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Legal & General Trusts

Technical Guide

This guide is based on our understanding of current law and Inland Revenue practice.

In preparing this guide we have assumed that only Legal & General's own trust documentation is to be used. Life interest, reverter to Settlor, discretionary, and accumulation and maintenance trusts are not covered, nor are trusts used in relation to investment policies.

Legal & General Assurance Society Limited.
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Introduction – Family Protection

One of the main aims of financial planning is to provide financial security for your dependants in the event of your death.

A life assurance policy is of course an ideal way of providing this security, but unless such a policy is used correctly, it cannot be assumed that the proceeds will automatically go into the right hands in full and without delay.

The emotional trauma of a death in the family could then be followed by further financial problems for your dependants, and although a Will is an important part of financial planning, it will not help them to avoid:

- A delay in receiving the policy proceeds
- The policy proceeds being reduced by a liability to inheritance tax.

A suitably worded trust can normally be used to eliminate both of these potential pitfalls.

This booklet is intended to provide you with a useful guide to trusts and their use within the family protection market, including the main types of trust available, and completion of the necessary forms.

Other technical guides available from Legal & General cover the use of trusts in the business market, including Directors' Share and Partnership share protection.

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Section 1 Writing the policy on the correct basis

Own life, own benefit

The simplest way for a life assurance policy to be written is on an 'own life, own benefit' basis.

This means that the life assured is the owner of the policy (known as the Grantee). The Grantee has complete control of the policy, and in the event of death the proceeds will be paid into his/her estate.

This is a common way of writing mortgage related policies, but as the policy proceeds will form part of the deceased's estate there are three serious drawbacks where the policy is to be used for family protection.

1 A delay in payment of the proceeds because of the need to obtain a grant of probate or letters of administration.

When a policyholder dies and leaves a will, probate will be applied for. This means that the executor (the person appointed in the will to administer the estate) must prove the validity of the will, and be granted the authority to distribute the estate as set out in its provisions. The whole procedure usually takes a few months and so causes unnecessary delay to the payment of the policy proceeds.

The situation is worse where a will hasn't been executed. In these cases, legislation (the law of intestacy) sets out how the estate is to be distributed, taking into account the surviving spouse (if any), children and other relatives. Only when letters of administration have been granted by a court can the administrators claim the proceeds of the life policy to pay to the estate. Again, this can all take some time, and so cause unnecessary hardship for the family.

2 Inheritance Tax may be payable.

An own life, own benefit policy forms part of the deceased's estate on death. The estate may be liable to inheritance tax, once its value (including the policy proceeds and less any outstanding debts) has been calculated. Any liability to inheritance tax will of course reduce the amount of the proceeds available to pay to the beneficiaries.

3 The policy is not protected from creditors.

If the policyholder was to become bankrupt, any creditors could demand surrender of the policy, so that the proceeds can be used to meet outstanding debts. The financial security provided by the plan would then be lost.

If a policyholder dies and there are outstanding debts, the creditors can request the amount owed from the deceased's estate. This will reduce the amount of the estate (including the policy proceeds) available to pay to the family.

For these reasons, protection policies are likely to be issued on this basis only where the life assured is young, with few financial responsibilities. These policies could then be placed in trust at a later date.

Life of another

A policy is written on a 'life of another' basis when the intended beneficiary effects a policy on the life assured (often his/her spouse).

The proposal form is completed and signed by the life assured with the intended beneficiary completing the Ownership of Benefits section. The beneficiary is now the owner of the policy (the Grantee), and has full control over it. In the event of the life assured's death, the policy proceeds can be paid straight to the Grantee – in full and without delay.

Insurable interest

If the owner of the policy is not the spouse of the life assured, an 'insurable interest' may need to be proved. This has been defined as '**a legally recognised quantifiable financial interest in another person**', and examples of situations where insurable interest exists would include the following:

- You have an unlimited insurable interest in your own life and that of your spouse.
- A creditor has an insurable interest in your life for the amount owed plus interest.
- A partner in business has an insurable interest in the lives of his partners, especially if their partnership agreement provides that when one partner dies the survivors will buy his share of the business from the estate.

