

This is just for UK advisers – it's not for use with clients.



## Prudential and Prudential International trusts

### A quick guide to trusts

# Prudential trusts – Matrix

We have designed this guide for you when you're comparing trust objectives with your clients inheritance tax (IHT) goals.

The matrix gives you an overview on the range of trusts we offer, their key objectives and potential set up/payment benefits for the settlor.

We've also included some questions that may be useful when exploring a client's options for IHT planning.

	<b>Prudence Inheritance Bond</b>	<b>Loan Trust</b>	<b>Gift Trust</b>	<b>Discounted Gift Trust</b>	<b>Excluded Property Trust</b>	<b>Probate Trust</b>
Trust type	Discounted Gift Plan	Loan Trust	Gift Trust	Discounted Gift Trust	Excluded Property Trust	Probate Trust
Version of trust	Absolute or Discretionary	Absolute or Discretionary	Absolute or Discretionary	Absolute or Discretionary	Discretionary	Discretionary
Trust established	During lifetime	During lifetime	During lifetime	During lifetime	During lifetime	During lifetime
Can the settlor "benefit" from the arrangement?	Yes	Yes	No	Yes	Yes	Yes
Nature of settlor's "benefit"	Regular payments for life*; amount depends on income generated by investment	Access to original capital (loan) on demand: single lump sum, occasional sums or regular repayments	None	Regular fixed payments for life**	Settlor can benefit from entire trust fund during lifetime	Settlor can benefit from entire trust fund during lifetime
Can settlor receive regular payments?	Yes – quarterly payments of "natural" income	Yes, of any amount or frequency, but not more in total than original loan	No	Yes – amount and frequency fixed at outset	Yes	Yes

\* to last to death or to plan anniversary following 105th birthday. Please note: plan does not acquire a surrender value.

\*\* to last to death or until fund is exhausted.

Key: PET = potentially exempt transfer CLT = chargeable lifetime transfer

	<b>Prudence Inheritance Bond</b>	<b>Loan Trust</b>	<b>Gift Trust</b>	<b>Discounted Gift Trust</b>	<b>Excluded Property Trust</b>	<b>Probate Trust</b>
Can the settlor be a trust beneficiary?	No (income entitlement arises outside trust)	No	No	No	Yes	Yes
Can the settlor's spouse/civil partner benefit from the discretionary trust (single settlor)?	Yes – in respect of the whole of life policy payable on settlor's death	Yes, but you should take care if spouse/civil partner benefits before settlor's death	Yes, but you should take care if spouse/civil partner benefits before settlor's death	Yes, but you should take care if spouse/civil partner benefits before settlor's death	Yes	Yes
Investments/plans available	Onshore product and fund	Onshore and international bonds	Onshore and international bonds	Onshore and international bonds	International bonds or OEIC shares	Onshore and international bonds
Single or joint settlor	Single and joint	Single and joint	Single and joint	Single and joint	Single and joint if both non-UK domiciled	Single settlor only
May be potentially suitable for	A UK domiciled client	A UK domiciled client	A UK domiciled client	A UK domiciled client	A non-UK domiciled client but UK resident	A UK domiciled client
Key objective	IHT planning with regular payments	IHT planning with access to original capital	Gift-based IHT planning, no access	Gift-based IHT planning, with fixed regular payments	IHT planning for non-UK domiciled	To speed up the payment of policy proceeds on death by avoiding the need for probate in respect of the trustee owned policy

## Prudential trusts – Matrix (continued)

	Prudence Inheritance Bond		Discounted Gift Trust		Loan Trust		Gift Trust		Excluded Property Trust	Probate Trust
Absolute v Discretionary	Absolute	Discretionary	Absolute	Discretionary	Absolute	Discretionary	Absolute	Discretionary	Discretionary	Discretionary
Initial gift to trust	PET (net of discount)	CLT (net of discount)	PET (net of discount)	CLT (net of discount)	None	None	PET	CLT	Excluded property transfer	CLT
Potential periodic charge	None	Value of the whole of life policy will depend on the value of the capital units	None	Total fund less value of rights retained by settlor (based on rated age at inception plus 10 years)	None	On value of trust fund less outstanding loan	None	On total value of trust fund	None	On total value of trust fund
Potential exit charge	None	Yes	None	Yes (but not on settlor's regular payments)	None	Yes (but not on outstanding loan)	None	Yes	None	Yes
Initial gift reporting requirement	No	Yes, if above HMRC limit	No	Yes if above HMRC limit	No	No	No	Yes if above HMRC limit	No	Yes if above HMRC limit
Periodic and exit reporting requirements	No	Yes	No	Yes	No	Yes. Periodic reporting is based on bond value meaning the trustees can't take the outstanding loan balance off.	No	Yes	No	Yes
Facility to change beneficiaries and/or share	No	Yes	No	Yes	No	Yes	No	Yes	Yes	Yes

