

The Probate Trust in action

The Probate Trust can help your family with speedy access to the funds held in your bond on your death.

Who is it for?

The Probate Trust is designed for people who want to:

- Have speedy access to the funds on death for their family
- Avoid the need to obtain a Grant of Probate on death (in respect of the bond)
- Ensure the proceeds of the bond are paid in accordance with their wishes and without the need for a Will
- Have access to the bond throughout their lifetime at the discretion of the trustees (trustees are people (or person) you choose to administer the trust for you).

Who should not consider a Probate Trust?

The Probate Trust is not designed:

- To reduce Inheritance Tax (IHT)
- It provides no IHT advantages
- It is important you discuss IHT consequences of using a Probate Trust with your financial adviser
- For jointly owned bonds
- For people with a total estate value (including the value of the bond to be placed in trust) over the current IHT allowance of £325,000 (for tax year 2020/21).

Key Aspects of the trust

- The trust is set up as a discretionary trust; this means that your trustees can choose who should benefit from the bond on your death
- You will choose one (or more) people to administer the trust for you (trustees)
- You will also be a trustee and there will need to be at least one surviving trustee at the date of your death to avoid Probate delay
- Both the beneficiaries and their share of the trust can be changed.

The investment choices

For new bonds, you can choose from five options from Prudential and Prudential International:

- Prudential Investment Plan
- Prudential Onshore Portfolio Bond
- Prudential International Investment Bond
- Prudential International Investment Portfolio.

Additionally, you may be able to use the Probate Trust with an existing Prudential or Prudential International Bond.

How to set up a Probate Trust

Your financial adviser will be able to help you with this process:

- Choose the beneficiaries – the people you want to benefit from the trust
- Decide who should be the trustees – (who manage the trust)
- Choose the investment that suits you best
- Complete the appropriate trust form(s) and application form for your chosen investment.

How it works

This is just an example designed to represent a typical situation and does not relate to any particular individual. You should not consider this as financial advice or a recommendation of a particular course of action. You should consider your own circumstances fully and you may wish to consult a financial adviser to help you make a decision.

Alan is 70 years of age. He was previously married to Davina who died in 2008. He remarried Karen in 2015. Alan and Karen live in a house owned by Karen. Alan has owned a Prudential investment bond for many years (it was formerly owned jointly with Davina). Alan is the sole surviving life assured.

The bond is currently valued at £100,000. Alan occasionally takes withdrawals to top up his pension income.

Alan and Karen have a joint current account holding £6,000. Alan has a cash ISA valued at £4,000 and a stocks and shares ISA holding £10,000. The ISA manager has confirmed that on Alan's death it will encash the ISAs and pay the proceeds to Karen without requiring a Grant of Probate. Obtaining a Grant of Probate can potentially involve lengthy delays. Prudential will not allow the proceeds of a bond surrender to be paid out without a Grant of Probate.

Alan has a Will which leaves half his assets to Karen and half to his daughter from his first marriage Samantha. Samantha has a substantial mortgage and Alan has suggested that she uses her inheritance to reduce her borrowings. She agrees that this is a wise strategy.

Alan's adviser has suggested that the use of a Probate Trust arrangement will enable Samantha to get cash quickly – without having to incur the costs (and delays) of obtaining a Grant of Probate.

Alan duly assigns the bond to the trustees (Alan, Karen and Samantha) of a Probate Trust. Although this is a transfer of value for inheritance tax purposes, no tax will be payable as Alan has not used any of his IHT allowance of £325,000 (for tax year 2020/21). Alan can access the bond to supplement his pension as required with the trustees' consent.

On Alan's death the bond will come to an end (Alan being the last life assured).

As a result of using the Probate Trust, Prudential will pay the proceeds of the bond directly to Karen and Samantha in such proportions as they request, avoiding the potentially lengthy delays of obtaining a Grant of Probate. The taxation implications for any beneficiaries will depend on how the bond was set up.

For more information, refer to your financial adviser.

Further information

For more information on our products and estate planning options, speak to your financial adviser. The information in this document is based on our understanding of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation (and any tax reliefs) depends on individual circumstances.