WiltonGroup

A Basic Guide To Trusts

WiltonGroup

"WiltonGroup is an independent Accountancy and Business Services Practice, which offers a range of top-quality tailor-made services to meet the needs of each client. Our team combines professional expertise with exceptional experience and enthusiasm. We put personal service and trust at the top of our priorities and ensure that every client receives individual attention from all our team members. By harnessing this blend of service and managing it in a client focused manner, we offer a unique service but with the traditional private banking client relationship approach. "

Tony Flanagan
ManagingPartner –

WiltonGroup Client Services

Our core services include:

- Taxation
- Accounting
- Corporate Services
- Trust Services

Our specialist services include:

- Outsourcing
- Corporate Finance
- Succession Planning & Business Disposal
- Gaming Companies
- Marine Services
- Private Finance Management

For further information on any of our services please call us on 44 (0)207 355 35 25 or email enquiries@wiltongroup.com

WiltonGroup has offices based in London, Dublin and the Isle of Man. The Isle of Man is situated in the heart of the British Isles and enjoys the highest of reputations as an offshore financial centre. It is self-governing with sophisticated banking facilities and excellent communications, making it an ideal base for those looking for offshore financial management. With the advantages of the Isle of Man's facilities and our specialist expertise, we provide a high quality service to handle discretionary trusts and offshore companies - whether incorporated in the Isle of Man or elsewhere.

Wilton (IOM) Ltd is licensed in the Isle of Man by the Financial Supervision Commission as a Corporate Service Provider.

What is a Trust?

If an individual wishes to give assets to his/her family or to future generations and would like to ensure that control over those assets is in the hands of a responsible friend or professional, he/she can set up a trust. This is a well-established mechanism which separates the legal ownership of assets from the beneficial ownership. The protection of the law ensures that the trustee looks after the assets and deals with the income, and eventual distribution of capital as instructed.

The instructions usually derive from the Trust Deed, although the trustee can be given discretion to act in the best interests of the family, the later can be amended to meet changing family circumstances. The person setting up the trust is called the Settlor, and those benefiting under the trust are called the Beneficiaries. The terms of the gift are set out in the Trust Deed or Settlement. If the trust is set up by a Will, the person making the Will is called the Testator.

Main Types Of Trusts

- **Discretionary**

  To allow a choice of beneficiary, often guided by a "letter of wishes" from the Settlor, to be determined by circumstances ruling at the time.

- **Accumulation and Maintenance**

  To create a fund for children until they reach majority, or a specified age before their 25th birthday, with power to pay out for education etc. This is a privileged form of discretionary trust with special tax advantages for UK settlors.

- **Life Interest**

  To protect assets - by using an experienced trustee to provide a second opinion on investment projects and to guard the assets against a beneficiary's inexperience, a financial disaster or family disaster.

  To manage the assets - by choosing a financially orientated trustee, to maximise growth, income or both according to the agreed investment

- **Will Trusts**

  To ensure the succession of assets to younger generations, often with an initial life interest to the surviving spouse.

- **Charitable**

  To give money to charities - although the tax laws are now reasonably flexible in allowing full tax recovery on regular or substantial gifts, smaller one-off donations can be made to a personal charitable trust.

Trusts involve complicated law and tax considerations and professional advice should always be taken.

Trust Opportunities

A trust is a useful instrument with which to manage assets, accumulate and distribute income, save tax and provide continuity through the generations.

Certain circumstances may make a trust particularly attractive as a way to preserve and enhance a family's wealth:

- Where there is a substantial private company or business owned by the family, who may well wish to sell their shares at some future date;
- Where assets or shares owned by the family are expected to increase substantially in value;
- Where grandparents or other non-parental relatives of children are willing to give capital away in order to create a fund for Accumulation and Maintenance and to benefit grandchildren etc;
- Where there is a likely requirement for school fees, and assets or income are available to build up a suitable fund;
- Where insurance can be used as part of a strategy to protect family wealth for future generations;
- Where the family enjoys surplus income, and wishes to pass assets down one or two generations whilst ensuring they remain under proper control and management;
- Where an older relative needs help to manage his/her financial affairs.

Trusts are treated as distinct entities for tax purposes and have special tax rules. Therefore, many trusts have as their raison d'Ltre the reduction of tax, and when the tax saved or deferred is set against the cost of creating and maintaining a trust the expense can often be perceived as small.

Discretionary Trusts

A discretionary trust should be considered particularly when substantial assets are held outside your country of residence or when you are moving permanently from one country to another. Likely benefits could include:

- Freedom from unnecessary taxation during your lifetime.
- Avoidance of death and succession duties.
- Shelter from restrictive legislation in your country of residence.
- Distribution of assets outside any succession laws which would apply if assets are distributed by Will.
- Shelter from claims.

Substantial savings and other benefits could well be achieved and there would be the advantages of:

- Confidentiality and anonymity.
- Professional management not only during your lifetime, but also for the benefit of your heirs. Specific assets may be retained if this is your wish.
- Relief from formalities and expense when assets pass by Will, which normally must be governed by the laws of the country of your domicile at the time of death.

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