Parents do not have insurable interest in their children merely because of their relationship, and a moral rather than legal obligation such as funeral costs will not qualify.

Strictly speaking, fiancées do not have insurable interest in each other, although generally these – as well as 'common-law' partners – will be accepted.

Joint life, first death policies

When a policy is written on a 'joint life first death' basis, any claim proceeds will go to the survivor automatically. Most mortgage related policies are written this way.

For family protection however, it is usually preferable to write two single life policies under trust for the following reasons:

- After a claim the surviving spouse will have no life cover of their own, and may find him/herself uninsurable.
- Should both spouses die within a short time, the policy proceeds are likely to be part of the estate of the last to die (if they were to die simultaneously the elder is usually assumed to have died first). This means that inheritance tax may be payable, as will be described later.

Two single life policies written under trust can be used to avoid these problems.

Section 2 Why use a trust?

A trust is an effective way of ensuring that policy proceeds are paid to the right person on death.

The main advantages of a properly worded trust are:

- The beneficiaries can receive the proceeds without unnecessary delay by avoiding probate.
- The liability for inheritance tax can be avoided.
- Flexibility.
- There is no need to prove insurable interest.

A trust need not be complicated. The Grantee simply arranges for two or more trustees to become the legal owners of the policy, which they hold 'in trust' for the beneficiaries.

Section 3 How a trust works

Every trust has a settlor, trustees and beneficiaries.

Settlor

The settlor is the person who sets up the trust. This is normally the original owner or Grantee of the policy, which is usually set up on an 'own life, own benefit' basis. This is normally the person who signs the application and will also pay the premiums.

Trustees

The trustees are the legal owners of the policy. It is their duty to hold the policy and administer it for the beneficiaries as directed in the trust provisions, and they will be responsible for any switches or alterations to the policy while it is in force. It is the trustees' signatures that will be required if the policy is to be surrendered or converted. They will hold the policy document, along with the declaration of trust and deed of assignment, and must pay over the proceeds when the beneficiaries are entitled to them.

The settlor will usually include him/herself as a trustee, to retain some control over the policy. Virtually anyone else can also be a trustee (as long as they are over 18 years of age and sane), but they should normally be permanently resident in the United Kingdom. It is usual to have three or four trustees, and they often include the settlor's spouse (even if he/she is a beneficiary), reliable friends, relatives or a solicitor. Financial institutions such as banks may offer to act as trustees but will normally charge for their services.

The trust does not necessarily end when the policy pays out. The trustees may have to invest the proceeds if the beneficiaries are minors. At this stage the duties of the trustees may become more demanding, and this possibility should be considered when the trustees are chosen.

Beneficiaries

The beneficiaries are the people referred to in the trust who are to benefit from the policy proceeds in the event of a claim. A policy taken out by a husband with a young family will often show his wife and children as the beneficiaries.

Beneficiaries have an 'equitable' interest in a policy under trust, but control over the policy rests with the legal owners – the trustees.

Reservation of benefit

Anyone can be a beneficiary of a trust – including the settlor.

Under current UK tax law however, when a settlor includes him/herself in the list of potential beneficiaries (whether or not he/she is also named as a current beneficiary), this is classed as a 'reservation of benefit' for inheritance tax purposes under the Finance Act 1986.

Briefly this means that the policy is deemed to form part of his/her estate on death for tax purposes, and so will be assessable for inheritance tax, possibly reducing the amount received by the beneficiaries.

Please refer to the attached non statutory flexible trust form and section 5 on the next page.

Section 4 Types of trust

There are two types of trust in common use, Statutory trusts and Non statutory trusts.

Statutory trusts (commonly known as Married Women's Property Act or MWPA trusts) are used only in the family protection market. They can only be used with single life policies, and the beneficiaries can only be the settlor's spouse and legitimate, illegitimate or adopted children (not wards or step children). They are inflexible and limited in their use, but do offer good protection against creditors, which may be important to some people.

