For adviser use only

Nucleus Trust Selector

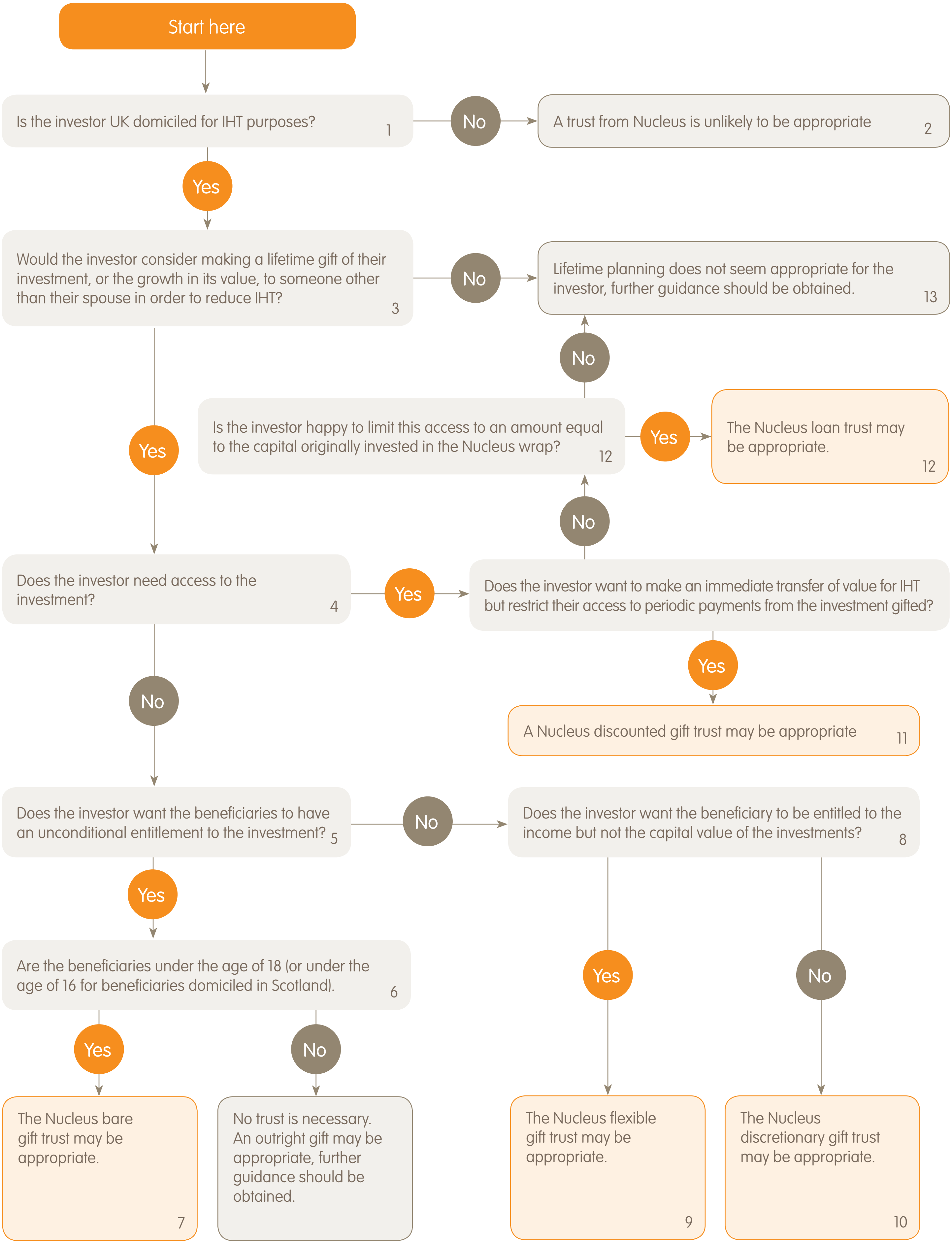
Adviser guide

Edition 06

Introduction

Please make sure that you have read and understood the information below before using the trust selector.

