

## Are your trusts in safe hands?

Understanding the importance of trusts in financial planning

Trusts are a cornerstone of effective financial planning, providing a secure way to protect wealth, support loved ones and manage the transfer of assets. Despite their significance, many people remain unclear about what trusts are and how they work. So, what exactly is a trust, and why should it matter to you?

A trust is a legal arrangement in which a settlor transfers assets to trustees, who manage them for the benefit of named beneficiaries. These assets can include property, investments, cash and business interests. The terms of the trust are set out in a trust deed, ensuring the settlor's wishes are followed.

### WHY TRUSTS ARE WORTH CONSIDERING

Trusts offer a range of benefits tailored to your financial goals and family circumstances. They can safeguard assets for future generations, determine how and when beneficiaries receive their inheritance and even protect against claims in divorce or from creditors. Additionally, trusts are a powerful tool for charitable giving, enabling efficient and impactful donations.

Incorporating a trust into your financial plan also offers control, flexibility and privacy. Unlike Wills,

trusts are generally private, and certain types, such as discretionary trusts, allow trustees to adapt to beneficiaries' changing needs. Trusts can also play a vital role in business succession and tax planning, helping to reduce Inheritance Tax liabilities after seven years.

### THE ROLE OF TRUSTEES: A SERIOUS RESPONSIBILITY

Becoming a trustee is a significant legal commitment. Trustees must act in the best interests of beneficiaries, comply with the trust deed and adhere to the Trustee Act 2000. The lead trustee is also responsible for registering the trust with HMRC's Trust Registration Service (TRS) and keeping its details up to date.

Failing to register a trust can result in financial penalties, with more severe consequences for deliberate non-compliance. Registration requires

details such as the trust's name, creation date and the identities of the settlors, trustees and beneficiaries. ■

### TIME TO TRUST IN YOUR FUTURE?

Like any financial arrangement, trusts should be reviewed regularly to ensure they remain fit for purpose. Changes in family circumstances, finances or legislation may require updates to your trust. To find out more or discuss whether trusts could be an option, please contact us.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX PLANNING IS NOT REGULATED BY THE FINANCIAL CONDUCT AUTHORITY AND DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT. IT MAY BE SUBJECT TO CHANGE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

