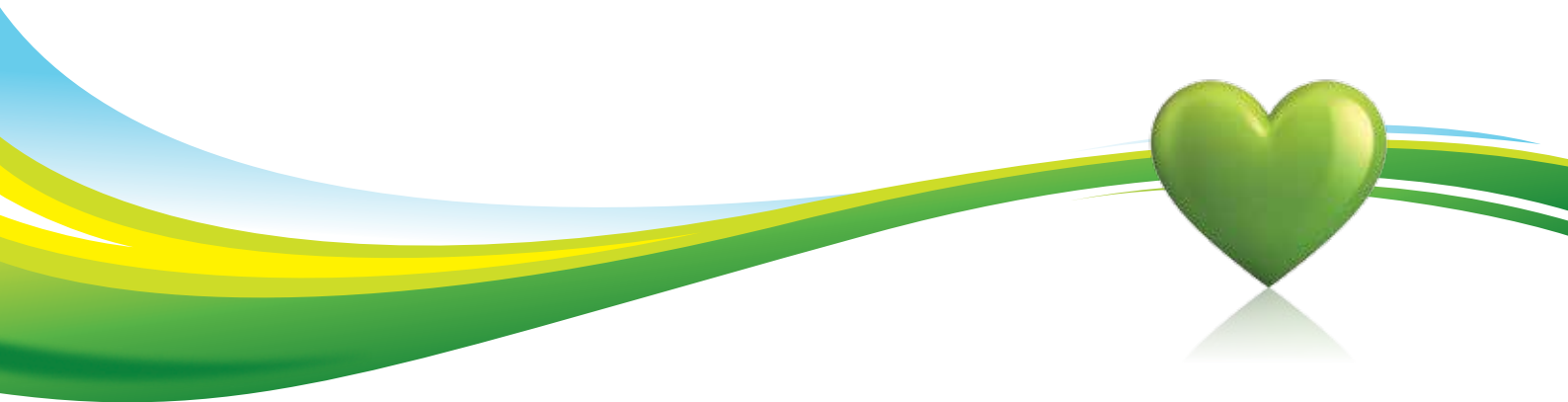


Relevant Life Cover Discretionary Trust

Your questions answered



LVI

It's really important that you read the LV= Relevant Life Cover Key Features and the Policy Conditions. Together with this Relevant Life Cover Trust Guide, they give you all the information you need to decide whether this cover is right for you.

Understanding trusts and their implications can be very complicated. You should always get advice from your legal adviser before setting up a trust.

What is a trust?

A trust is a legal arrangement set up by a person, a group of people or a company, to look after something (such as a life insurance plan, a property or an investment) until the time when the contents of the trust are given to someone else.

A trust owns whatever is put in it and looks after the contents until they are due to be given out.

To set up a trust for Relevant Life Cover, four groups of people are needed:

- 1 The 'principal employer' is the employer who sets up the trust and puts the Relevant Life Cover into it. Once it's placed into trust the principal employer no longer owns it. It is owned instead by the trustees.
- 2 The 'member' is the employee whose life is to be insured.
- 3 The 'trustees' are the people responsible for looking after the contents of the trust for the person or people who will eventually get them. The trustees ensure that the contents are given out, following the member's wishes. The principal employer will be a trustee, and there should be at least two other trustees too.
- 4 The 'beneficiaries' will receive the contents of the trust. One or more beneficiaries can be chosen. It may be possible for the trustees to change the beneficiary, but this depends on the type of trust. The principal employer can never be a beneficiary, but the member and the trustees can.

Why would I set up a trust?

Usually, someone sets up a trust to make sure that the trust assets:

- are paid to the right person
- can be paid out quickly, and
- are paid tax efficiently (the contents of the trust aren't normally included in the estate of the person making the gift, which means that inheritance tax won't apply on their death).

What is a discretionary trust?

When you set up the trust, the member will name all of the people that they may want to benefit from it in the future. This can be groups of people, for example, children or grandchildren. Or it can be specific individuals. This wide group of beneficiaries is called 'the discretionary beneficiaries'. Our trust deed already includes a wide range of discretionary beneficiaries, but the member can add new discretionary beneficiaries after the trust has been created by writing to the trustees.

