

WHY MAKE A TRUST?

Trusts have been used to avoid, or address, problems in two main areas: taxation and domestic matters.

Taxation

In your lifetime you can create a trust into which you can place chosen assets which you no longer need yourself. This reduces your own wealth and thus your exposure to Inheritance Tax.

By creating a discretionary trust in your Will for the benefit of your spouse and children, you can take advantage of the nil rate band of inheritance tax saving literally thousands of pounds of tax. Although since the introduction of transferable nil rate bands between spouses and civil partnerships this way is no longer so attractive.

You can settle assets in trust for your grandchildren in your lifetime or after your death. Skipping a generation in this way reduces your children's exposure to tax.

A charitable trust created in your lifetime or in your Will can receive unlimited assets, all of which can be free of all forms of taxation.

Domestic Matters

Trusts have been created in this country for centuries for the same family reasons that they are used now.

Parents, grandparents and others have always been concerned that children and grandchildren are at risk if they receive or inherit too much too soon. The solution is to create a trust to hold the assets until the children are older and wiser.

Some people feel that, by giving in your Will all your wealth to your spouse absolutely, it could be frittered away so that little or nothing will remain for your children to enjoy.

A Will trust for your surviving spouse can ensure that the capital is protected but without the loss of benefit during the widow/widower's lifetime.

You might currently have an aged dependant - a widowed mother perhaps who will need continuing care should you die before her. A trust can be created to hold sufficient capital to continue the help. On her death the funds can return to you or pass to your family.

Perhaps your son or daughter might risk bankruptcy or an unstable marriage or other relationship, be handicapped in some way and in need of special care, or for some other reason be incapable of managing their own financial affairs. In any of these situations, shares, property or other forms of wealth can be placed into a suitable family trust carefully worded to take account of the perceived risks surrounding the intended beneficiary.

Perhaps you might be yourself fearful of losing mental capacity or that your possessions will be taken over by government agencies or even fortune hunters.

There are many other reasons for considering a trust, and much fine detail that varies them individually. It is extremely important to take professional advice in setting up a trust, as once created they normally cannot be altered. Please contact Nigel Stratton to make an appointment to discuss your own personal needs.

There are many other questions that may need answering, and each individual case is exceptional. Please speak to Nigel Stratton, if you wish to explore more about using trusts.



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