Our recommended Non statutory flexible trust gives much greater flexibility, as it allows virtually anybody to benefit from the policy, and if worded correctly allows for beneficiaries to be added or removed in the future as circumstances change.

Section 5 How to complete a Non statutory flexible trust form

The form is fairly easy to complete, but some thought must be given to the wording of the beneficiaries section, to ensure that the trust works correctly.

There are two sections for beneficiaries, marked 2 and 3.

In section 2 should be entered the names of those beneficiaries who should receive the proceeds in the event of an immediate claim. In this section it is advisable to use full names, and unless otherwise specified it is presumed that the proceeds are to be divided equally.

In section 3 the settlor should include anyone he/she may wish to benefit from the policy, now or at any time in the future. These 'potential' beneficiaries may include the settlor's wife or husband, current and future children, grandchildren etc.

So if a Mr Smith writes a term assurance policy on his own life to be held in trust, a typical wording for the beneficiaries section might be:

Beneficiaries – Section 2

'Julie Dawn Smith.'

Beneficiaries – Section 3

'My spouse, my children and anybody (excluding myself) whose name I supply in writing to the trustees at any time.'

If necessary the Trustees may in the future nominate any of the potential beneficiaries listed in Section 3 to receive the policy benefits.

Additional Trustees – Section 4

The full names of all trustees should be entered in Section 4, which will normally include the Grantee.

Please note that the flexible trust which is used for existing policies (W2195) is slightly different. Section B Current Beneficiaries is the equivalent of Section 2. Section A Potential Future Beneficiaries is the equivalent of Section 3. An example appears at the back of this guide.

Section 6 Deed of assignment

A Non statutory flexible trust should normally be accompanied by a deed of assignment, as the policy needs to be assigned to the trustees, if they are to carry out their duties. An exception to this is where the policy is a joint life policy, and the lives assured are the only trustees.

The date on this form should be left blank.

Example

An example of a completed trust form and deed of assignment can be found at the back of this guide.

Section 7 Witnesses

Each signature on the trust form and Deed of assignment should be witnessed by someone not party to the trust.

Section 8 Intimation to beneficiaries

Advisers working in Scotland should note that an additional 'Intimation To Beneficiaries' form is required (W0055).

Section 9 Changing the beneficiaries

If a correctly worded flexible trust is used, then it will be possible in the future to change the beneficiaries as circumstances dictate, using a Deed of Appointment (W3390), which must be signed by all the trustees.

Using this form, the trustees can appoint any of the potential beneficiaries listed in Section 3 of the trust form to be the current beneficiaries of the trust (see also Section 18 – Taxation).

Section 10 Adding additional trustees

This is done using a Deed of Appointment (W0955) which must be signed by the Grantee, all the current trustees, and the new trustee.

Section 11 Removing a trustee

A trustee who no longer wishes to act can be removed using a Deed of Retirement (W7301), which must be signed by the Grantee and all other trustees, as long as at least two trustees (or a trust corporation) remain.

Trust forms provided by Legal & General also allow for the Grantee to remove a trustee without the trustee's consent using a deed of removal (W5160).

Section 12 Death of a trustee

If a trustee dies, his duties may be carried out by the remaining trustees. If the last surviving trustee dies then his legal personal representatives can act as trustees.

Section 13 Termination of a trust

Once a policy has been written into trust, the Grantee has no power to terminate the trust.

If all possible beneficiaries under a trust are in agreement (and there is no possibility of further beneficiaries), and they are all of full age and capacity, they can direct the trustees to hand the trust property over to them, effectively ending the trust.

Section 14 Trusts and existing policies

It is possible to place an existing policy under trust, using the form W2195. This is a Non statutory flexible trust and should be completed in the normal way (see section 5).

Please see Section 18 for the position regarding inheritance tax.

