

Adviser guide

# Nucleus Trust Selector

Edition 14

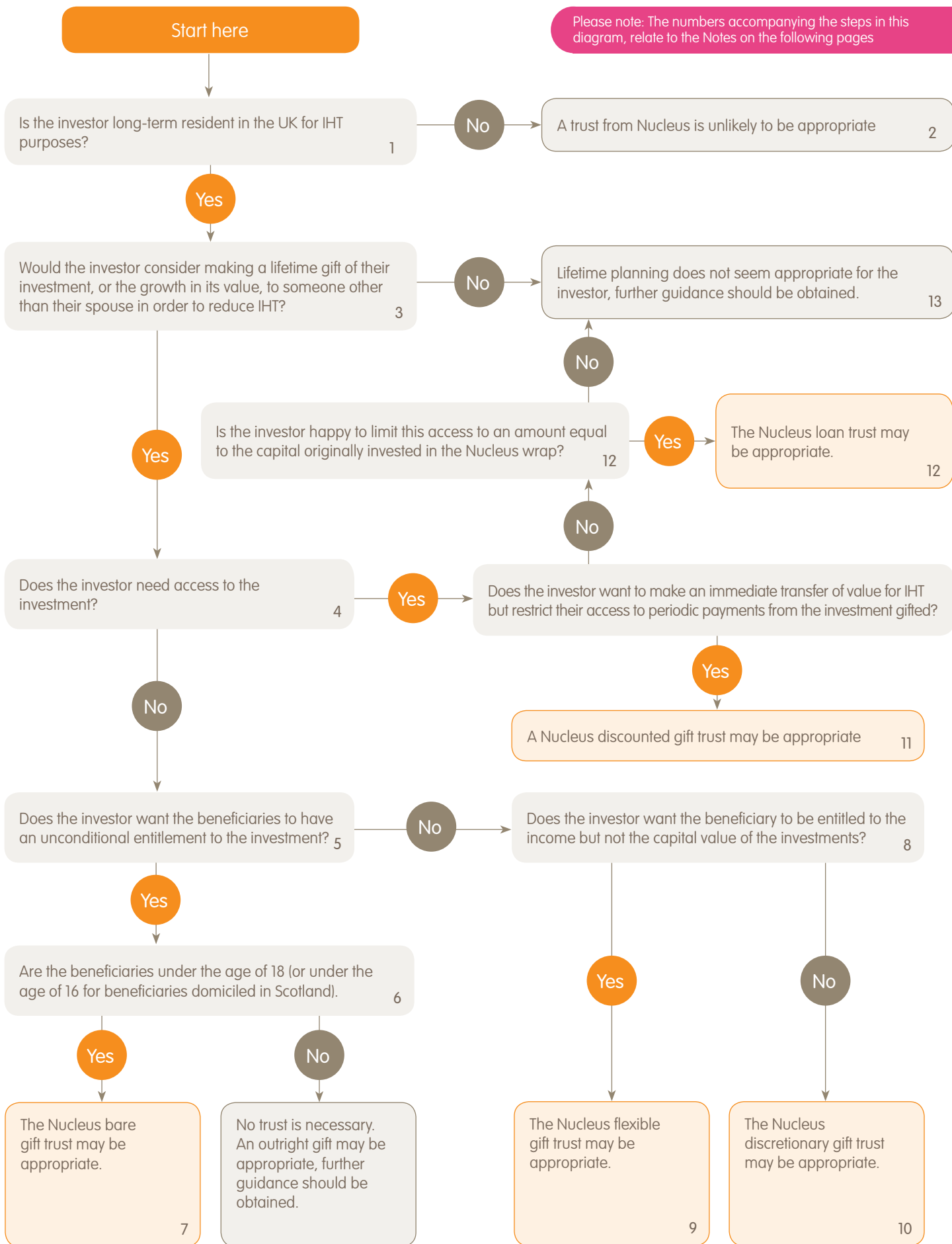
Date of publication 09/2025

## Introduction

Please make sure that you have read and understood the information below before using the trust selector.

- The Nucleus trust selector is provided strictly as an initial step in the process of selecting an appropriate trust for a client who is investing in or has investments already held in the Nucleus wrap, taking into account the client's needs and circumstances. The appropriateness of any action taken or refrained from and the suitability of any trust used can only be determined by a client's professional adviser.
- Apart from the discounted gift trust and the loan trust, all other trusts referred to in the selector can be used with either new or existing investments and are suitable for the Nucleus General account as well as the Nucleus Offshore and Onshore bonds.
- The loan trust is not available for use with any existing investments, i.e. it can only be set up with cash intended for investment in the Nucleus wrap.
- Discounted gift trusts are available only for new investments in the Nucleus Offshore bonds and Nucleus Onshore bonds. These investment bonds are provided by RL360 and CASLP Ltd respectively.
- Nucleus also provides a draft by-pass trust to receive the death benefits from the Nucleus Sipp, if this is appropriate. As this trust does not immediately apply to existing or new investments in the Nucleus wrap, it is not covered in this trust selector.
- Each trust, including the by-pass trust, has its own set of detailed guidance notes giving more information.
- The trust selector is not relevant to Isa investments.
- The numbered notes to the selector provide additional information and should be read carefully.
- Information provided on taxation is based on Nucleus' understanding of the current UK legislation and practice, which may change in future.
- Nucleus provides all trusts strictly as drafts for the consideration of professional advisers. All of the guidance incorporated into this trust selector and accompanying notes are also provided strictly for the general consideration of advisers. Nucleus is not responsible for loss of any kind resulting from the use of the draft trusts or any of the guidance provided in this trust selector and accompanying notes. The same conditions apply in relation to the discounted gift trusts provided by RL360.
- The draft trust deeds offered by Nucleus include provision that they will be governed by the laws of England and Wales. If the Settlor wishes to have the laws of Scotland or Northern Ireland applying then they should seek legal advice about getting a bespoke trust deed created to suit their circumstances and the implications of this.

