your income for the tax year in which the chargeable event occurs. A liability to tax will only arise if you are a higher rate or additional rate (income over £150,000) taxpayer, or the gain causes you to become one (although please speak to your adviser about top-slicing relief). Liability to tax will be at the higher rate (40%) or the additional rate (45%), as appropriate, but with a non-reclaimable tax credit of 20% where the plan is a UK plan.

Each policy year the trustees can encash up to 5% of the contribution made to the plan without any immediate liability to tax under the chargeable event rules. This allowance builds up over 20 years and is useful to enable the trustees to repay the settlor’s loan. Once the full allowance has been used, all later encashments will be taxable in full. These amounts will be included in the calculation of any gain when the plan is fully surrendered or pays out on death. If the amount encashed in a year exceeds 5% of the amount invested in the plan, you may be liable to pay higher rate or additional rate tax (as appropriate) in respect of the amount above the 5%. You are entitled to recover the tax on any chargeable event gain from the trustees.

However, if you are not alive in the tax year in which the chargeable event occurs, or not resident in the UK for tax purposes, the trustees, if they are UK resident, will be liable for any tax on the gain. The gain will be taxed at the rate applicable to trustees (45%) but again with a 20% tax credit where the plan is a UK plan. As the trustees are entitled to a £1,000 standard rate income tax band, in general the first £1,000 of chargeable event gains in a tax year on a UK plan will not cause a tax liability. Top-slicing relief is not available to work out whether the gains fall within this standard rate band.

If the trustees are not UK resident, the tax charge on any gain or excess will be assessed on any UK ordinarily resident beneficiaries when, and to the extent that, they receive any benefits from the trust.

Anyone who is liable for tax in respect of a gain or excess (other than in their capacity as a trustee) may have any entitlement to age related personal allowances, or children’s tax credit, affected since the whole gain is added to their total income to determine entitlement to the allowance or credit. From 6 April 2010, gains or excesses may also affect entitlement to the basic personal allowance if they take the investor’s income over £100,000. It is possible, therefore, that your overall payment of tax may increase as a result of having a chargeable event gain assessed on you.

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 plan 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 available under the plan 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 (HMRC) 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.
### Discretionary Loan Plan Trust Deed

**Person declaring this trust (full name in BLOCK CAPITALS please):**

[Full name]

**Name of trust:**

[Full name (the ‘Settlor’)]

The terms of the trust are set out below.

**Potential Beneficiaries – Box ‘A’**

The Settlor is excluded from all the classes below.

(a) Any Spouse, Civil Partner, widow, widower or surviving Civil Partner of the Settlor.

(b) Children, Grandchildren, Great Grandchildren (and the Spouse or Civil Partner of any of these) of the Settlor.

(c) Any person (other than the Settlor) whom the Settlor has notified to the Trustees in writing.

(d) Any charity.

(e) The person(s) named in Box ‘B’.

**Default Beneficiaries – Box ‘B’ (do not leave blank)**

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<th>Share %</th>
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See “How is the trust set up?” on page 2. If there is more than one Beneficiary, also state their share, making sure the total comes to 100%.

**To create a trust you need to sign here. Your signature must be witnessed.**

Signed and delivered as a Deed by the Settlor:

[Full name]

In the presence of:

Signature of witness

Full name

Address

Date

**Additional Trustees – Box ‘C’**

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 Plan number, and sign it.

[At least one Additional Trustee must be included here.]

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Full forenames

Address

Postcode Date of birth

Signature in acceptance of appointment as Trustee

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Ref: DLO1
Trust Provisions

1 Definitions

‘Beneficiary’ and ‘Beneficiaries’ means any person or persons described in Box A or named in Box B.

‘Child’ includes illegitimate, legitimated, adopted and/or step-children and ‘Grandchild’ and ‘Great Grandchild’ are to be interpreted in the same way.

‘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.

‘Company’ means Zurich Assurance Ltd trading as Sterling.

‘Plan’ means the policy of assurance identified above and any other life assurance policy included in the Trust Fund. Where the policy is a bond, it includes all the policies which make up the bond. It also includes any other policies set up in the exercise of rights under that policy and any property derived from that policy.