Section 15 Claims

In the event of the death of the life assured, the trustees will make a claim on the policy. To do this they will need to produce:

- the death certificate of the life assured
- the Policy Document
- the Deed of Assignment (unless a MWPA trust was used)
- any deeds of appointment of new trustees
- any deeds of retirement of trustees
- the death certificates of any trustees who have died.

A claim form will be issued which must be signed by all the trustees. Payment of the policy proceeds is usually made to the trustees, although they can jointly elect to have the payment sent elsewhere e.g. direct to the beneficiaries. Payment should not be made to someone who is not a beneficiary.

Section 16 Split trusts

A split trust may be used to cover a policy which provides two distinct benefits, such as our Term Assurance which may provide critical illness cover as an optional extra, in addition to life cover.

It is important to many clients taking out such a policy that the benefits will be paid to named beneficiaries in the event of their death. Most, however, will want to retain the cash sum themselves in the event of them contracting a critical or terminal illness, perhaps to help provide for medical care or home help.

A split trust (W5080) allows them to cater for both events, thus providing full peace of mind. The named beneficiaries will receive the benefits only on the client's death (where there has not already been a critical or terminal illness claim), while the client will receive the full benefits should he/she contract one of the defined critical or terminal illnesses and disabilities covered.

The form is easy to complete. All potential death claim beneficiaries are entered in section A, just as they would be on the standard Non statutory flexible trust form. The current death claim beneficiaries are then entered in section B, and the deed of assignment is completed in the normal way.

An added clause in the trust provisions states that in the event of a critical or terminal illness claim, the benefits are payable to the Grantee. Under Inheritance Tax law this trust arrangement does not represent a 'reservation of benefit'.

Section 17 Will trusts

A Will trust is a form of trust written into someone's Will, which only comes into force on their death.

Will trusts can be used by married couples as part of their inheritance tax planning to ensure that both of their nil rate bands are utilised. They are normally used in conjunction with investment products.

Section 18 Taxation

Inheritance tax

Once a policy has been placed under trust (providing that the Settlor cannot benefit from the proceeds – see Reservation of benefit), the policy is no longer the property of the settlor, and falls outside his/her estate for inheritance tax purposes.

Premiums

Each premium paid to a policy held under trust (the net premium where tax relief is being claimed) is in effect a gift to the beneficiaries for inheritance tax purposes, although these will normally be covered by the settlor's annual or normal expenditure exemption.

Existing policies

When an existing policy is placed under trust, a transfer of value has taken place for inheritance tax purposes. The value is deemed by law as 'not less than the total premiums paid (gross of any tax relief), less any sums previously paid out by way of surrender'. The value will be the surrender value if higher than the premiums paid.

Special rules apply to term assurance policies with terms of three years or less and those with longer terms where premiums are payable for at least two thirds of the term and the premiums payable in any one year are not more than twice those payable in any other year. In these cases a 'market value' is used as the value of the transfer, which will normally be negligible unless the life assured was in very poor health.

Again the annual exemption and the PET rules may reduce or eliminate any actual inheritance tax liability.

Change of beneficiaries

Section 9 shows how it is possible to alter the beneficiaries of a trust once it has been set up.

It should be noted that a change in beneficiaries will be treated as a PET made by the outgoing beneficiary, which means that should the outgoing beneficiary die within seven years there may be a liability to inheritance tax on the trustees.

Again the value of the transfer is the greater of the surrender value or premiums paid, whichever is higher. Any liability to inheritance tax may be reduced by the PET rules and the nil rate band, so that only very large policies are likely to be seriously affected.

The Legal & General Trust Schedule including Trust Provision

Legal & General strongly recommend that you place your policy and Accidental Death Benefit Cover in Trust.

