



# Inheritance Tax Briefing Note 3

## Briefing Note

### Wealth Preservation Trust structure

**The following is a technical analysis of the Wealth Preservation Trust arrangement and an explanation of the product from a legal perspective.**

1. Canada Life will issue a cluster of specific term life insurance policies (the 'policies', each a 'policy') to an individual (the 'Settlor'). Each policy will confer a death benefit and a maturity benefit.

Furthermore, the policy may be surrendered in whole (but not in part) at any time. Each policy will also have an extension option, to extend the term (once or more than once, if required).

The maturity dates will be sequential (they will coincide with the commencement date of the policy) and they will begin on the anniversary date chosen by the Settlor. It will also be possible to have more than one policy in the cluster mature on a maturity date.

2. The Settlor will take out the policies and immediately assign the legal title to the policies to the trustees of a bare trust (the 'Initial Trust'). At outset, the trustees of the Initial Trust will be the Settlor and one other individual.

There is always only one settlor because to have joint settlors would have created rights held in succession for them and the construction of the arrangement would have been much more complicated to make sure the settlor is not caught by the pre-owned assets tax legislation.

3. The day after the legal title to each policy has been assigned absolutely to the trustees of the Initial Trust, the Settlor will irrevocably assign all his beneficial interest in each of the rights, powers and privileges conferred by and the benefits payable under each policy to the trustees of a settlement, who will hold the same upon the trusts of that settlement (the 'Settlement').

The Settlement will confer a series of discretionary trusts in favour of chosen beneficiaries (the 'Beneficiaries'). The Settlor (but not their spouse, widow(er) or civil partner) will be expressly precluded from being or becoming a beneficiary.

At outset, the trustees of the Settlement will be either the Settlor and one other UK resident individual (who is not the settlor's spouse/civil partner or a beneficiary) or two UK resident individuals (not including the Settlor).

The beneficial interests in the rights, powers and privileges conferred by and the benefits payable under each policy will be held by the trustees of the Settlement on a separate discretionary trust, with its own trust period (each, a 'Sub-Trust').

The trust period for each Sub-Trust will terminate on the earlier of the maturity of the corresponding policy if the Settlor is alive at that time and the 125th anniversary of the creation of the Settlement.



4. There will be no restriction on the trustees of the Settlement directing the trustees of the Initial Trust to surrender in whole the rights conferred by one or more of the policies whilst the policies are in force. The Settlor will not be able to benefit from the proceeds of surrender of any of the policies.

On the death of the last life assured, all of the policies then in existence will come to an end. The Settlor's estate will not be able to benefit from the proceeds of the death benefit payable under any policy.

5. The trustees of the Settlement can direct the trustees of the Initial Trust to extend the term of any policy in existence at any time, but not so as to take the maturity date past the 101st birthday of the youngest life assured who is alive at the time the extension option is exercised. The extension option can be exercised more than once in respect of any policy in existence.

6. If the trust period of a Sub-Trust terminates during the Settlor's lifetime by virtue of the maturity of the corresponding policy, the Settlor will become absolutely entitled to the property formerly comprised in the Sub-Trust.

In other words, the Settlor will have a reversionary interest in each Sub-Trust, and that reversionary interest will be limited to the proceeds of the maturity benefit of each policy.

The Wealth Preservation Trust is available as part of the Wealth Preservation Account, available from Canada Life International Limited, and the Wealth Preservation Europe Account, available from Canada Life International Assurance (Ireland) DAC.

**The information regarding taxation is based on our understanding of current legislation as at November 2014, which may be altered and depends on the individual financial circumstances of the investor. We recommend that investors take their own independent tax advice.**

Technical Services: **01707 422999** | [ican@canadalife.co.uk](mailto:ican@canadalife.co.uk) | [www.ican-canadalife.co.uk](http://www.ican-canadalife.co.uk)

Canada Life Limited, registered in England no. 973271. Registered office: Canada Life Place, Potters Bar, Hertfordshire EN6 5BA. Telephone: 0345 6060708 Fax: 01707 646088 [www.canadalife.co.uk](http://www.canadalife.co.uk) Member of the Association of British Insurers.

Canada Life International Limited, registered in the Isle of Man no. 33178. Registered office: Canada Life House, Isle of Man Business Park, Douglas, Isle of Man IM2 2QJ. Telephone: +44 (0) 1624 820200 Fax: +44 (0) 1624 820201 [www.canadalifeint.com](http://www.canadalifeint.com) Member of the Association of International Life Offices.

Canada Life International Assurance (Ireland) DAC, registered in Ireland no. 440141. Registered office: Irish Life Centre, Lower Abbey Street, Dublin 1, Ireland Telephone: +44 (0) 1624 820200 Fax: +44 (0) 845 674 0804 [www.canadalifeinternational.ie](http://www.canadalifeinternational.ie) Member of the Association of International Life Offices.

Canada Life Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Canada Life International Limited and CLI Institutional Limited are Isle of Man registered companies authorised and regulated by the Isle of Man Financial Services Authority. Canada Life International Assurance (Ireland) DAC is authorised and regulated by the Central Bank of Ireland.