

## WHAT IS A TRUST?

A trust is simply a way of separating beneficial ownership from legal ownership.

### **There are different types of trusts.**

Most trusts fall into one or two main categories depending on how the income or benefit (dividends, interest, rents, free use of property etc.) will be dealt with.

### **Interest in Possession Trusts**

These are trusts where the income or benefit must be given to the specific beneficiary.

The interest in possession trust (or fixed interest/life interest trusts) is often used in a Will when a person dies leaving a surviving spouse e.g. 'to my wife for her life and then to my children'.

Thus the widow can enjoy the assets placed in trust but is prevented from dissipating the trust capital.

Since the Finance Act 2006 interest in Possession Trusts with a surviving spouse as before are known as 'Immediate Post-death Interest' Trusts and along with 'disabled persons' Trusts are the only Trusts that have a tax privilege.

### **Discretionary Trusts**

Discretionary Trusts give the trustees power to make distribution of capital and/or income to a stated class of potential beneficiaries. The most common of these are the general discretionary trust and a charitable trust.

The trustees might even decide, for a time, to benefit no one: the income being accumulated for future use.

All other Trusts; including Immediate Post-Death Interest in Possession Trusts where the beneficiary is someone other than a spouse are known as Relevant Property Trusts and are fixed in the same way as a Discretionary Trust.



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