‘Settlor’ means the person declaring this trust.

‘Settlor’s Loan’ means the loan the Settlor will make to the Trustees specified in 2(2) below.

‘Spouse’ means the husband or wife or widow or widower of the person referred to at the relevant time. It does not include divorced persons who were previously married to each other.

‘Trustee(s)’ means the Settlor and the Additional Trustee(s) named in Box C or the Trustee(s) for the time being of this trust.

‘Trust Fund’ means:

(a) the Plan

(b) any policies of assurance that are held by the Trustees subject to this trust

(c) any policies effected in accordance with any option in any policy subject to this trust

(d) all monies, investments and property paid to or transferred to the Trustees as additions to the Trust Fund

(e) any property representing the above.

‘Trust Period’ means the period of 125 years from the trust’s commencement. This is the perpetuity period of the trust.

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.

2 Creation of the Trust

(1) The Settlor wishes to appoint the Additional Trustees specified in Box C above to act jointly with him as Trustees of this trust upon the trusts and subject to the powers set out below.

(2) The Settlor 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 Settlor 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 Settlor as an interest-free loan and to repay the principal amount of the loan to the Settlor on demand and to hold any resulting investments on the terms set out below.

3 Exclusion of Settlor from Benefit

The Trust Fund must always be enjoyed to the absolute exclusion of the Settlor and of any benefit to him, whether under a contract or in any other way, except for the repayment of any loan made by the Settlor to the Trustees.

4 Beneficiaries

(1) The Trustees hold the capital and income of the Trust Fund upon the trusts and (subject to 3 above) with and subject to the powers and provisions set out below for whoever the ‘Appointor’ (defined in 5(1) below) in his absolute discretion chooses from amongst the persons in Box A on such terms as the Appointor thinks fit and in the shares and subject to the trusts powers discretions and conditions as the Appointor appoints. The conditions for ‘appointments’ are set out in 5(2) below.
(2) Subject to 4(1) above, the Trustees also have an absolute discretion to accumulate the whole or part of the income of the Trust Fund during the Trust Period and that income shall be added to the capital of the Trust Fund. The Trustees shall pay or apply the remainder of the income to or for the benefit of any of the person(s) in Box A as the Appointor thinks fit.

(3) Subject as above and if and so far as not wholly disposed of for any reason whatsoever by the above provisions, the Trustees shall hold the capital and income of the Trust Fund on trust at the expiry of the Trust Period for the persons in Box B in the shares specified in Box B and if no such shares are specified and there is more than one Beneficiary, in equal shares absolutely.

5 Power of Appointment
(1) The Appointor is the Settlor unless either he has released his power of appointment, or has died, or the appointment is to be made in favour of his Spouse or Civil Partner. In these cases appointments have to be made by the Trustees. If the appointment is in favour of the Settlor’s Spouse or Civil Partner then, unless the only Trustee is a trust corporation, to make the appointment there must be at least two Trustees and one of them must be neither the Settlor nor the Settlor’s Spouse nor Civil Partner.

(2) Appointments have to be made by deed. The Appointor can make them irrevocable, but otherwise they can be changed during the Trust Period. If the terms of any revocable appointment have not been revoked at the end of the Trust Period, the appointment will become irrevocable at that time. Appointments can be subject to conditions and give powers and discretions.

6 Appointment and Removal of Trustees
(1) The Settlor has the power to appoint new Trustees. After the death of the Settlor, the Trustees for the time being may appoint new Trustees.

(2) During the Settlor’s lifetime the Settlor 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 Settlor nor the Settlor’s Spouse nor Civil Partner.

(3) 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.

7 Powers and Rights under the Plan
(1) The Settlor can exercise any rights or powers under the Plan except where 9(3) below states specifically that the Trustees have the relevant power. However, the Settlor must exercise these powers under the Plan in his capacity as, and subject to the duties of, a Trustee.

(2) The Settlor’s power under 7(1) above ends if he ceases to be a Trustee, dies or releases that power by deed.

