Canada Life

Wealth Preservation Trust

The variable inheritance tax plan

Notes

Background

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

The Wealth Preservation Trust enables an individual (the 'investor', or the 'settlor') to make a gift, on trust, for the benefit of his or her family, whilst allowing capital to be returned to the investor from time to time, if required.

The Wealth Preservation Trust comprises two trusts. The first trust is a bare trust, and is called the Initial Trust. The second trust is a discretionary settlement, and is called the Settlement.

The Wealth Preservation Trust is used in conjunction with a series of single premium life assurance policies issued by Canada Life International Limited/Canada Life International Assurance (Ireland) DAC. The policies are fixed term policies, with flexible maturity dates.

At the outset, the investor will purchase the policies, having chosen the life or lives assured and the policy maturity dates.

The investor will then assign the legal title to the policies to the trustees of the Initial Trust. Then, immediately following that, the investor will assign his beneficial interest in the policies to the trustees of the Settlement.

The basis of the Initial Trust and Settlement

The investor plus one other person will be the trustees of the Initial Trust. At the outset, the trustees of the Initial Trust hold the policies on bare trust for the absolute benefit of the investor. Once the Initial Trust has been established the investor will then irrevocably assign his beneficial interest in the policies to the trustees of the Settlement. Please see the explanation of who may be the trustees of the Settlement under the section 'What are the practical effects of using the Initial Trust and Settlement?'.

The legal title to the policies remains with the trustees of the Initial Trust. The trustees of the Settlement will make all investment decisions in relation to the policies, and will instruct the trustees of the Initial Trust to send the relevant paperwork to Canada Life International Limited/Canada Life International Assurance (Ireland) DAC. In the event of a claim on maturity, death or surrender, Canada Life International Limited/Canada Life International Assurance (Ireland) DAC will deal with the trustees of the Initial Trust, who will act on the instructions of the trustees of the Settlement. It is the trustees of the Settlement who have the ultimate decision as to who receives the benefits following the investor's death or following surrender.

The Settlement is a discretionary trust which means that the trustees of the Settlement can distribute the trust fund to any beneficiary as they in their complete discretion see fit.

The individuals named or identified in Part 5 of the Settlement are the beneficiaries when the Settlement is established.

There is also a power for the trustees, with the consent of the settlor, to add beneficiaries at a later date. It should be noted that the settlor (the investor) is excluded from the definition of beneficiary.

The trustees of the Settlement can decide to extend the term of an individual policy provided it has not already reached maturity. If they so decide, they will instruct the trustees of the Initial Trust to complete the necessary paperwork and send it to Canada Life International Limited/Canada Life International Assurance (Ireland) DAC.

On maturity of a policy during the settlor's lifetime, the sub-trust on which the beneficial interest in the policy is held will come to an end, and the maturity proceeds will revert to the settlor.

What are the practical effects of using the Initial Trust and Settlement?

The legal title to each policy will be owned by the trustees of the Initial Trust. The beneficial interest in each policy will be held by the trustees of the Settlement. The investor is the settlor of the Settlement because he assigns his beneficial interest in the policies to the trustees of the Settlement, to hold on the terms of the Settlement.

The trustees of the Initial Trust are the settlor and whomever he appoints to act with him. It is important for the trustees of the Initial Trust to realise that the signatures of all of them will be required for all transactions relating to the policies. The trustees of the Initial Trust will act on the instructions of the trustees of the Settlement.

Where the settlor wishes to be a trustee of the Settlement, there should be at least one independent trustee, who is not a beneficiary of the Settlement or the spouse or registered civil partner of the settlor. This other trustee might be a solicitor or an accountant, or some other responsible person, perhaps a sibling of the settlor.

In making decisions, the trustees of the Settlement must act unanimously where there is more than one trustee. The trustees should remember that the question they should consider from time to time is: 'should we exercise any of our powers for the benefit of one or more of the beneficiaries of the Settlement?'

If the settlor decides not to be a trustee of the Settlement, then there should be at least two individual trustees or a corporate trustee. In these circumstances, the settlor's spouse, or registered civil partner, might be a trustee of the Settlement. In addition, one of the adult beneficiaries of the Settlement could be a trustee, too. So, for example, it might be that the trustees are the settlor's spouse, or registered civil partner, and an adult child of the Settlor. Alternatively, they might include a solicitor or an accountant, or some other responsible person, perhaps a sibling of the settlor.

Again, the trustees should remember that the question they should consider from time to time is: 'should we exercise any of our powers for the benefit of one or more of the beneficiaries of the Settlement?'

To protect you and us from financial crime, we need to verify the identity and address of all owners, including newly appointed trustees. To assist us, we will require documents sufficient to verify the identity and address of all owners and appointed trustees. In the absence of such documents, we may use credit reference agency searches to verify the identity and address. Please note this will not affect anyone's credit rating.

The trustees of the Settlement determine the interests of the beneficiaries up to 125 years after the date of the Settlement being established.

If by the end of that time they have not paid out the benefits or appointed them to anyone else, they must pay them to the beneficiaries named or identified in Part 5 of the Settlement.

What is the tax position?

Full details of the tax position are given in the Wealth Preservation Trust Tax Notes (form no 8306).

In general, the creation of the Initial Trust is not a transfer of value for inheritance tax purposes but the creation of the Settlement is a transfer of value for inheritance tax purposes. If the value transferred is within the settlor's available nil rate band, no inheritance tax should be payable.

The Settlement will be a 'relevant property' settlement. Accordingly, 10 yearly charges and exit charges to inheritance tax will be relevant going forward.

The creation of the Settlement should not constitute a gift with reservation for inheritance tax purposes. In addition, the settlor's interest in the Settlement should be exempt from income tax on pre-owned assets.

No charge to income tax or capital gains tax should arise on the creation of the Initial Trust or the Settlement.

The settlor may have a liability to income tax when one or more of the policies matures or is surrendered during the settlor's lifetime, as described above.

The Wealth Preservation Trust and the Wealth Preservation Account/Wealth Preservation Europe Account should not be within the scope of the General Anti-Abuse Rule, and should not be capable of being re-characterised under the so-called Ramsay principle.

This document is based on Canada Life International Limited's/Canada Life International Assurance (Ireland) DAC's understanding of applicable legislation, law and current HM Revenue & Customs practice as at December 2014. It is provided solely for general consideration.

The information regarding taxation is based on our understanding of current legislation, which may be altered and depends upon the individual financial circumstances of the investor. We recommend that investors seek their own professional tax advice.

Canada Life

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 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 Member of the Association of International Life Offices.

8308 – 116R