	Prudence Inheritance Bond		Discounted Gift Trust		Loan Trust		Gift Trust		Excluded Property Trust	Probate Trust
Value of share of trust fund in beneficiaries' estate	Yes	No	Yes	No	Yes	No	Yes	No	No	As the settlor is a potential beneficiary this will be a gift with reservation.  The value of the bond will be in the settlor's inheritance tax estate at the time of his/her death. Double charge relief may be available. This trust is aimed at those not in the IHT net
Overview	Designed to provide regular payments for life for the settlor*. Capital to beneficiaries on death. Initial gift is a PET, trust fund is not subject to IHT charges but no flexibility with beneficiaries (possible immediate reduction in IHT).	Designed to provide regular payments for life for the settlor*. Capital to beneficiaries on death. Initial gift is CLT, trust fund is subject to IHT charges but flexibility with beneficiaries (possible immediate reduction in IHT).	Designed to provide regular payments for life for the settlor**. Capital to beneficiaries on death. Initial gift is PET, trust is not subject to lifetime IHT charges but no flexibility with beneficiaries. (Possible immediate reduction in IHT).	Designed to provide regular payments for life for the settlor**. Capital to beneficiaries on death. Initial gift is CLT, trust is subject to IHT charges but with flexibility with beneficiaries. (Possible immediate reduction in IHT).	Access to original capital, growth outside settlor's estate. Trust not subject to periodic and exit charges but no flexibility with beneficiaries.	Access to original capital, growth outside settlor's estate. Trust potentially subject to periodic and exit charges but flexibility with beneficiaries	Initial gift is PET (no settlor access), growth outside settlor's estate from day one. No flexibility with beneficiaries.	Initial gift is CLT (no settlor access), growth outside settlor's estate from day one. Trust potentially subject to periodic and exit charges but flexibility with beneficiaries.	IHT planning for non-UK domiciled only. Particularly useful for those who may become UK domiciled/ deemed domiciled or who have UK domiciled beneficiaries. Settlor can benefit from whole trust during lifetime.	Settlor has access to original capital and growth. Initial gift is CLT, however, as the settlor is a potential beneficiary this will be a gift with reservation. Trust is not IHT effective as the value of the bond will be in the settlor's inheritance tax estate at the time of his/her death. Double charge relief may be available. Trust is potentially subject to periodic and exit charges but flexibility with beneficiaries.

\* to last to death or to plan anniversary following 105th birthday. Please note: plan does not acquire a surrender value.

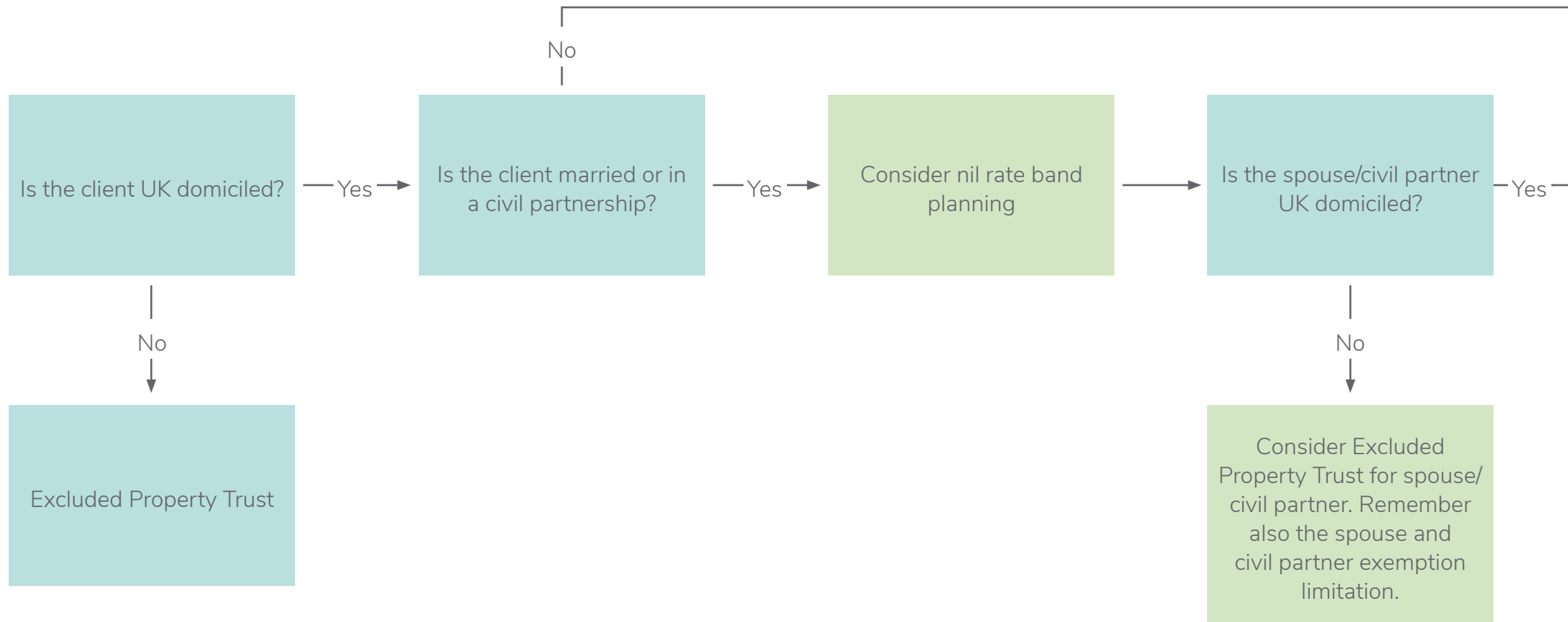
\*\* to last to death or until fund is exhausted