1 DECLARATION OF TRUST

Policy in which Trust Schedule is to be incorporated:

Policy name *Type of Policy e.g. Term or Whole of Life*

Full name and address of person(s) declaring this Trust, hereinafter known as the Grantee(s):

First Grantee

Full name <i>Alan Smith</i>
Address <i>10 Acacia Avenue, Brighton</i>
Postcode <i>BN1 1AA</i>

Second Grantee

Full name
Address
Postcode

In submitting the application for the above policy(ies), I/we wish to make myself/ourselves, and any person(s) named in question 4 below, Trustee(s) of the policy(ies) for the beneficiaries given in questions 2 and 3 below. I/we have read and agree with the Trust Provisions shown to the right.

I/we certify that this Declaration of Trust falls within Category N of the Schedule to the Stamp Duty (Exempt Instruments) Regulations 1987.

First Grantee

Signature of Grantee <i>A. Smith</i>
Signature of Witness <i>P Jones</i>
Full name and address of Witness
<i>P Jones</i>
<i>25 The Avenue</i>
<i>Shoreham</i>

Second Grantee

Signature of Grantee
Signature of Witness
Full name and address of Witness

2 WHO DO YOU WANT AS THE CURRENT BENEFICIARY(IES)?

Give the full name of the person/people you want to benefit from the policy for the time being, followed in brackets by any percentage shares you want each to receive adding up to a total of 100%

<i>Dawn Elizabeth Smith</i>

3 WHO ARE THE POTENTIAL FUTURE BENEFICIARIES?

These are the people you may want to benefit from the policy in the future for example, any family or relationships you may have in the years to come. You do not need to give any names, just the relationship that these people are/would be to you in the future

<i>My spouse, our children and anyone (excluding myself) whose name I supply in writing to the trustees at any time.</i>
--

4 WHO ARE THE ADDITIONAL TRUSTEES? (Please note that Trustees must be permanently resident in the United Kingdom)

First Additional Trustee

Full name <i>Julie Dawn Porter</i>
Address <i>10 Acacia Avenue, Brighton</i>
Postcode <i>BN1 1AA</i>

Second Additional Trustee

Full name <i>Craig Porter</i>
Address <i>22 Vernon Terrace, Brighton</i>
Postcode <i>BN1 2BA</i>

Third Additional Trustee

Full name
Address
Postcode

Fourth Additional Trustee

Full name
Address
Postcode

5 DEED OF ASSIGNMENT/ASSIGNATION

The date of Assignment/Assignment is to be completed by HEAD OFFICE ONLY

This Assignment/Assignment is made

the	day of	20
-----	--------	----

between the Grantee(s) and the Grantee(s) and Additional Trustees of the other part and hereby signed and delivered as a Deed by the said Grantee(s) and Trustee(s).

First Additional Trustee

Signature of Trustee <i>J D Porter</i>
Signature of Witness <i>K Hamilton</i>
Full name and address of Witness
<i>K Hamilton</i>
<i>12 Acacia Avenue, Brighton</i>

Second Additional Trustee

Signature of Trustee <i>C Porter</i>
Signature of Witness <i>L A Giles</i>
Full name and address of Witness
<i>L A Giles</i>
<i>20 The Grove, Brighton</i>

Third Additional Trustee

Signature of Trustee

Fourth Additional Trustee

Signature of Trustee

Signature of Witness
Full name and address of Witness

Signature of Witness
Full name and address of Witness

First Grantee *A Smith*

Signature of Grantee <i>P Jones</i>
Signature of Witness
Full name and address of Witness
<i>P Jones</i>
<i>25 The Avenue, Shoreham</i>

Second Grantee

Signature of Grantee
Signature of Witness
Full name and address of Witness

Whereas the Grantee(s) are the Grantee(s) of the Policy(ies) of Assurance (hereinafter called 'the Policy(ies)') specified in the Schedule hereto and hold the Policy(ies) upon the trusts and with and **subject to** the powers and provisions therein set out

and whereas the Grantee(s) have appointed the Trustees as Trustees to receive the moneys payable under the Policy(ies) and are desirous of assigning the Policy(ies) to the Trustees.

