

Reasons Why Lifestyle Trust

This document has been compiled to provide you with some information and reasons for your client which you may wish to incorporate within your recommendation letters. These sample paragraphs are for your information and consideration only. You will, of course, need to relate the sections you select to your client's own circumstances as they may not all be relevant. This wording has been produced to help you, as a financial adviser, draft your own material. We accept no responsibility for ensuring that it meets with your own regulatory requirements and you should arrange for approval in accordance with your regulator's rules within your own firm.

The Lifestyle Trust and Collective Investment Bond (CIB) are both provided by Quilter Life & Pensions Limited.

Summary of recommendation

I recommend that you make a £<enter amount> single lump sum contribution into a Quilter Life & Pensions Collective Investment Bond. Following commencement of the bond we will place it into the Lifestyle Trust.

What are the key benefits of this recommendation?

The trust is designed to allow you to reduce your potential UK Inheritance Tax (IHT) liability whilst also providing you with the flexibility to make withdrawals from the trust capital, which includes any growth.

After seven years, there would be no further IHT liability on the original gift, but the trust would continue to be subject to IHT periodic and exit charges. If you die within seven years of creating the trust, you may be entitled to taper relief which would reduce the Inheritance Tax payable.

The Quilter Collective Investment Bond is used as the investment within the Lifestyle Trust. This is a single premium, unit linked, whole of life assurance policy. The Collective Investment Bond is a Defaqto '5 Star' rated bond provided by Quilter Life & Pensions Limited. It offers 1,000 identical policy segments which provide the access to capital referred to above with the Lifestyle Trust.

What personal objectives does this achieve?

We have discussed your personal objectives and the recommendation of a Lifestyle Trust achieves the following objectives (delete/amend as appropriate):

- You would like to take action about the IHT position of your estate
- You would like to provide a legacy for your family
- You are happy to make a gift in order to achieve this but may require access to your gift
- You would like to give your trustees the discretion to decide how and when the trust fund is distributed to beneficiaries

Summary of how the Lifestyle Trust works and the advantages to you of using it

A trust allows you to entrust your assets to your appointed 'trustees'. The trustees then become the legal owners of the trust fund and it is their responsibility to control, manage and ultimately distribute the trust fund to the 'beneficiaries'.

The Lifestyle Trust is designed to help you achieve the required balance between access to capital, inheritance tax planning and control over the future distribution of assets, while providing a certain amount of flexibility in the future.

The Lifestyle Trust provides access by allowing you to specify at outset 'entitlements' to capital (and any growth) at future anniversaries of the Collective Investment Bond start date. You can even defer or waive payment an entitlement if you decide you don't need the money when it becomes available providing ongoing flexibility. The Lifestyle Trust allows you to:

- Access the trust capital on pre-determined dates
- Choose the level of access (in the form of entitlements) which is available to you
- Defer the dates on which capital becomes available
- Complete a letter of wishes to the trustees to inform them who you would like to benefit from the trust fund beyond your entitlements
- Link your Collective Investment Bond to a wide range of investment funds managed by the world's leading fund managers
- Take advantage of bond assignment options, with individual segments being assigned to potential beneficiaries in the future. This can allow trust beneficiaries to hold a portion of the bond in their own name rather than being forced to withdraw

Inheritance Tax Summary

Initial lump sum payment into the Collective Investment Bond subsequently moving into the Lifestyle Trust

By transferring the bond into the trust, you are making a gift for inheritance tax (IHT) purposes. This gift will be treated as a 'chargeable lifetime transfer' (CLT) apart from any amount covered by an exemption. A CLT is a transfer of value which is made by an individual and which is not an exempt or potentially exempt transfer. If the transfer exceeds the available nil-rate band (£325,000 frozen until 2030 less any previous CLTs in the 7 years prior to the transfer) of the transferor then a charge of 20% on the excess is payable.

Any CLT into the Lifestyle Trust which would cause you to exceed your available nil-rate band must be reported to HM Revenue and Customs (HMRC) and tax at 20% (of the excess) is payable.

When you receive the 'entitlement'

There should be no IHT liability applicable when you receive your entitlement to the Policy Funds. This is because of the special design of the Lifestyle Trust. However, once you receive your entitlement to each Policy Fund, then its value will form part of your estate for IHT purposes.

When you die:

The original gift into the trust – You must survive seven years after transferring the bond for the gift to be considered outside of your estate for IHT purposes. If you do not survive seven years then there may be further IHT to pay on death. For any additional contributions you choose to make to the bond, a new seven years will apply for each contribution.

The future 'entitlements' – One of the conditions for receiving an entitlement to the Policy Funds is that you are alive on the date you become entitled. Therefore, if you are deceased, the value of the Policy Funds that you are yet to become entitled to will be outside your estate for IHT purposes and will remain within the trust.

Previous 'entitlements' – Any Policy Funds you receive which have not been encashed and spent by the time you die, will be within your estate for IHT purposes.

