

## **What is a trust?**

A trust is an obligation binding a trustee (which can be an individual or a company) to deal with assets, such as land, money, shares or even antiques for the benefit of one or more 'beneficiaries'. The people who run the trust, and in certain circumstances make decisions about how the assets in the trust are to be used, are known as 'trustees'.

Trustees carry out the wishes of the person who has put assets into the trust. This person is known as the 'settlor'. The settlor's intentions for the trust are usually expressed in a legal document called a 'trust deed' or in their will.

## **What is the purpose of a trust?**

UK family trusts may offer a means for people to pass their wealth on to other people they have chosen. As such, they may be used to control and protect family assets.

If a will establishes a trust, this may allow people to pass on their assets in accordance with their wishes when they die.

A trust might be created in various circumstances:

- when someone is too young to handle their affairs
- when someone can't handle their affairs because they are incapacitated
- to pass on money or property while you are still alive
- under the terms of a will - referred to as a 'will trust'
- according to the rules of intestacy, when someone dies without leaving a will (England and Wales only)

Trusts created by a will or intestacy are often referred to as 'continuing trusts'.

Please note: there are other types of 'non-family' trusts. These are set up for a variety of reasons - for example to operate as a charity, or to provide a means for employers to create a pension scheme for their staff.

## **What is 'trust property'?**

'Trust property' is a phrase commonly used for the assets held in a trust. It can include:

- money
- investments
- land or buildings

The cash and investments held in a trust are also called the 'capital' or 'fund' of the trust. This capital or fund may produce income, such as interest or dividends. The land and buildings may produce rental income. The way income is taxed depends on the type of income and the type of trust.

## **Who are the trustees?**

Trustees are the legal owners of the property held in a trust. Their role is to:

- deal with trust property in accordance with the trust deed
- administer the trust on a day-to-day basis and pay any tax due on the income or chargeable gains of the trust
- in certain circumstances decide where to invest the trust's assets and/or how the property in the trust is to be used - although this must always be in accordance with the trust deed

The trust can continue even though the trustees might change. However, there must normally be at least one trustee. Often there will be a minimum of two trustees, one trustee may be a professional familiar with trusts - a lawyer, for example - while the other may be a family member or relative.

### **Who are the beneficiaries?**

A beneficiary is anyone who benefits from the property held in the trust. There can be one or more beneficiaries, such as a whole family or a defined group of people, and each may benefit from the trust in a different way.

For example, a beneficiary may benefit from:

- the income only - for example, they may receive rental income from a house or flat held in a trust
- the capital only - for example, they may become entitled to shares held on trust when they reach a certain age
- both the income and capital of the trust

### **Who is the settlor?**

A settlor is a person who has put property into the trust. This is often referred to as 'settling' property. Property is normally put into the trust when it is created, but it can also be added at a later date. The settlor sets out in the trust deed how the property in the trust and any income received from the trust property should be used.

In some trusts, the settlor can also benefit from the property he or she has put in. These types of trust are known as 'settlor-interested' trusts and they have their own tax rules.