- The Nucleus trust selector is provided strictly as an initial step in the process of selecting an appropriate trust for a client who is investing in or has investments already held in the Nucleus wrap, taking into account the client's needs and circumstances. The appropriateness of any action taken or refrained from and the suitability of any trust used can only be determined by a client's professional adviser.
- Apart from the discounted gift trust and the loan trust, all other trusts referred to in the selector can be used with either new or existing investments and are suitable for the Nucleus General account as well as the Nucleus Offshore and Onshore bonds.
- The loan trust is not available for use with any existing investments, i.e. it can only be set up with cash intended for investment in the Nucleus wrap.
- Discounted gift trusts are available only for new investments in the Nucleus Offshore bonds and Nucleus Onshore bonds and are provided by RL360 and Sanlam respectively.
- Nucleus also provides a draft by-pass trust to receive the death benefits from the Nucleus Sipp, if this is appropriate. As this trust does not immediately apply to existing or new investments in the Nucleus wrap, it is not covered in this trust selector.
- Each trust, including the by-pass trust, has its own set of detailed guidance notes giving more information in relation to its suitability and its tax and legal effects.
- The trust selector is not relevant to Isa investments.
- The numbered notes to the selector provide additional information and should be read carefully.
- Information provided on taxation is based on Nucleus' understanding of the current UK legislation and practice, which may change in future.
- Nucleus provides all trusts strictly as drafts for the consideration of professional advisers. All of the guidance incorporated into this trust selector and accompanying notes are also provided strictly for the general consideration of advisers. Nucleus cannot accept responsibility for loss of any kind resulting from the use of the draft trusts or any of the guidance provided in this trust selector and accompanying notes. The same conditions apply in relation to the discounted gift trusts provided by RL360 and Sanlam.



Start here
Is the investor UK domiciled for IHT purposes? 1
No
A trust from Nucleus is unlikely to be appropriate 2
Yes
Would the investor consider making a lifetime gift of their investment, or the growth in its value, to someone other than their spouse in order to reduce IHT? 3
No
Lifetime planning does not seem appropriate for the investor, further guidance should be obtained. 13
No
Is the investor happy to limit this access to an amount equal to the capital originally invested in the Nucleus wrap? 12
Yes
The Nucleus loan trust may be appropriate. 12
Yes
No
Does the investor need access to the investment? 4
Yes
Does the investor want to make an immediate transfer of value for IHT but restrict their access to periodic payments from the investment gifted?
Yes
A Nucleus discounted gift trust may be appropriate 11
No
Does the investor want the beneficiaries to have an unconditional entitlement to the investment? 5
No
Does the investor want the beneficiary to be entitled to the income but not the capital value of the investments? 8
Yes
Are the beneficiaries under the age of 18 (or under the age of 16 for beneficiaries domiciled in Scotland). 6
Yes
No
Yes
No
The Nucleus bare gift trust may be appropriate. 7
No trust is necessary. An outright gift may be appropriate, further guidance should be obtained.
The Nucleus flexible gift trust may be appropriate. 9
The Nucleus discretionary gift trust may be appropriate. 10

Notes

1. The trust selector is based on the assumption that an investor is mainly interested in determining the most suitable solution for estate planning with new or existing investments in the Nucleus wrap.

   Reducing inheritance tax (IHT) will be an important part of the planning process. Liability to IHT depends substantially on the individual's domicile. This is why this is the first and crucial question to ask any investor contemplating estate planning with investments in the Nucleus wrap.

2. Under current law, even those investors who are non-UK domiciled may be or may become deemed domiciled for IHT purposes.

   For the purpose of this trust selector it is assumed that the investments in the Nucleus wrap belonging to investors who are non-UK domiciled and not deemed-UK domiciled will be either offshore investments (bonds or collectives) or UK collectives. All of these investments will be 'excluded property' for IHT and therefore exempt from IHT while the investor is non-UK domiciled and not deemed UK-domiciled.

   For these investors, under the current law, it will be possible to shelter such investments from future potential IHT liability, even if they should become UK domiciled or deemed UK-domiciled in the future. A special trust called an excluded property trust can be used for this purpose. Nucleus does not currently offer this trust and if this is required the investor should seek specialist advice.