8 Exclusion of Beneficiaries
The Trustees can exclude any Beneficiary from benefit under the trust. This must be done by deed. There must be at least one Beneficiary remaining under the trust after the relevant Beneficiary has been excluded.

9 General Powers
(1) The Trustees have all powers conferred by the law. In addition they have the powers in 9(3) below. The Company 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.
(2) The Trustees appoint the Company their agent for the purpose of receiving any sums paid to the Trustees in respect of any life assurance plan made subject to this trust. The Trustees instruct the Company to apply such sums in the payment of any premiums or contributions in respect of the Plan.

(3) The Trustees can:

(a) borrow for the purposes of the trust on whatever terms they think appropriate. They can use any part of the Trust Fund as security. The lender is under no duty to check that they use the money properly;

(b) make the Plan paid-up even if the sum assured is reduced as a result;

(c) surrender or partially surrender the Plan;

(d) sell any part of the Trust Fund (including the Plan);

(e) subject to 10(1) below, exercise rights under the Plan which can reduce the benefits payable under it or, with the Company’s consent, reduce the sum assured or premiums payable under the Plan;

(f) subject to 10 below, release any powers or discretions which can be exercised by the Trustees (including this power). The Trustees can do this wholly or partly and impose whatever conditions they think are appropriate;

(g) invest the Trust Fund as though they owned it beneficially and absolutely. The Trustees can invest in income producing and non-income producing assets (including life assurance policies);

(h) subject to 10(2) below, lend to any Beneficiary on whatever terms about interest and repayment as they think fit. To avoid any doubt, it is made clear that this includes the power to make interest-free loans;

(i) delegate the exercise of any of their investment or management powers in relation to the Trust Fund, to any person they think fit, even if the delegate is resident or situated abroad.

The Trustees can transfer the ownership of any property in the Trust Fund for these purposes;

(j) accept as a valid discharge any receipt, for any payment by the Trustees, given by a parent or guardian of a Beneficiary who is a minor. The Trustees do not have any duty to ensure that the payment is paid to, or applied for the benefit of, the relevant Beneficiary.

(k) subject to 10(1) below, advance all of a Beneficiary’s prospective share of capital.

10 Limiting Exercise of Powers

(1) If the Settlor is alive, the powers in 9(3)(e), (f) and (k) can only be exercised with his agreement.

(2) Unless the Trustee is a trust corporation, the powers in 9(3)(f) and (h) can only be exercised if there are at least two Trustees, and at least one of them is neither the Settlor nor his Spouse nor Civil Partner.

11 Administration of Trust outside the UK

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.

12 Settlor’s Incapacity

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

13 Charging by Trustees

Apart from the Settlor 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.
14 Liability of Trustees

(1) 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.

(2) Subject to 14(3) below, the liability of a Trustee in respect of the Settlor's Loan shall not exceed the value of the Trust Fund from time to time.

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

(a) the Settlor agrees; or

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

15 No Duty to Investigate Exercise of Power

Where the agreement or consent of any person is needed for the exercising of a power by the Trustees, no person dealing with the Trustees needs to be concerned whether that agreement or consent has been obtained.

16 Choice of Law and Jurisdiction

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

Loan agreement

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

and myself, as Trustees of

The Trust

Dated

Lender’s agreement

The Settlor’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 Settlor’s Loan.
I agree that the Trustees’ liability in respect of the Settlor’s Loan will be as set out in provision 14 (Liability of Trustees) of the Trust Deed.

Signed as a Deed by the person making the Settlor’s Loan (the lender):

In the presence of:

Signature of witness

Full name

Address

Date

Trustees’ agreement

We authorise the lender to pay the Settlor’s Loan directly to Sterling to purchase a life assurance plan.
We agree that the issue of this Plan to us will amount to payment of the Settlor’s Loan to us.
We agree that our liability in respect of the Settlor’s Loan will be as set out in provision 14 (Liability of Trustees) of the Trust Deed.

Signatures

Signatures

Witness signature

Witness name and address
Please let us know if you would like a copy of this in large print or braille, or on audio tape or CD.