

Establish and service a discretionary loan trust

Nucleus platform user guide

Edition 05

Date of publication 13/2/19

Introduction

This document covers the practical steps to establishing the trust and processing the trust case appropriately on the platform, including:

- Formation of discretionary loan trust
- Trust account new business and gifting
- Trust account servicing events
- Fees

The discretionary loan trust is one of the draft deeds provided in the Nucleus platform trust suite. It has been settled by Counsel as, in general, suitable to achieve the purposes of the trust. Potential users must however seek their own legal advice in relation to the suitability of the draft for their specific purpose.

This document should be read after you've selected the trust and reviewed the relevant trust adviser guide found within the trust suite section of the platform library. The discretionary loan trust adviser guide explains all the key technical points that should be considered in the use of this trust.

Guide

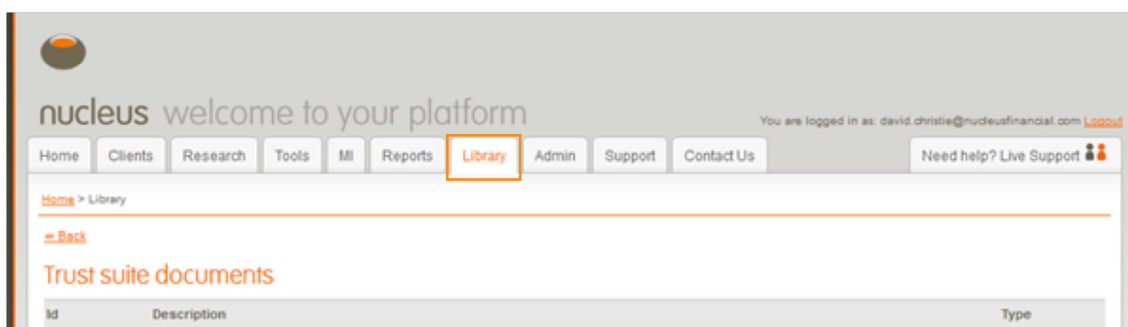
Which Nucleus accounts can be used with this trust?

The following accounts can be used in conjunction with this trust deed:

- Nucleus General account
- Nucleus Onshore Bond account
- Nucleus Offshore Bond account

Formation of the discretionary loan trust

You'll find all the documents you need for your client's trust case in the trust suite section of the document library.



Select and complete the required discretionary loan trust deed and loan documentation. Legal guidance should be considered in the completion of these documents.

There is an important order to the formation of the trust and loan arrangement:

1. Complete discretionary loan trust deed
2. Complete loan agreement + 1 day later
3. Trustees acknowledge loan
4. Trustees apply for Nucleus account on platform

Note that the loan agreement and loan acknowledgement forms do not need to be sent to Nucleus. These are for the trust and settlor records.

A minimum of two trustees are required for the trust deed. A beneficiary should not be recorded at outset. This information is not required by Nucleus for the application.

Further to the trust deed and loan being ready, we need a trust bank account to be established to link to the Nucleus platform before a trust application.

Trust account new business

The discretionary loan trust account application should be completed on the platform. Lump sum investments can be keyed at this time.

Trust account gifting

Existing bonds cannot be assigned to the discretionary loan trust. Existing general accounts cannot be reregistered to the discretionary loan trust. New bonds or new general accounts must be created for this discretionary loan trust.

Longer term	Please note that in future years the trust can still be preserved where the assets are moved off platform or to another platform as best serves the needs of the trustees.
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Supplementary application forms

General account, onshore bond account and offshore bond account trust applications all require a supplementary application form. These can be found in the 'account specific' section of the platform library.

Submission

You should send application pack to:

Nucleus Client Relations
PO Box 26968
Glasgow
G2 9DY

This application pack must contain:

- Trust deed or certified copy
- Corporate/trustee declaration
- Trustee anti-money laundering form
- Authorised list of signatories (certified)
- Copy of online application
- Supplementary application form
- Cheque/bank payment

Please note: If the trust bank account is not set up correctly this will prevent a withdrawal payment being processed in the future.

Any original or certified documentation will be returned to trustees.

Note that certification of documentation may be made by a solicitor, notary or the Nucleus adviser.

Trust account servicing events: top-ups and regulars

For top-ups, further monies must be loaned to the trust. A top-up can then be made using these monies, which must come from the trust bank account.

Trust account servicing events: withdrawals

Standard processes apply for bond accounts, as defined by the loan agreement.

Please note: Bond tax deferred withdrawals will be impacted by any adviser charges being incurred on that bond i.e. bonds operating on a post-RDR adviser charging basis.

Any later selected beneficiary payments should be made to the trust bank account for onward payment to beneficiary as required. The deed of appointment of absolute beneficial right should be used for this.

Trust account servicing events: assignments to a beneficiary

Bonds	Trustees can assign whole bond policy to another individual account on the platform using an assignment form.
	Trustees cannot make partial assignments to another individual account on the platform e.g. 25 segments.
	Trustees can make partial encashments to the trust bank account as required (refer to withdrawals process).

Trust account servicing events: cancellations, cooling-off, account closure and death

Please refer to the relevant key features document, which explains the standard processes that apply.

Fees

VAT – where advice is only being given in respect of a discretionary loan trust selection and creation, and it's clear there will not be some associated investment being established as part of that advice, then that advice would be subject to VAT.

As mentioned, careful consideration should be given to bonds operating on an adviser charging basis.

Initial fees	Initial fees are the responsibility of the investor. For new investments, it's not permitted for an initial fee to be charged. Instead an ad hoc fee from the investor's account or an off-platform payment should be made. Acting otherwise would give rise to gift with reservation consequences.
Ongoing fees	Ongoing fees are the responsibility of the trustees. Ongoing adviser fees can be met from general account cash. If met from a unit/share sale then consideration for trustees should be given to Capital Gains Tax on any realised gain, as is the case for individual accounts. For bonds, it is very important that 5% capital withdrawal entitlement is not exceeded such that a chargeable event arises; if the settlor does not reclaim the tax then this will constitute a further gift. Ongoing fees should therefore be a fixed amount, not a percentage such that tax deferred withdrawals are not exceeded.

Checklist

The following checklist will help ensure swift processing of your trust account:

- Trust deed and loan documents are completed in right date order, and signed
- Trust bank account is in place
- Documents are certified where required
- Supplementary application form is included
- Consideration has been given to fees in respect of adviser charging rules and the nature of the chosen trust

Application pack reminder

- Trust deed or certified copy
- Corporate/trustee declaration
- Trustee anti-money laundering form
- Authorised list of signatories (certified)
- Copy of online application
- Supplementary application form
- Cheque/bank payment

Further support

If you need further help please contact your client relations manager.



client.relations@nucleusfinancial.com



[@nucleuswrap](https://twitter.com/nucleuswrap)



www.nucleusfinancial.com