A discretionary trust gives the trustees the flexibility to choose which of the discretionary beneficiaries named will actually benefit from the trust assets, and how much they'll get.

The member can let the trustees know which of the discretionary beneficiaries they'd like to benefit if they were to die straight away. They can also say how they'd like the trust assets to be split. For example, the default beneficiaries could be three children in equal shares. This can be done by completing a nomination form.

However, the trustees are not bound to follow the member's wishes. The trustees choose which of the discretionary beneficiaries will benefit from the trust fund, and how much they'll receive. We've explained this in more detail in **What changes can trustees make?**

When can I use a discretionary trust?

You'd usually select a discretionary trust if you want the flexibility to add new discretionary beneficiaries to the trust at any time during the member's lifetime. This option isn't available with most other types of trust.

The trustees have the power to choose which of the discretionary beneficiaries will benefit, and how much they'll receive. You must select trustees that can be trusted to make fair and reasonable decisions about who should benefit from the trust. For this reason, a discretionary trust isn't right for everyone. You should always get advice from your legal adviser before setting up a trust.

What can I place into trust?

You can usually put almost anything into a discretionary trust.

However, this Relevant Life Cover discretionary trust is designed specifically for use with Relevant Life Cover policies. You cannot put anything else into it. To make sure the policy qualifies as Relevant Life Cover, you must put the policy into trust when it starts – it should not be put into trust at a later date.

What happens if the Relevant Life Cover policy is not written into a trust?

If the policy is not written in trust then it won't technically be classed as Relevant Life Cover this will affect the tax efficient benefits of the policy and will result in additional tax charges for both the policy owner and the life assured. For this reason it is essential that the policy is written into trust otherwise the policy may not demonstrate the anticipated tax efficiency.

Why should I appoint more than one trustee?

If all the trustees die before the trust contents are paid out, there could be a delay in getting the money quickly to the people who need it. So it makes sense to appoint at least two trustees. As the principal employer, you'll become a trustee automatically when the trust is set up. You should appoint at least two other people you trust too. The member can also be appointed as a trustee which would help them manage the trust.

What changes can trustees make?

The trustees can choose which of the discretionary beneficiaries will benefit from the trust assets, and how much they'll receive. The member can let the trustees know who they'd like to benefit by completing a nomination form. However the trustees don't have to follow the member's wishes. The member can change their nomination at any time by making a new one. If they do this, they must let the trustees know.

The advantage of giving trustees the power to choose who will benefit is that if circumstances change, the trust can be altered to make sure it's still effective.

The trustees can be changed with permission from all the trustees. This trust deed also gives the member the power to change trustees, even if they are not a trustee themselves.

Example

Ben works for a small business. He lives with his partner Jayne, and they have a young son, Simon.

Ben's employer sets up Relevant Life Cover for Ben, as part of his benefits package. Ben wants Jayne to receive the money if he dies. But if she dies before he does, he'd like it to be kept for Simon until he's old enough to receive it.

In the discretionary trust, Ben names both Jayne and Simon as discretionary beneficiaries. He nominates Jayne as the beneficiary. But if she dies before him, the trustees can choose Simon as the beneficiary. The money will be held in trust for Simon until the trustees pay it out to him.

When can the trustees make changes to the trust?

The trustees can make changes to the trust at any time during the member's lifetime, or after the member's death.

What happens to the trust if the member no longer works for me?

If the member leaves your employment, there are three options. You can:

- 1 cancel the plan, and the trust will end. Please note that if you cancel the plan, you won't get anything back.
- 2 the member can continue their cover under a new plan and get their new employer to complete a new trust form.
- 3 the member can continue their cover on an individual basis however it won't be eligible for tax relief

We've explained these options in more detail in the Relevant Life Cover Guide. If the member wants to take over the plan, or has asked their new employer to pay the premiums, they'll need to let us know within 30 days of leaving your employment.

Will inheritance tax apply to this discretionary trust?

The lump sum paid out on death will not be included in the member's estate for inheritance tax planning purposes. However, there are some situations in which there could be some inheritance tax to pay on the assets held in trust.

