

CONSIDERATIONS TO MAKE BEFORE CHOOSING A VULNERABLE PERSONS TRUST

- Selecting suitable Trustees for a trust is crucial. Trustees should be trustworthy, appropriate in age, and have a good relationship with the testator and Primary Beneficiary. Having more than one Trustee is advisable. Trustees must act in the best interests of the Primary Beneficiary and be capable of managing the trust effectively, including handling tax matters.
- The Vulnerable Persons Trust creates an Interest in Possession (IIP) for the Primary Beneficiary, safeguarding their inheritance. However, the trust fund is considered part of the beneficiary's estate for inheritance tax purposes. If the trust assets exceed the Nil Rate Band (£325,000), it incurs a 40% inheritance tax on the surplus before distribution to reserve beneficiaries.
- The testator must consider the type of benefits received by the primary beneficiary due to the IIP in the Vulnerable Persons Trust. If benefits could be affected, a Standard Discretionary Trust might be more beneficial.
- If the estate is left to linear decedents then the estate will qualify for the Residential Nil Rate band

CONTACT US

0330 056 2181

PM House, 250 Shepcote Lane,
Sheffield, S9 1TP

enquiries@pm-law.co.uk

www.pm-law.co.uk

John M Lewis & Co is a trading name of PM Law Limited. PM Law Limited is a law firm registered address PM House, 250 Shepcote Lane, Tinsley, Sheffield, S9 1TP, 0114 296 5444. PM Law Limited is private limited company under registration number 05455941 in England and Wales. PM Law Limited is authorised and regulated by the Solicitors Regulation Authority www.sra.org.uk (SRA number: 421374).



JOHN M LEWIS & CO

Vulnerable Persons Will Trust

WHO QUALIFIES FOR A VULNERABLE PERSONS TRUST?

It is only appropriate to set up a Vulnerable Persons Trust for a disabled or vulnerable beneficiary who qualifies under statute as a Vulnerable person in respect of trusts for Vulnerable persons. The statute outlining the terms of qualification is s89 (4) of the Inheritance Tax Act 1984.

WHAT ARE THE BENEFITS OF A VULNERABLE PERSONS TRUST?

Protection for the Primary Beneficiary

The Vulnerable Persons Trust offers lifetime security for the Primary Beneficiary, with discretionary payments of income and capital to meet their needs without holding large sums of money in their name.

Tax Treatment

The Vulnerable Persons Trust receives favourable tax treatment in respect of income tax. The income generated by the trust is only taxed at a rate of 20% (standard income tax rate) as opposed to the trust rate of 45% as you would find with a Standard Discretionary Trust. The Vulnerable Persons Trust is not a Relevant Property Trust, this means that there are no anniversary charges (10-year tax charges) or any exit charges when funds are withdrawn.

A Vulnerable Persons Trust in a Will benefits a disabled or vulnerable beneficiary, activated after the testator's death. Trustees manage the trust assets and can allocate income and capital to the Primary Beneficiary at their discretion. If the Primary Beneficiary is unavailable, other chosen beneficiaries receive assets within twelve months without tax penalties.