3. This question is aimed at determining whether the investor wishes to consider planning that will result in them not having complete ownership of and access to the investment, i.e. whether they would be willing to make a gift of the investment or even the growth on it to reduce IHT.

4. The 'access' referred to is any kind of access to the investment for personal use, e.g. income or capital, in part or whole, regularly or irregularly.

5. The gift contemplated here is one that will be subject to no conditions and under which neither the donees nor their shares of benefit can be changed.

6. An individual under the age of 18 (or 16 in Scotland) cannot hold or deal with the investment. An unconditional gift to such an individual should therefore be made subject to a bare gift trust. The bare gift trust can be used with the Nucleus General account as well as the Nucleus Offshore and Onshore bonds.

7. Under the bare gift trust, once a beneficiary or beneficiaries are named in the trust they cannot be changed. The gift to the trust, to the extent that it is not exempt, will be a potentially exempt transfer (PET) for IHT purposes.

8. Whether a beneficiary under a trust is entitled to the trust income will usually dictate the income tax treatment of the trust in question. Income tax liabilities as well as trust administration are usually less onerous if a beneficiary is entitled to the trust income. If the only investment to be used in the planning is to be a Nucleus Onshore or Offshore bond (non-income producing investments) or where the investor is certain that the investments in the Nucleus General account will never produce a distributable income, the answer to this question should be no.

9. The flexible IIP (which stands for Interest in Possession) Trust can be used with the Nucleus General account as well as the Nucleus Onshore and Offshore Bonds. However, the income tax benefits of this trust, mentioned in Note 8, will only be apparent with investments in collectives that produce a distributable income and which are held within the general account. For IHT and for CGT purposes the flexible trust is treated in the same way as a discretionary gift trust.

   Please note that the flexible interest in posession trust is not yet available on the Nucleus wrap.

10. The Discretionary gift trust (under which the settlor cannot benefit) can be used with the Nucleus General account as well as the Nucleus Onshore and Offshore bonds. Under this trust the appointor (initially the settlor and then the trustees) has power to appoint capital to any of the beneficiaries specified in the trust and the trustees have discretion over whether to distribute any available trust income (if there is a distributable income) or accumulate it (e.g. by investing in accumulation units or shares). Subject to any available annual exemptions, a gift into such a trust will be a chargeable lifetime transfer for IHT purposes.

11. A discounted gift trust (DGT) is one under which the investor makes a gift but retains rights to pre-determined capital payments (funded by periodic withdrawals from the underlying investment). A DGT is effective for IHT in that the gift does not amount to a gift with reservation. DGTs can only be implemented in connection with non-income producing assets such as Nucleus Offshore or Onshore bonds. For this reason Nucleus does not offer such a trust for use with the General account and the Nucleus DGT is only available in connection with the Nucleus Offshore and Onshore bonds provided by RL360 and Sanlam respectively.

    Note that a DGT is only available if there is cash to invest. It cannot be established using existing investments.

Notes

12. Under a loan trust, the investor establishes a discretionary trust (excluding the investor from all benefit) and this is followed by a substantial loan of cash to the trustees. Note that a loan of existing investments cannot be made.

    The trustees invest the loan monies into a Nucleus Onshore bond. Offshore bond or General account within the Nucleus wrap. The investor is entitled to repayment of the loan on demand but cannot otherwise benefit under the trust. The growth on the investment will be outside the investor's estate but the value of the outstanding loan will remain in the estate of the investor. It is expected that as the investor takes repayments of the loan from time to time and spends the money, their estate will gradually reduce for IHT purposes. Neither the gift with reservation nor the pre-owned assets tax rules will apply in this case.

13. While planning founded on lifetime gifts or loans would not appear to be acceptable, worthwhile IHT saving can be secured by effective use of the nil rate band of the first to die. This could be through the use of the transferable nil rate band (to a surviving spouse) or an outright or trust-based gift on death to others. Professional advice should be taken so as to reflect the chosen course in will provisions.