



STERLING

Absolute Trust Deed

Absolute Trust Deed

What is it?

An absolute trust designed for use with single premium life assurance plans, more commonly known as investment bonds. The trust is only suitable for those wanting to make outright, absolute gifts as the beneficiaries can never be changed. The donor(s) (the person(s) creating the trust) cannot benefit from the trust. An investment bond is referred to as a 'plan' in these notes.

If greater control and flexibility is required, a more flexible type of trust should be considered instead.

Aims of the trust

- To create an absolute gift from the donor(s) to the trust beneficiaries.
- To ensure the plan proceeds will not be liable to inheritance tax.
- To ensure that if the benefits of the plan are paid on the donor's (your) death, they are paid into the trust without the delay that would arise from the need to obtain a grant of probate/letters of administration on your estate. There will need to be at least one surviving trustee at the date of your death to avoid probate delay.

When should this trust not be used?

If you want to retain any of the plan benefits for yourself. You cannot benefit from the trust at any time.

How does it work?

The Absolute Trust ensures that the nominated beneficiary(ies) will receive the benefit of the plan. 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 trust is absolute and neither the donor nor the trustees can alter that. If a beneficiary should die, their interest in the 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(s) must be written in the space provided (as the 'Donor').

Beneficiaries' box - you should write the full name(s) of the nominated 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%. **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.

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

Additional trustees' box – you should write in the full name and address of each additional trustee and each trustee should sign in the box. Each additional trustee must also complete the boxes that ask for their country of residence for tax purposes, their tax reference or national insurance number and whether or not s/he is a US citizen. For new plans, you (the donor) must provide this information on the plan application form. You can appoint up to four additional trustees in the boxes provided. We recommend that at least two additional trustees are appointed. You, the donor, are automatically a trustee and so you should not be included in this box.

If you do not appoint any additional trustees, and if the benefits of the plan are paid on your death, we will need to delay payment until a grant of probate/letters of administration on your estate has been obtained. This is because the claim will need to be made by your legal personal representatives or someone they have appointed to operate the trust.

Why do you need to know about our tax and residency status?

HM Revenue & Customs (HMRC) require us to check these details so you must provide this information. If you have a country of residence other than the UK, or you are a US taxpayer, we will be in touch in order to check your status, as your details may need to be reported to HMRC.

Trustees and trustee bank account

The trustees will be in control of the operation of the trust. As Sterling will make payment to all the trustees, they may need to set up a trustee bank account.

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 September 2014. Advice is essential, as treatment for inheritance tax will depend on the circumstances of each individual case.

The creation of the trust will represent a potentially exempt transfer by the donor(s) equal to the value of the plan. This means that if the donor survives the gift by seven years, the transfer will be free of inheritance tax.

The payment of the proceeds will not be liable to inheritance tax.

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 will be due.

Trust registration

A trust holding a Sterling Investment Bond would need to be registered with the HMRC Trust Registration Service (TRS). It is the trustees' responsibility to register the trust.

The registration deadline for a new trust is 90 days from its creation. It is important the trustees understand the need to register, as late registration may incur a financial penalty. Once registered, the information on the TRS must be updated within 90 days of any changes.

Sterling will require proof of registration. This can be obtained by downloading a PDF output from the TRS.

The trustees may need to seek professional advice about their registration responsibilities.

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 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 HMRC practice (1 September 2014). 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.

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Absolute Trust Deed

- This is an absolute trust.
- Once you have declared it, you cannot change the beneficiaries.

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

(the 'Donor')

The terms of the trust are set out below.

Beneficiaries – the Trust Fund will be held for the absolute benefit of:

If there is more than one beneficiary, also state their share, making sure the total comes to 100%.

Full name (BLOCK CAPITALS)	Share %

Full name (BLOCK CAPITALS)	Share %

To create a trust you need to sign here. Your signature(s) must be witnessed.

If two people are declaring this trust, both need to sign.

Signed and delivered as a Deed by the Donor(s):

Date

In the presence of:

Signature of witness

Full name

Address

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.

