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TRUSTS

There are various situations in which a trust may be set up, and not all of them are related to making a Will. Trusts are usually set up for one of the following reasons:

- To hold assets on behalf of a child until they reach the age of 18. Doing so allows for the property or money to be properly managed until the children are old enough legally to take possession of it. Some types of trust allow the beneficiary to receive an income from the property.
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- To reduce the Inheritance Tax liability. Putting assets into trusts can in some cases reduce or even eliminate the inheritance tax liability for that asset; it can also help to keep the value of the estate within the nil-rate band.
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- To provide for your spouse while preserving the asset for your children.
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- To protect the family home from being sold in order to pay for residential care.

For advice on how a trust could work in your specific circumstances, you should speak to a legal or financial professional.





There are different types of trust designed to meet different kinds of needs. The type of trust you use will depend on who the beneficiaries are, what the assets are, and how and when you want the assets to be distributed. The main types of trust are:

Fixed Trusts

In which the beneficiaries are named and the proportions for how much to pay to each one are clearly stated.

Discretionary Trusts

In which the beneficiaries are named but the Trustees have the power to decide who to make payments to and how much to give them, according to circumstances.

Interest in Possession Trusts

In which the beneficiary, such as a spouse, can use the asset when they are alive but after their death it passes to the named beneficiary, such as a child. This type of trust is sometimes used to ensure that one's spouse is provided for, while preserving the asset to pass to one's children.

Protective Trusts

In which the beneficiary can receive income from the Trust while the capital remains protected. This type of trust is usually used for beneficiaries who are bankrupt or likely to become so.

Trusts for Disabled Beneficiaries

Which have special tax exemptions for beneficiaries who are disabled and the assets of which are disregarded in the calculation for benefits and Local Authority funding. (See separate factsheet on Trusts for Disabled Beneficiaries).

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