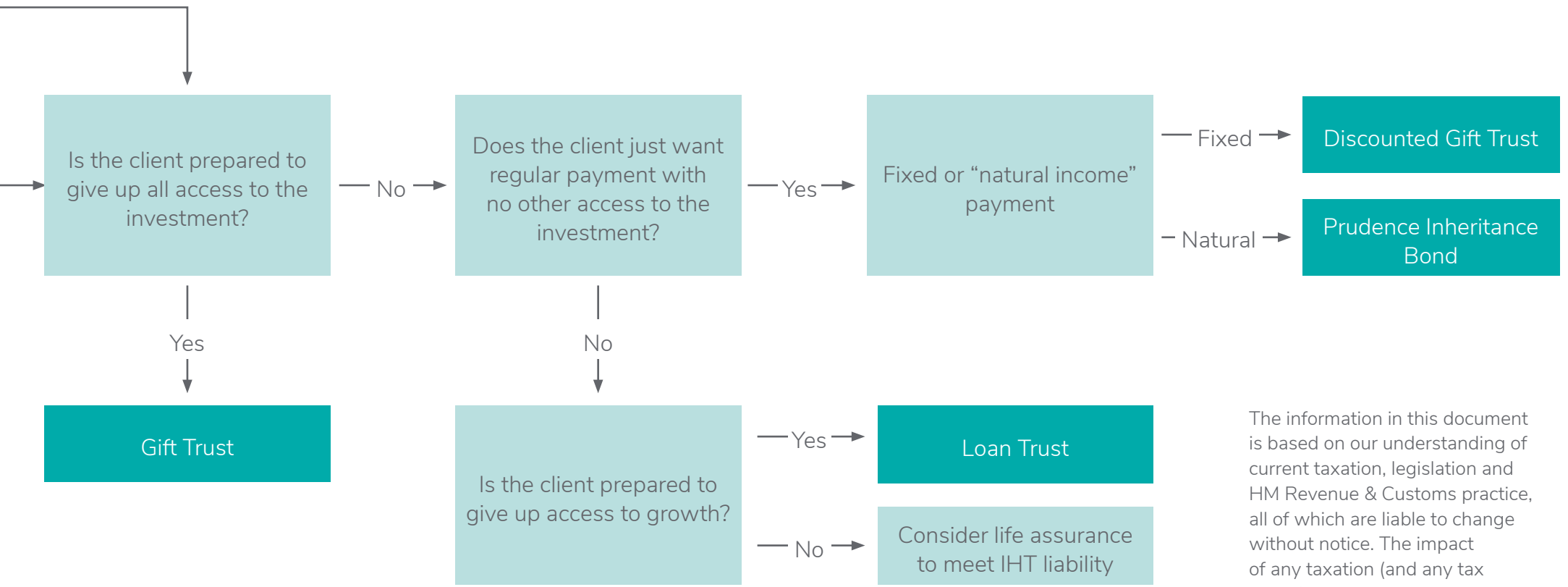
Key: PET = potentially exempt transfer CLT = chargeable lifetime transfer

# Prudential trusts – exploring the options

We've designed this chart to give an idea of how the questions can be used to explore a client's options for IHT planning. If there is no IHT issue and the client simply wants to speed up paying the money on their death, they may wish to consider the Probate Trust.

"Natural income" means the actual income stream generated by the investment without drawing on capital.





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