Please note: The numbers accompanying the steps in this diagram, relate to the Notes on the following pages



## Notes

1. The trust selector is based on the assumption that an investor is mainly interested in determining the most suitable solution for estate planning with new or existing investments in the Nucleus wrap.

Reducing inheritance tax (IHT) will be an important part of the planning process. Liability to IHT depends substantially on the individual's long term residency status as well as if the assets are UK situs assets. This is why this is the first and crucial question to ask any investor contemplating estate planning with investments in the Nucleus wrap.

2. Under current law, investors who are not long-term residents of the UK for IHT purposes may still be charged if they have UK situs assets. The rules around non-domiciled individuals and whether their non-UK assets were subject to IHT moved to a residence based test from April 2025. The rules around this can be complex and regulated tax advice should be sought to understand this.
3. This question is aimed at determining whether the investor wishes to consider planning that will result in them not having complete ownership of and access to the investment, i.e. whether they would be willing to make a gift of the investment or even the growth on it to reduce IHT.
4. The 'access' referred to is any kind of access to the investment for personal use, e.g. income or capital, in part or whole, regularly or irregularly.
5. The gift contemplated here is one that will be subject to no conditions and under which neither the donees nor their shares of benefit can be changed.
6. An individual under the age of 18 (or 16 in Scotland) cannot hold or deal with the investment. An unconditional gift to such an individual should therefore be made subject to a bare gift trust. The bare gift trust can be used with the Nucleus General account as well as the Nucleus Offshore and Onshore bonds.
7. Under the bare gift trust, once a beneficiary or beneficiaries are named in the trust they cannot be changed. The gift to the trust, to the extent that it is not exempt, will be a potentially exempt transfer (PET) for IHT purposes.
8. Whether a beneficiary under a trust is entitled to the trust income will usually dictate the income tax treatment of the trust in question. Income tax liabilities as well as trust administration are usually less onerous if a beneficiary is entitled to the trust income and has it mandated to them. If the only investment to be used in the planning is to be a Nucleus Onshore or Offshore bond (non-income producing investments) or where the investor is certain that the investments in the Nucleus General account will never produce a distributable income, the answer to this question should be no.
9. The flexible IIP (which stands for Interest in Possession) Trust can be used with the Nucleus General account as well as the Nucleus Onshore and Offshore Bonds. However, the income tax benefits of this trust, mentioned in Note 8, will only be apparent with investments in collectives that produce a distributable income and which are held within the general account and therefore invest bonds might not be a suitable trust asset for this type of trust. For IHT and for CGT purposes the flexible trust is treated in the same way as a discretionary gift trust.
10. The Discretionary gift trust (under which the settlor cannot benefit) can be used with the Nucleus General account as well as the Nucleus Onshore and Offshore bonds. Under this trust the appointor (initially the settlor and then the trustees) has power to appoint capital to any of the beneficiaries specified in the trust and the trustees have discretion over whether to distribute any available trust income (if there is a distributable income) or accumulate it (e.g. by investing in accumulation units or shares). Subject to any available annual exemptions, a gift into such a trust will be a chargeable lifetime transfer for IHT purposes.
11. A discounted gift trust (DGT) is one under which the investor makes a gift but retains rights to pre-determined capital payments (funded by periodic withdrawals from the underlying investment). DGTs can only be implemented in connection with non-income producing assets such as Nucleus Offshore or Onshore bonds. For this reason the Nucleus DGT is only available in connection with the Nucleus Offshore and Onshore bonds provided by RL360 and CASLP Ltd respectively.

Note that a DGT is only available if there is cash to invest. It cannot be established using existing investments.

12. Under a loan trust, the investor establishes a discretionary trust (excluding the investor from all benefit) and this is followed by a substantial loan of cash to the trustees. Note that a loan of existing investments cannot be made it can only be cash.

The trustees invest the loan monies into a Nucleus Onshore bond, Offshore bond or General account within the Nucleus wrap. The investor is entitled to repayment of the loan on demand but cannot otherwise benefit under the trust. The growth on the investment will be outside the investor's estate but the value of the outstanding loan will remain in the estate of the investor. It is expected that as the investor takes repayments of the loan from time to time and spends the money, their estate will gradually reduce for IHT purposes.

13. While planning founded on lifetime gifts or loans would not appear to be advantageous, worthwhile IHT saving might be secured by effective use of the nil rate band and exemptions. Professional advice should be taken.