Discretionary trust taxation

The Lifestyle Trust is a discretionary trust, a type of trust subject to certain IHT charges. The tax calculations for a discretionary trust can be complex, but in summary:

- A chargeable lifetime transfer charge may apply as explained above
- A ten-year periodic charge may arise, every 10 years where the value of the trust exceeds the available nil rate band; and
- An exit charge may apply when benefits leave the trust.

More information on Inheritance Tax can be found here:

quilter.com/siteassets/documents/platform/guides-and-brochures/0653_your_guide_to_uk_inheritance_tax_and_trusts.pdf



The Collective Investment Bond

As discussed, the Quilter Collective Investment Bond is used as the investment within the Lifestyle Trust. The Collective Investment Bond is a Defaqto '5 Star' rated bond provided by Quilter Life & Pensions Limited. It offers 1,000 identical policy segments which provide the access to capital referred to above with the Lifestyle Trust.

<Delete as appropriate:>

The Collective Investment Bond can be linked to a wide choice of 2,600 unit trusts and OEICs. We will linked the bonds value to a portfolio built and managed by us which is relevant to the risk profile agreed with you and the trustees as being appropriate for the trustee investment horizon.

The Collective Investment Bond can be linked to a wide choice of 2,600 unit trusts and OEICs. We agreed that the bond will be linked to Quilter's WealthSelect discretionary investment solution. This is appropriate for the trustee investment horizon. Quilter will manage the asset allocation, manager selection, and day-to-day running of the portfolio at a very competitive cost.

The Collective Investment Bond can be linked to a wide choice of 2,600 unit trusts and OEICs. We agreed that the bond will be linked to the services of <enter discretionary investment manager>. <Enter discretionary investment manager> will build and maintain a portfolio suitable for the trustee investment horizon.

The Collective Investment Bond offers an unbundled charging structure which means:

- There is one simple tiered Product Charge with a rate that reduces as the platform investments increase
- There is no charge to establish the trust or manage it on an ongoing basis above the Product Charge
- You/the trustees can access the best fund deals in the market
- There are no transaction fees for withdrawals and trades on the unit trusts and OEICs linked to the bond
- <Delete where not applicable> As we agreed to include the Capital Protected Death Benefit there is an extra charge, providing protection of capital in the event of the life assured's death

Cost of advice

The initial fee will be £<enter amount>, which is <enter rate>% of the value being invested in the Collective Investment Bond.

My ongoing service fee is <enter rate>% of the Collective Investment Bond value per year and will provide the service to the trustees as outlined in our 'Terms of Business'. The actual amount will fluctuate in line with the bond value each year. Based on the initial investment, the yearly cost will be £<enter amount>.

These fees can be paid by you (initial) directly or by the trustees (ongoing) or by deduction from the bond value. You have confirmed you would prefer to pay the fees by deduction from the bond.

As part of my ongoing advice service we will review the entitlement schedule created within the Lifestyle Trust at inception and whether any future Policy Funds need to be deferred. We will do this each year prior to the anniversary date of the Collective Investment Bond.

Possible disadvantages

Please be aware of the following disadvantages of my recommendation:

- You may not reduce your IHT liability if HMRC interprets existing legislation differently or if legislation or HMRC practice changes
- You may not reduce your IHT liability if the capital you receive from the trust is accumulated in your estate, as its value could be liable to UK IHT on your death
- The value of the bond is not guaranteed, as the prices of the linked units may fall as well as rise
- The Financial Services Compensation Scheme acts as a safety net for customers of UK financial services providers. If Quilter Life & Pensions Limited cannot meet its liabilities, the Financial Services Compensation Scheme may arrange to transfer your policy to another insurer, provide a new policy, or if these actions are not possible, provide compensation.

Trust registration

A trust must register with HMRC's Trust Registration Service (TRS) if it is considered UK resident or has a UK tax liability, unless an exemption applies. As discussed, the Lifestyle Trust will need to be registered.

- The trust must register within 90 days of the date of the trust deed.
- The trustees must submit evidence of registration (available from the TRS) or confirm exemption from registration to Quilter within 90 days of the trust date.

Further details regarding trust registration can be found here:

www.quilter.com/siteassets/documents/platform/guides-and-brochures/qip22888_registering_trust-guide.pdf



Details on Quilter

Quilter plc are a leading UK-focused wealth manager, providing advice-led investment solutions and investment platform services.

Quilter enables financial advisers to deliver the very best service to clients and their families, to help them achieve their financial goals. They offer a comprehensive range of products and investments through an award-winning online investment platform.

Quilter's platform has been consistently recognised as being of very high quality within the financial services industry, which is evident in the awards we have won.

More information can be found here:

Our ratings and awards | Quilter

quilter.com

Please be aware that calls and electronic communications may be recorded for monitoring, regulatory and training purposes and records are available for at least five years.

Quilter is the trading name of Quilter Life & Pensions Limited which provides a Collective Retirement Account (CRA) and Collective Investment Bond (CIB).

Quilter Life & Pensions Limited is registered in England and Wales under number 4163431.

Registered Office at Senator House, 85 Queen Victoria Street, London, EC4V 4AB, United Kingdom. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services register number 207977. VAT number 386 1301 59.

QIP 12090/166/10377 **Published:** March 2025