Now this deed witnesseth that the Grantee(s) as Trustee(s) hereby assign the Policy(ies) unto the Trustees **to hold** the same unto the Trustees upon the Trusts and with and subject to the powers and provisions upon which and subject to which the Grantee(s) hold the same and the Trustees hereby accept such trusts.

It is hereby certified that this instrument falls within Category A of the Schedule to the Stamp Duty (Exempt Instruments) Regulations 1987.

In witness whereof the said parties to these presents have hereunto set their hands the day and year first above written

The Schedule herein before referred to:

To be completed by HEAD OFFICE ONLY

Office: **Legal & General Assurance Society Limited** Date:

Policy No.:

Deed of Assignment/Assignment

This Assignment/Assignment is made on the _____ day of _____ (year)

Between *(name of first Grantee)*

of *(address)*

and *(name of second Grantee)*

of *(address)*

hereinafter called 'the Grantee(s)' of the one part and the Grantee(s)

and *(name of first Additional Trustee)*

of *(address)*

and *(name of second Additional Trustee)*

of *(address)*

and *(name of third Additional Trustee)*

of *(address)*

and *(name of fourth Additional Trustee)*

of *(address)*

hereinafter called 'the Trustees' of the other part

Whereas the Grantee(s) is/are the Grantee(s) of the Policy(ies) of Assurance (hereinafter called 'the Policy(ies)') specified in the Schedule hereto and hold the Policy(ies) upon the trusts and with and **subject to** the powers and provisions therein set out

and whereas the Grantee(s) has/have appointed the Trustees as Trustees to receive the moneys payable under the Policy(ies) and is/are desirous of assigning the Policy(ies) to the Trustees

Now this deed witnesseth that the Grantee(s) as Trustee(s) hereby assign the Policy(ies) unto the Trustees **to hold** the same unto the Trustees upon the Trusts and with and subject to the powers and provisions upon which and subject to which the Grantee(s) hold the same and the Trustees hereby accept such trusts
It is hereby certified that this instrument falls within Category A of the Schedule to the Stamp Duty (Exempt Instruments) Regulations 1987.

In witness whereof the said parties to these presents have hereunto set their hands the day and year first above written

The Schedule herein before referred to

Office: **Legal & General Assurance Society Limited** Date _____

Policy No. _____

Signed and Delivered as a Deed by the said

Full name of First Grantee

Signature of First Grantee

Witness's signature and address

Signed and Delivered as a Deed by the said

Full name of Second Grantee

Signature of Second Grantee

Witness's signature and address

Signed and Delivered as a Deed by the said

Full name of first Additional Trustee

Signature of first Additional Trustee

Witness's signature and address

Signed and Delivered as a Deed by the said

Full name of second Additional Trustee

Signature of second Additional Trustee

Witness's signature and address

Signed and Delivered as a Deed by the said

Full name of third Additional Trustee

Signature of third Additional Trustee

Witness's signature and address

Signed and Delivered as a Deed by the said

Full name of fourth Additional Trustee

Signature of fourth Additional Trustee

Witness's signature and address

Declaration of trust

For Head Office use only

This Annex is deemed to form part of and to be incorporated in the existing

Policy No'd

Section A – The Beneficiaries

e.g. my children

Section B – The Beneficiaries

specific name(s) in full

Section C – The Trustees

specific name(s) in full

Name of Grantee
your name in full

Signature of Grantee

Name of Grantee
your name in full

Signature of Grantee

Before signing the Trust, please read the provisions set out below. The Trustees should be permanently resident in the United Kingdom.

Trust provisions

I/We declare that the policy specified above, and any future indexation options exercised thereunder (hereinafter called “the Policy” which expression wherever used in this Annex shall include the benefit of the aforementioned insurance contract(s) and any variation or amendment to the said contract(s) hereby authorised to be made) be henceforth held upon an irrevocable trust for the benefit of all or such one or more exclusively of the others or other of those named in **Section A** above in such shares and in such manner and for such limited or other interest as the Trustees (being at least three in number or a trust corporation) shall in their absolute discretion appoint by deed or deeds revocable or irrevocable and executed at any time or times not later than twenty four months after the date of death of the life assured (the date of death of the first/last† to die in the case of joint lives assured) and in default of appointment or so far as no such appointment shall extend for the benefit of those named in **Section B**.

