Adviser guide

Nucleus Trust Selector

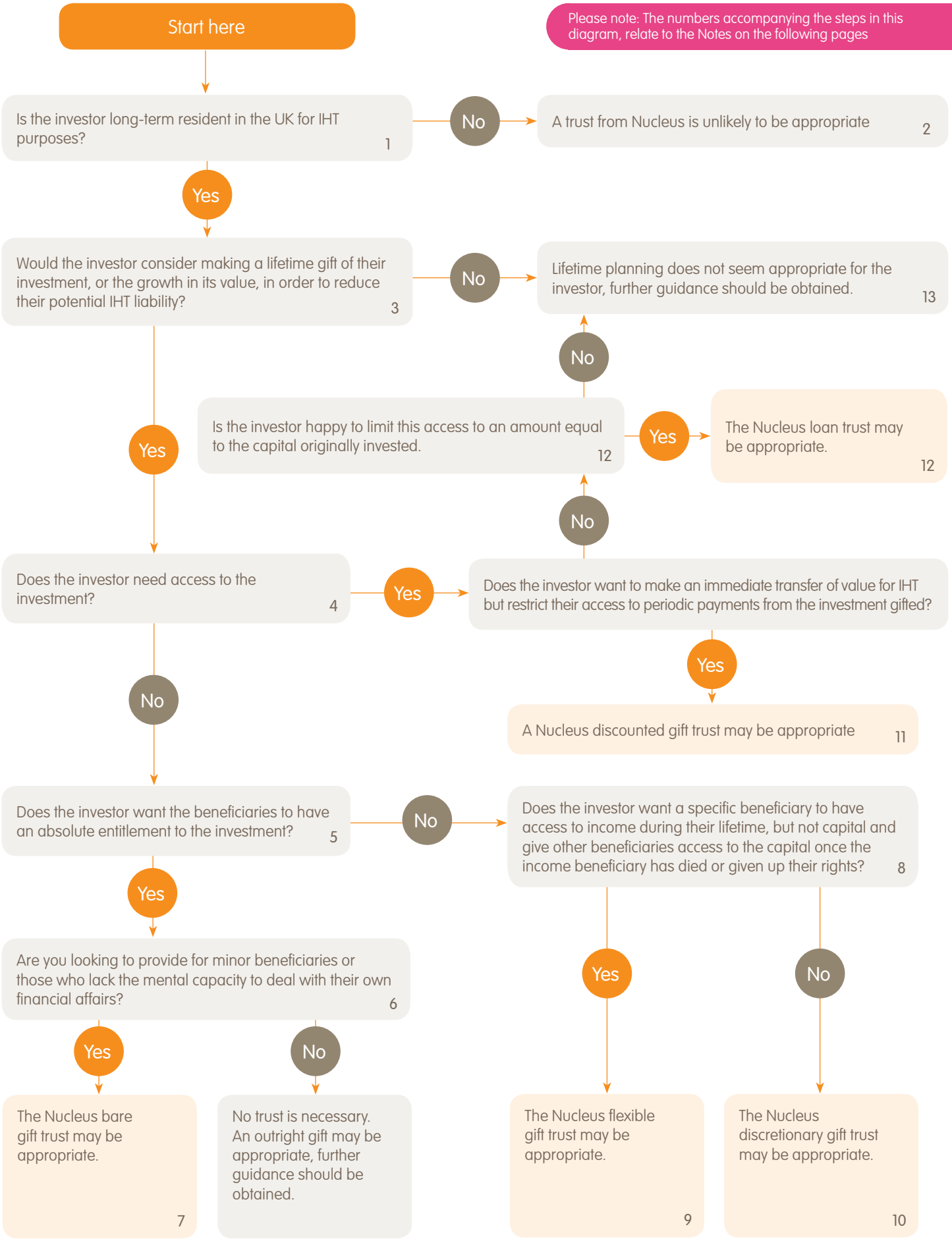
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Introduction

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 conversation of selecting an appropriate trust for a client who is investing in, or has investments already held in, the Nucleus wrap. The appropriateness of selecting any of our draft trust deeds should take into account the client's personal circumstances and should be discussed with their legal, tax and financial adviser to ensure the client and the trustees they appoint understand the provisions of the trust and any legal, tax and reporting consequences in creating the specific trust selected.
- With the exception of 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, and can only be set up with cash intended for investment in the Nucleus wrap.
- Discounted gift trusts are available only for investments in the Nucleus Offshore bonds and Nucleus Onshore bonds. These investment bonds are provided by RL360 and CASLP Ltd respectively.
- Nucleus provides a draft by-pass trust to receive the death benefits from the Nucleus pension account, if this is appropriate. As this trust is established usually with a £10 gift to the trust with no other investments until death benefits are paid on the death of the scheme member (at the pension scheme trustees discretion), 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 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 only 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.


Start here
Please note: The numbers accompanying the steps in this diagram, relate to the Notes on the following pages
Is the investor long-term resident in the UK for IHT purposes? 1
No
A trust from Nucleus is unlikely to be appropriate 2
Yes
Would the investor consider making a lifetime gift of their investment, or the growth in its value, in order to reduce their potential IHT liability? 3
No
Lifetime planning does not seem appropriate for the investor, further guidance should be obtained. 13
No
Is the investor happy to limit this access to an amount equal to the capital originally invested. 12
Yes
The Nucleus loan trust may be appropriate. 12
Yes
No
Does the investor need access to the investment? 4
Yes
Does the investor want to make an immediate transfer of value for IHT but restrict their access to periodic payments from the investment gifted?
Yes
A Nucleus discounted gift trust may be appropriate 11
No
Does the investor want the beneficiaries to have an absolute entitlement to the investment? 5
No
Does the investor want a specific beneficiary to have access to income during their lifetime, but not capital and give other beneficiaries access to the capital once the income beneficiary has died or given up their rights? 8
Yes
Are you looking to provide for minor beneficiaries or those who lack the mental capacity to deal with their own financial affairs? 6
Yes
No
Yes
No
The Nucleus bare gift trust may be appropriate. 7
No trust is necessary. An outright gift may be appropriate, further guidance should be obtained.
The Nucleus flexible gift trust may be appropriate. 9
The Nucleus discretionary gift trust may be appropriate. 10

Notes

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

   Reducing inheritance tax (IHT) may 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 and its value.

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 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 outright and 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, neither can someone who does not have the mental capacity to deal with their own financial affairs. An absolute 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 and their shares decided in the trust they cannot be changed. The gift to the trust, 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. 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, though may not be suitable if a real income for a life tenant is required. 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. 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.

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.

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.

For literature in alternative formats, such as Braille, large print, audio or E-text, please call us on 0131 226 9535, or via the Relay UK service on 18001 0131 226 9535.

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