

Discretionary Will Trusts – Lastingpost.com

Introduction

An effective and convenient way to reduce the amount of Inheritance Tax payable is to use your Will to create a Discretionary Will Trust. It is also useful if you want to exert influence after your death. It is a very flexible type of trust.

A Discretionary Will Trust allows you to leave the residue of your estate to your chosen Trustees on Discretionary Trust. You choose the Beneficiaries, often, but not necessarily, your children. The Trustees are given the power to distribute the assets in the Trust between the Beneficiaries.

This type of Trust may allow the Trustees to take advantage of the nil rate band.

The Benefits of Trusts

1. You choose who benefits from your assets and under what circumstances. This can be helpful if there is a second marriage and/or step-children.
2. Assets can be protected should your children or beneficiaries divorce or get into financial difficulties.
3. Disabled children or beneficiaries can be provided for and your Trustees (people chosen by you to hold/invest your assets) can make payments as and when appropriate so that benefits paid by the State are not stopped or reduced.
4. You can limit the Inheritance Tax paid on your death.
5. If your spouse leaves you his or her share of your house and you have to go into residential care, the house may have to be sold to pay for care home fees. If you and your spouse leave your share of property in trust this situation may be avoided.

The Trustees of a Discretionary Trust

The Trustees are chosen by you and they will manage the Trust and use their discretion to distribute monies. You must choose your Trustees carefully because they will invest and managed your assets. Guiding your Trustee is important and it is advisable to leave a "Letter of Wishes" stating your aims for the Trust and how you want your beneficiaries

Discretionary Will Trusts are a very useful method to reduce the amount of tax payable. However, as the actual mechanics are fairly complex it is important to ensure that the Trust is tailor made to suit your needs. It is therefore important that you seek professional advice.

Using a Solicitor

As a Discretionary Will Trust is an important document, it should be prepared by a Solicitor. If you do create a Trust in life or on your death in your Will, you can benefit from one or more of the items noted above.

Please note that information which we provide is in outline for information or educational purposes only. The information is not a substitute for the professional judgment of a Solicitor, Accountant or other professional adviser. We cannot guarantee that information provided by us will meet your individual needs, as this will very much depend on your individual circumstances. You should therefore use the information only as a starting point for your enquiries.

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