

# Why use a Trust?

**The advantages of putting a policy in Trust**

- ☛ Avoiding probate
- ☛ Paying beneficiaries quickly



# Introduction

## **What is a Trust?**

A Trust is a legal arrangement where one party (the Trustee) holds and manages assets on behalf of another (the beneficiary). They do this in line with specific terms set by the person creating the Trust (the settlor).

## **The benefits of using a Trust**

What could happen when someone passes away?

# What Trusts are available from HSBC Life?

There are different kinds of Trust to choose from:



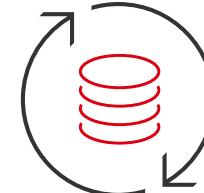
## Gift Trusts

A Gift Trust is a way to give money or assets away to your chosen beneficiaries. Once you place the gift in a Trust, it's no longer part of your estate for Inheritance Tax purposes — as long as you live for seven years after making the gift.



## Discounted Gift Trust

A Discounted Gift Trust lets you put a sum of money into a Trust, and you receive regular payments back from it **during your lifetime**. The 'discount' is part of your gift, and it's not considered for tax because you'll receive it back as income.



## Loan Trusts

Loan Trusts are a way to invest your money where the growth won't be included in your estate. You will receive regular loan repayments during your lifetime to supplement income, and the loan can be paid back to you at any time.

## Trusts compared

	Gift Trust		Discounted Gift Trust (DGT)		Loan Trust	
	Absolute	Discretionary	Absolute	Discretionary	Absolute	Discretionary
Is the trust IHT efficient? Is the capital outside of the estate after seven years?	✓	✓	✓	✓	✗	The original capital is loaned to the trustees, not gifted and remains part of the estate. Any growth on the bond will be held for the beneficiaries of the trust
Is the trust IHT efficient? Is the growth immediately outside the estate?	✓	✓	✓	✓	✓	✓
It is a Potentially Exempt Transfer (PET)?	✓	✗	✓	✗	✗	✗
Is it a Chargeable Lifetime Transfer (CLT)? (May be subject to entry charge if over available nil rate band*)	✗	✓	✗	✓	✗	✗
Might the trust be subject to a 10 year charge (if over available nil rate band*)	✗	✓	✗	✓	✗	✓
Can beneficiaries be added/changed?	✗	✓	✗	✓	✗	✓
Can the Settlor receive any benefit or access to capital?	✗	✗	✓ Regular payments are established at outset and will continue for whole of life or until the fund runs out	✓ Regular payments are established at outset and will continue for whole of life or until the fund runs out	✓ Unrestricted access to the original capital invested (the loan amount)	✓ Unrestricted access to the original capital invested (the loan amount)
Will the trust assets avoid probate?	✓	✓	✓	✓	✓	✓

\*Currently £325,000 minus any CLTs made by the Settlor in the seven years prior to creating this trust.

# IMPORTANT INFORMATION

The impact of taxation (and any tax reliefs) depends on an investors individual circumstances. The information contained in this document is based on our understanding and interpretation of current UK tax law and HM Revenue & Customs practice as at April 2025. Tax law and practice may change in the future.

HSBC Life (UK) Limited is not responsible for any action an investor may or may not take as a result of information contained in this Guide.

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