Loan trust reasons why - bare version

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 Loan Trust - bare version 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 Loan Trust - bare version and recommend the trustees invest the loan into a Quilter Life & Pensions Limited Collective Investment Bond.

What are the key benefits of this recommendation?

The trust is designed to allow you to 'freeze' your potential UK Inheritance Tax (IHT) liability whilst also providing you with the flexibility to make withdrawals from the trust capital, by recalling your loan from the trustees.

As you can only access the original loan amount, any growth made on the loan is immediately outside your estate for IHT purposes. The trustees can use the growth to benefit the named beneficiaries under the trust. This ensures that your estate does not increase (and IHT liability worsen) as the investment grows.

There is no immediate IHT charge when the loan is made but any growth is considered within the estate of the named beneficiaries relevant to their nominated share.

The Quilter Collective Investment Bond is used as the investment within the Loan 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.

What personal objectives does this achieve?

We have discussed your personal objectives and the recommendation of a Loan Trust - bare version 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 named beneficiaries.
- You are not in the position to make a gift in order to achieve this but are happy to give away the growth on the loan amount.
- You would like the certainty of knowing who will benefit and the respective share of each beneficiary.

Summary of how the Loan Trust - bare version 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 Loan Trust - bare version is designed to help you achieve the required balance between access to capital, inheritance tax planning and control over the future distribution of assets.

The Loan Trust - bare version allows you to:

- make an interest-free loan to your trustees
- access the original loan either as regular or single withdrawals, for example 5% per annum
- waive some or all of the loan in future providing the option to reduce your estate (subject to 7 years passing)
- name the beneficiaries and their share at inception so you know who will benefit from the trust fund beyond your loan
- 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 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 loan to the trustees

By creating an interest-free loan to your chosen trustees you have not reduced the value of your estate - it is neutral before and after the loan. There is therefore no gift for IHT purposes by creating the trust. This does mean that the loan remains part of your estate for IHT purposes.

Should you choose to waive some or all of the loan in future, this would be a gift for IHT purposes and is known as a Potentially Exempt Transfer. This would allow you to reduce your estate but would require 7 years to pass from the date of the waiver. Should you wish to consider this later we can discuss in more detail.

When you receive repayments of the loan

There should be no IHT liability applicable when you receive repayments of your original loan. This is because the loan remains part of your estate at inception.

When you die:

When you die, the amount of any outstanding loan remains as part of your estate and may be liable to IHT. Any growth on the loan is outside of your estate as it is held within the trust for the beneficiaries.

If you have waived some or all of the loan you must survive seven years after the waiver 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.

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

Appointing a professional trustee (only include where a professional trustee is being recommended)

Being a trustee can be a complex and often daunting role. We have discussed appointing an independent professional trustee to ease the concerns you have with selecting individual family members to act as trustees. By appointing a professional trustee (a company) as trustee, ensures that your trust is not affected by individual trustee incapacity and death.

The benefits of appointing a professional trustee include:

Impartiality – removing the emotional element which can cloud decision making.

Expertise – navigating the responsibilities imposed on trustees by statute.

Ease of administration – taking responsibility for the trust registration service, reporting, and exit and periodic charges.

Continuity – trust won't be impacted by the incapacity or death of a trustee.

Confidentiality – trustees are required to act in confidence.

Peace of mind - the professional trustee being subject to a regulated environment with controls in place to protect all parties.

For financial advisers recommending Zedra as the professional trustee:
To help ensure that Zedra is suitable for your individual clients, and to support your due diligence, more information on Zedra can be found here ***Professional Trustee Service for Quilter's range of Trusts | ZEDRA***.

The Collective Investment Bond

As discussed, the Quilter Collective Investment Bond is used as the investment within the Loan 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 link 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

Initial fee is for advice provided to the settlor - As you have received personal advice in relation to choosing to use the Quilter Loan Trust the fee is paid by adding an additional payment on top of the desired loan. For example, a loan of £100,000 and a fee of £1,000 would require £101,000 payment to Quilter Life & Pensions. The loan amount would be £100,000.

Initial fee is for advice provided to the trustees for the investment into the Collective Investment Bond e.g. fund choice - The fee is paid for from the money loaned to them by you . With this option, the bond begins with a value which is lower than the loan amount owed to you. For example, a loan of £100,000 with a £1,000 fee require £100,000 payment to Quilter Life & Pensions. The loan is for £100,000 but only £99,000 is invested into 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.

Possible disadvantages

Please be aware of the following disadvantages of my recommendation.

- You may not receive the IHT treatment discussed in my suitability report if HMRC interprets existing legislation differently or if legislation or HMRC practice changes.
- As you have chosen to retain access to the loan you will not reduce your IHT liability but will avoid it getting worse on the loan amount.
- 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 Loan Trust - bare version will need to be registered.

- A 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

This document is based on Quilter's interpretation of the law and HM Revenue and Customs practice as at September 2025. We believe this interpretation is correct, but cannot guarantee it. Tax relief and the tax treatment of investment funds may change.

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