- A periodic charge may apply on each 10th anniversary from the date the trust is created.
- An exit charge may apply when anything is paid out from the trust.

These charges will be applied at the rates of charge then in force as applied to the value of the trust assets at the time. They're unlikely to apply unless the lump sum paid out on death is held within the trust rather than being distributed straight away.

Is there any inheritance tax to pay if a beneficiary dies?

No, as the trust assets aren't legally owned by any of the beneficiaries. So if money hasn't been paid out from the trust, it won't be included in any beneficiary's estate when they die.

I live in Scotland, can I use this Discretionary Trust?

Yes, you can. Scots law will apply to this trust if the address of the principle employer is in Scotland when the trust is created.

Understanding trusts and how they're taxed can be quite complicated. We've only outlined the basics here. You should always get advice from your legal adviser before setting up a trust.

This explanation of trusts and taxation is based on our current understanding of legislation as at April 2018. Please remember that this could change and taxation always depends on your personal circumstances.

How to complete this Relevant Life Cover Trust

This Relevant Life Cover Trust can be used only with LV= Relevant Life Cover.

It's very important that you fill in this trust deed correctly. The next few pages explain how to do this step by step. If you're not sure how to complete the deed please ask your legal adviser to help you.

Find out how we use your personal information, and what rights you have by visiting LV.com/dataprotectionlife. This includes who we are, how long we hold your information, what we do with it and who we share it with. Please ensure that you advise anyone else whose personal details are related to your plan where they can find this information. Please let us know if you'd like us to send you a copy, or have any questions.

Page 2

The date, employer and trustee details

- **Date** - The plan needs to be in trust from the start of the policy so please leave the start date blank and we will complete this for you.
- **Employer** - The plan owner details must be added. The plan owner will be the employer. You must add the employer's name and current address.
- **Trustees** - The employer will automatically be a trustee. We'll always send correspondence to the employer as first trustee. If you want to add additional trustees, you should name them here. You should have at least two trustees including the employer.

Do not date

Please leave the date blank

Employer

Add your name and address here. Please complete the name of the employer, the registered number and the address and confirm the type of business.

Additional trustees

Add the name and address of each trustee you've chosen.

Relevant Life Cover
Discretionary Trust Deed
 This declaration of trust is made on (2017)

Background 1:
 Name of employer: _____
 Registered number: _____
 Address (please state a full address): _____
 Postcode: _____

Type of business (please tick):
 Limited company (UK) Limited liability partnership Charity
 Sole trader (please check all employees of the business other than the sole proprietor will be covered by the plan trust)
 (tick (inserted employer))

And 2:
 Full name of the principal trustee: _____
 Address of the principal trustee: _____
 Postcode of principal trustee: _____
 Full name of each additional trustee: _____
 Address of each additional trustee: _____
 Postcode of each additional trustee: _____
 Full name of each additional trustee: _____
 Address of each additional trustee: _____
 Postcode of each additional trustee: _____
 (together called the additional trustees)

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Page 3

This page sets out the structure of the trust. The member will need to complete their full name, address and postcode.

Please complete the member's (the employee) full name and address

Background
 The principal employer owns the plan listed in schedule 1.
 The principal employer declares that the plan will be held in trust for the benefit of the persons listed in schedule 1 as set out in this deed.

This deed witnesses

- In this deed the word 'trustees' means the principal employer and additional trustees (or any future trustees if there are changes). The word 'trustee' means any one of them.
- The principal employer declares that the plan listed in schedule 1 will be held in trust. The principal employer transfers the plan and any money payable from it to the trustees to hold in trust in the way set out in this deed.
- The trustees declare that they will hold:
 - the plan listed in schedule 1, and
 - any money payable from it, and
 - any investments and/or other assets bought using proceeds arising from the plan (trust property) on trust for one or more of the discretionary beneficiaries listed in schedule 1.
 The trustees will use their discretion to decide how to distribute the trust property for or during the discretionary beneficiaries. They will continue to do so by signing a deed, which may be for all time or for a period of further amendments at any time during the Trust period.
- The trust period shall end on the earlier of such date as the trustees shall decide by signing a deed or the 20th anniversary of the member's death.
- The trustees may sign a deed or decide which, under 2 (above), does not include all the trust property if this happens they will continue to hold whatever is left on trust during the Trust period for the persons listed in schedule 1 and any trust property undistributed at the end of the Trust Period shall pass to such charity or charities as the trustees decide.
- The principal employer confirms that this deed is within category 7 of the schedule to the Stamp Duty (Exempt Instruments) Regulations 2007 as amended by the Stamp Duty (Exempt Instruments) (Amendment) Regulations 2009.

