

Gifting an investment into trust

Gift Trust and Investment Bonds

The Gift Trust from Prudential and Prudential International provides an inheritance tax planning solution for clients who want to make an outright gift in a tax-efficient way. Any potential growth on the investment will be outside the client's estate from the start and, depending on circumstances, there may be no inheritance tax due on the trust fund.

The important point to note is that, once the trust has been set up, the client cannot benefit from it at all. The Gift Trust is suitable only where the client does not want any future access to the capital or any growth it may produce.

The value of any investment can go down as well as up, so your client's beneficiary(s) might get back less than they put in.

How does the Gift Trust work?

- The bond is put into trust during the client's lifetime.
- Payments can be made to the beneficiaries at any time, as long as the client does not benefit in any way.
- The trust will continue to the end of the trust period or until all the assets have been distributed.
- At the client's death, the trust can continue or be wound up with the proceeds paid out.
- The proceeds from the trust may be wholly or largely free of inheritance tax.

Key features of the Gift Trust are:

- It can be used with a new or existing Prudential or Prudential International investment bond.
- It can be set up by a single donor or joint donors.

Choice of trusts

The Gift Trust can be written as either an absolute or a discretionary trust, to suit the client's requirements. The choice between these has important implications for both the selection of beneficiaries and the tax treatment.

Ongoing Adviser Charges for advice given to Trustees

Prudential will facilitate ongoing adviser charges for advice given to the trustees. In view of the fact that the trustees are not party to the bond application form, the ongoing adviser charge instruction section on the application form must be left blank. Instead, the trustees will need to complete the appropriate adviser charge instruction form.

Where Prudential facilitate payment of ongoing trustee advice, then this will be funded by withdrawals from the bond and will impact the 5% tax deferred allowance.

Trustees should not pay for ongoing advice given to the settlor as that could be regarded as a breach of trust with adverse tax consequences.

For the avoidance of doubt, set up advice charges are the responsibility of the settlor and so the trustees do not pay these. If Prudential facilitates payment of the set up advice charges then both the premium invested and the gift into trust will be the lower (net) amount.

Choice of current products

- **Prudential Investment Plan:** a wide range of investment funds to suit many market conditions including Prudential's With-Profits Fund and a wide range of unit-linked funds.
- **The Prudential Onshore Portfolio Bond:** available on a number of investment platforms. The bond offers access to the range of assets available on the selected platform.
- **Prudential International Investment Bond:** available from Prudential International, offering the potential for tax-efficient growth with a wide choice of unit-linked funds including PAC With-Profits funds.
- **Prudential International Investment Portfolio:** available from Prudential International, providing the potential for tax-efficient growth with a broad range of investments, including unit trusts, investment trusts and OEICs, from an extensive list of fund managers.
- **International Portfolio Bond:** available from Prudential International, offering the potential for tax-efficient growth with a wide choice of funds.

Absolute	Discretionary
Beneficiaries	
<ul style="list-style-type: none"> • Neither the beneficiaries nor their share of the trust fund can be changed. • Beneficiaries with legal capacity have the right to demand their share of the trust fund. 	<ul style="list-style-type: none"> • Regarding the potential beneficiaries, the trustees have discretion as to who benefits and in what share.
Reporting requirements	
<ul style="list-style-type: none"> • Trust Registration Service requirements must be adhered to. 	<ul style="list-style-type: none"> • Gifts must be notified to HMRC if above the relevant limit. • IHT returns may be required for the purposes of the periodic charge every 10 years and exit charges whenever capital is paid out of the trust. • Trust Registration Service requirements must be adhered to.
Tax treatment	
<ul style="list-style-type: none"> • The gift into trust, less any available exemptions, is a potentially exempt transfer, irrespective of the amount. • Potentially Exempt Transfers are only chargeable if the donor dies within seven years of making the transfer. • The value of the beneficiaries' share is included within their estates for IHT purposes. 	<ul style="list-style-type: none"> • The gift into trust, less any available exemptions, is a chargeable lifetime transfer. This will give rise to an immediate charge if the value, added to any relevant previous chargeable transfers, is more than the nil rate band. • On death within seven years there may be an additional charge. • There may be a 10th anniversary charge if the value exceeds the NRB at that time. Chargeable transfers made by the settlor in the 7 years prior to set up reduce the NRB as do any capital payments subject to exit charges in the first ten years. • There may be an exit charge on capital distributed from the trust. • The value of the trust fund is not included in the beneficiaries' estates.

Full terms and conditions are available on request.

Your client might need to pay tax depending on your circumstances and the options they choose. Tax rules can also change in the future.

To find out more, please contact your Account Manager or visit our website at pruadviser.co.uk

pruadviser.co.uk

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