

This is just for UK advisers – it's not for use with clients.



## Prudential and Prudential International trusts

### A quick guide to trusts

# Prudential trusts – Matrix

We've designed this guide for you when you're comparing trust objectives with your clients inheritance tax (IHT) goals. The matrix gives you an overview on the range of trusts we offer, their key objectives and potential set up/payment benefits for the settlor. We've also included some questions that may be useful when exploring a client's options for IHT planning.

	Loan Trust	Gift Trust	Discounted Gift Trust	Probate Trust
Trust type	Loan Trust	Gift Trust	Discounted Gift Trust	Probate Trust
Version of trust	Absolute or Discretionary	Absolute or Discretionary	Absolute or Discretionary	Discretionary
Trust established	During lifetime	During lifetime	During lifetime	During lifetime
Can the trust be set up with an existing Prudential/PIA bond?"	No	Yes	No	Yes
Can the settlor "benefit" from the arrangement?	Yes	No	Yes	Yes
Nature of settlor's "benefit"	Access to original capital (loan) on demand: single lump sum, occasional sums or regular repayments	None	Regular fixed payments for life*	Settlor can benefit from entire trust fund during lifetime
Can settlor receive regular payments?	Yes, of any amount or frequency, but not more in total than original loan	No	Yes – amount and frequency fixed at outset	Yes
Can the settlor be a trust beneficiary?	No	No	No	Yes
Can the settlor's spouse/civil partner benefit from the discretionary trust (single settlor)?	Yes, but you should take care if spouse/civil partner benefits before settlor's death	Yes, but you should take care if spouse/civil partner benefits before settlor's death	Yes, but you should take care if spouse/civil partner benefits before settlor's death	Yes
Investments/plans available	Onshore and international bonds	Onshore and international bonds	Onshore and international bonds	Onshore and international bonds
Single or joint settlor	Single and joint	Single and joint	Single and joint	Single settlor only
Key objective	IHT planning with access to original capital	Gift-based IHT planning, no access	Gift-based IHT planning, with fixed regular payments	To speed up the payment of policy proceeds on death by avoiding the need for probate in respect of the trustee owned policy

\* to last to death or until fund is exhausted.

Key: PET = potentially exempt transfer CLT = chargeable lifetime transfer

# Prudential trusts – Matrix (continued)

	Loan Trust		Gift Trust		Discounted Gift Trust		Probate Trust
	Absolute	Discretionary	Absolute	Discretionary	Absolute	Discretionary	Discretionary
Absolute v Discretionary	Absolute	Discretionary	Absolute	Discretionary	Absolute	Discretionary	Discretionary
Initial gift to trust	None	None	PET	CLT	PET (net of discount)	CLT (net of discount)	CLT
Potential periodic charge	None	On value of trust fund less outstanding loan	None	On total value of trust fund	None	Total fund less value of rights retained by settlor (based on rated age at inception plus 10 years)	On total value of trust fund
Potential exit charge	None	Yes (but not on outstanding loan)	None	Yes	None	Yes (but not on settlor's regular payments)	Yes
Initial gift reporting requirement	No	No	No	Yes if above HMRC limit	No	Yes if above HMRC limit	Yes if above HMRC limit
Trust registration responsibilities*	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Periodic and exit reporting requirements	No	Yes. Periodic reporting is based on bond value meaning the trustees can't take the outstanding loan balance off.	No	Yes	No	Yes	Yes
Facility to change beneficiaries and/or share	No	Yes	No	Yes	No	Yes	Yes

\* The use of the trust arrangement described in this document will trigger Trust Registration Service reporting requirements in the UK. Where the investment used is a Dublin based international bond then there may also be reporting requirements on the Irish Register. The trustees are responsible for the registration in and reporting of these registers. More information can be found at [gov.uk/hmrc-internal-manuals/trust-registration-service-manual](https://gov.uk/hmrc-internal-manuals/trust-registration-service-manual) and <https://www.revenue.ie/en/crbot/index.aspx> for Dublin based international bonds.

## Investment options

All Trusts can invest in the International Portfolio Bond, the Prudential International Investment Bond and the Prudential Investment Plan.

# Prudential trusts – Matrix (continued)

	Loan Trust		Gift Trust		Discounted Gift Trust		Probate Trust
Value of share of trust fund in beneficiaries' estate	Yes	No	Yes	No	Yes	No	As the settlor is a potential beneficiary this will be a gift with reservation. The value of the bond will be in the settlor's inheritance tax estate at the time of his/her death. Double charge relief may be available. This trust is aimed at those not in the IHT net.
Overview	Access to original capital, growth outside settlor's estate. Trust not subject to periodic and exit charges but no flexibility with beneficiaries.	Access to original capital, growth outside settlor's estate. Trust potentially subject to periodic and exit charges but flexibility with beneficiaries.	Initial gift is PET (no settlor access), growth outside settlor's estate from day one. No flexibility with beneficiaries.	Initial gift is CLT (no settlor access), growth outside settlor's estate from day one. Trust potentially subject to periodic and exit charges but flexibility with beneficiaries.	Designed to provide regular payments for life for the settlor*. Capital to beneficiaries on death. Initial gift is PET, trust is not subject to lifetime IHT charges but no flexibility with beneficiaries. (Possible immediate reduction in IHT).	Designed to provide regular payments for life for the settlor*. Capital to beneficiaries on death. Initial gift is CLT, trust is subject to IHT charges but with flexibility with beneficiaries. (Possible immediate reduction in IHT).	Settlor has access to original capital and growth. Initial gift is CLT, however, as the settlor is a potential beneficiary this will be a gift with reservation. Trust is not IHT effective as the value of the bond will be in the settlor's inheritance tax estate at the time of his/her death. Double charge relief may be available. Trust is potentially subject to periodic and exit charges but flexibility with beneficiaries.

\* to last to death or until fund is exhausted. Key: PET = potentially exempt transfer CLT = chargeable lifetime transfer

## Ongoing Adviser Charges for advice given to Trustees

Pru will facilitate ongoing charges for advice given to Trustees. The ongoing adviser charge instruction section on the application must be left blank and the trustees will need to complete the appropriate adviser charge instruction form. Where Pru facilitate payment of ongoing trustee advice, this will be funded by withdrawals from the bond and will impact the 5% tax deferred allowance. Trustees should not pay for ongoing advice given to the settlor as that could be regarded as a breach of trust with adverse tax consequences. For the avoidance of doubt, set up advice charges are the responsibility of the settlor and trustees don't pay these. If Pru facilitates payment of the set up advice charges then both the premium invested and the gift into trust will be the lower (net) amount.

# Prudential trusts – exploring the options

We've designed this chart to give an idea of how the questions can be used to explore a client's options for IHT planning. If there is no IHT issue and the client simply wants to speed up paying the money on their death, they may wish to consider the Probate Trust.

[Click through to explore the options...](#)

The information in this document is based on our understanding of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of any taxation (and any tax reliefs) depends on individual circumstances.

For more information, please contact your Account Manager or visit our Estate Planning **hub** on PruAdviser. Full terms and conditions are available on request. Your client might need to pay tax depending on their circumstances and the options they choose. Tax rules can also change in the future.

[pruadviser.co.uk](https://pruadviser.co.uk)

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