IN WITNESS of this the principal employer and the additional trustees have signed this deed in front of the witnesses on the plan which appears on the first page of this deed. Details of these witnesses are set out below.

The member - the person insured under the plan quoted in Schedule 1:
 Full name: _____
 Address: _____
 Postcode: _____

Relevant Life Cover Discretionary Trust Deed & Declaration - Declaration Page 3



Page 4

Details of beneficiaries and trust assets

- **Schedule I: Discretionary beneficiaries** - The trust deed already includes a list of classes of discretionary beneficiary. If you want someone to be a beneficiary that doesn't fall into one of these classes of beneficiary, you should add their full name at point 10, or their relationship to the member for example 'any nieces or nephews of the member'.
- **Schedule II: Plans** - Please leave this section blank, and we will add the details once your plan has started.
- **Schedule III: Trust provisions** - This section sets out the details of how the trust will work, including the powers held by the employer, the member and the trustees. You don't need to add any details to this page.

Scots law will apply to this trust if the address of each settlor is in Scotland. We'll send details of the plans in the trust to the employer as a trustee, unless another agent is given in section nine.

Pages 6 and 7

- **Employer** - The employer must sign and date the trust deed. Each signature must be witnessed by an independent third party. The witness must sign, and give their full name and address too. If it is signed by two company directors or a director and a company secretary then no witness is required. If only one director signs then a witness is needed.
- **Additional Trustees** - The additional trustees must all sign and date the trust deed. Each signature must be witnessed by an independent third party. The witness must sign, and give their full name and address too.

Beneficiaries

Confirm who will benefit.

Leave this section blank, and we'll complete the details for you once your plan has started.

Trust provisions

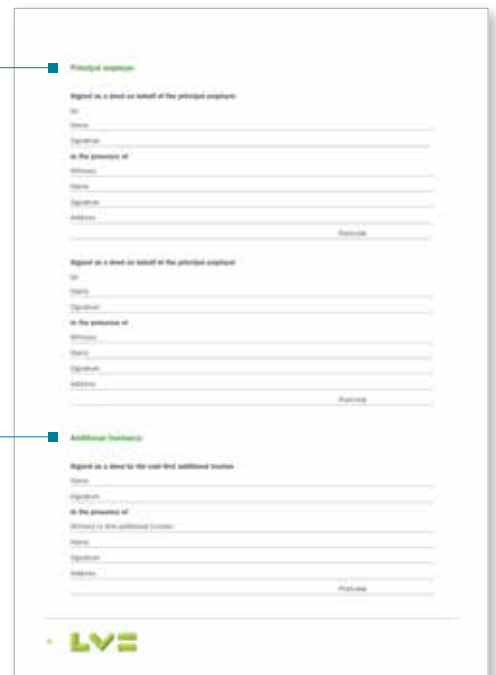


Employer

The employer section needs to be signed company directors or the company secretary. If it is signed by two company directors or a director and the company secretary then no witness is required. If only one director signs then a witness is needed.

Trustees

Each trustee should sign here, and their signatures should be witnessed.



Pages 8 and 9

- **Nomination Form** - The nomination form allows the member to name who they would like to benefit from the Trust and in what proportions. This will need to add up to 100%. The trustees are not bound by this but it makes the member's wishes clear.

Plan Details

Leave this section blank and we'll complete the details for you once your plan has started.

Nominated beneficiaries

The member needs to complete details of who they would like to benefit from the trust and in what proportions.

Member details

The member needs to make sure they sign the form and complete their name and date.



You can get this and other documents from us in Braille or large print by contacting us.



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