See “How is the trust set up?” and “Why do you need to know about our tax and residency status?” on page 2.

Title	Surname
Full forenames	
Address	
Postcode	Date of birth
Country of residence for tax purposes	Tax reference number (if UK, please supply your national insurance number)
Are you a US citizen?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Signature in acceptance of appointment as Trustee	

Title	Surname
Full forenames	
Address	
Postcode	Date of birth
Country of residence for tax purposes	Tax reference number (if UK, please supply your national insurance number)
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Trust Provisions

1 Definitions

‘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.

‘Donor’ means the person or persons declaring this trust and where two persons are named, the term Donor shall refer to them both and the survivor of them.

‘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.

‘Spouse’ means 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 Donor and the Additional Trustee(s) named above 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.

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

The trust will commence on the date shown immediately below the Donor’s signature or, if later, the date the above numbered Plan is issued to the Trustees.

(1) If the Plan is not issued:

the Donor states that, in submitting the application for the above numbered Plan to the Company, he is acting with the intention of making himself and the Additional Trustees specified above Trustees for the beneficiary or beneficiaries named or referred to above upon the trusts and subject to the powers set out below. The Donor directs the Company to issue the above numbered Plan to the Trustees to hold on the terms of this trust and requests that the Plan should be endorsed to this effect.

(2) If the Plan is issued:

the Donor holds the above numbered Plan as Trustee for the beneficiary or beneficiaries named or referred to above upon the trusts and subject to the powers set out below. The Donor wishes to appoint the Additional Trustees specified above as Additional Trustees of the Plan and declares that he holds the Plan in trust as set out above and appoints the Additional Trustees as Trustees of the Plan jointly with him and assigns the Plan to the Additional Trustees and himself jointly.

3 Beneficiaries

The Trustees hold the Trust Fund and the income thereof upon the trusts and with and subject to the powers and provisions set out below for the absolute benefit of the person(s) in the box marked “Beneficiaries” and, if more than one, in the shares specified and, if no such shares are specified and there is more than one beneficiary, in equal shares.

4 Powers in relation to Income and Capital of the Trust Fund

(1) Both before and after the Donor’s death, income will be paid to the person(s) in the box marked “Beneficiaries” and if more than one in the shares specified and, if no such shares are specified and there is more than one beneficiary, in equal shares. If a relevant beneficiary is a minor, Section 31 of the Trustee Act 1925 will apply with certain modifications. These are that: where income is accumulated, because a beneficiary is a minor, it will be accumulated for that beneficiary’s absolute benefit; the Trustees can use the income that

would be payable to a minor beneficiary for that beneficiary's maintenance, education and benefit to the extent that they think fit rather than being subject to any requirement of reasonableness; and the proviso to Section 31(1) is left out so that the Trustees are not limited by having to consider the factors in it.

- (2) Section 32 of the Trustee Act 1925 will apply, but will be modified so that the Trustees can advance all, rather than half, of a beneficiary's share of capital.

5 Appointment and Removal of Trustees

- (1) The Donor has the power to appoint new Trustees. After the death of the Donor (or both Donors), the Trustees for the time being may appoint new Trustees.
- (2) During the Donor's lifetime the Donor 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 Donor nor the Donor's Spouse or 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.

6 General Powers

- (1) The Trustees have all powers conferred by the law. In addition they have the powers in 6(2) below. However, 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 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 7(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 7 below, release any powers which can be exercised by the Trustees (including this power);
- (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) 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;
- (i) 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.

7 Limiting Exercise of Powers

- (1) If the Donor is alive, the powers in 6(2)(e) and (f) can only be exercised with his agreement.
- (2) Unless the Trustee is a trust corporation the powers in 6(2)(f) can only be exercised if there are at least two Trustees, and at least one of them is neither the Donor nor his Spouse or Civil Partner.

8 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.

9 Donor's Incapacity

If any Donor 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.

10 Charging by Trustees

Apart from the Donor 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.

11 Liability of Trustees

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.

12 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.

13 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.

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in large print or braille, or on audio tape or CD.