† (= in equal shares) absolutely.

I/We desire to appoint those named in **Section C** above as Trustees* to receive the moneys payable under the Policy and they or the survivor of them or other of the Trustees for the time being are hereinafter called ‘The Trustees’. The receipt of all the Trustees shall be a good discharge to the Legal & General for all moneys payable under the Policy.

The Trustees may at their discretion and subject to the trust aforesaid either retain the Policy or deal with the Policy in any manner that they may in their absolute discretion think fit including power (where the Policy so permits but without prejudice to the generality of the foregoing) to surrender the Policy or to convert the Policy in accordance with the options available under the Policy. Any new Policy or increase or decrease of benefits secured by the Policy or by any new Policy or Policies which is or are effected under any options which are contained in the Policy shall be subject to the same trusts as are herein declared.

Any moneys liable to be invested hereunder may be invested or laid out in the purchase of or at interest upon the security of such stocks, funds, shares, securities, investments or property of whatsoever nature and wheresoever situate and whether involving liability or not and whether producing income or not (including the improvement repair insurance (in any value and against any risk) rebuilding and decorating of any property for the time being comprised in the property subject to the trust hereof or the execution of any other works on or for the benefit of any such property) and whether in the name of a nominee or not as the Trustees shall in their absolute discretion think fit to the intent that the Trustees shall have the same full and unrestricted power of investing and transposing investments as if they were absolutely entitled thereto beneficially.

The statutory powers of advancement contained in section 32 of the Trustee Act 1925 or if applicable section 33 of the Trustee Act (Northern Ireland) 1958 shall apply to the Trusts hereof with the following variation that is to say the omission in proviso (a) to sub-section (1) of the said section of the words “one-half of”. Section 31 of the Trustee Act 1925 or if applicable section 32 of the Trustee Act (Northern Ireland) 1958 shall not apply to the trusts of the Policy.

All income which is received by the Trustees and which arises from the Policy or from any property from time to time representing the Policy shall be paid to or applied for the benefit of the beneficiaries entitled to an interest in possession under the trust as and when such income is received by the Trustees. Any Trustee for the time being (other than myself/ourselves) being a solicitor or other person engaged in any profession or business shall be entitled to charge and to be paid all usual professional or other charges for business done by him/her or by his/her firm in relation to the Policy or to the trusts thereof.

There shall be vested in me/ourselves or the survivor of us a power of removal of any Trustee and a power of appointment of a new Trustee and or additional Trustee(s).

I/We hereby declare that I/we intend to pay the premiums under the Policy for the sole benefit of the person(s) beneficially interested under the foregoing trusts and I/we hereby irrevocably disclaim any lien or charge on the said Policy or the moneys payable thereunder for the repayment of any such premium. This trust shall apply to any Accidental Death Benefit Cover and Legal & General may give as it applies to the policy.

It is hereby certified that this instrument falls within Category N of the Schedule to the Stamp Duty (Exempt Instruments) Regulations 1987.

† Delete as appropriate

* The Trustees should be permanently resident in the United Kingdom.

Non Statutory Flexible Trust for policies already in existence.

Glossary

Absolute interest

The beneficiary has a full equitable interest which cannot be taken away

Creditor

A person to whom you owe money

Grantee

The original owner of a life policy

Inheritance tax

A tax on the value of an estate on death and on certain lifetime gifts

MWPA

Married Women's Property Act 1882

PET

Potentially Exempt Transfer

Potentially exempt transfer

A gift which will only be chargeable to INHERITANCE TAX if the donor dies within 7 years of making the gift or transfer

Settlor

The creator of a trust is known as the settlor

Will trust

A trust written into the terms of a will, which only comes into force on death