



Castle Trust & Management Services Limited

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The Castle Trust Spousal Bypass Trust

For use with new and existing Castle Trust pension plans

Introduction

Clients who are existing or prospective members of a Castle Trust pension scheme can nominate a **Spousal Bypass Trust** (SBT) to receive a lump sum death benefit from their pension plan. In doing so, their pension death benefits are kept under trust and are not included when calculating the spouse/civil partner/dependent's inheritance tax (IHT) liability on their subsequent death.

A Spousal Bypass Trust may not be suitable for everyone. Before proceeding with the set up of a SBT we strongly recommend that you seek financial and tax advice to ensure that the Trust is appropriate to your individual circumstances.

Why use a SBT?

Payments on death from a Gibraltar pension scheme are normally exempt from UK IHT and don't form part of a client's estate because the scheme trustees have discretion over who will receive the death benefit. Clients can nominate who they wish to receive benefits and how - known as 'nomination of beneficiaries' - from the beneficiaries allowable. This will be taken into account, although the scheme is not bound by this. They are normally paid to a spouse, civil partner or other dependent.

However, if a lump sum from pension death benefits is to be paid to a beneficiary's estate, this may create or worsen any IHT implications if they are close to or over the IHT threshold (nil-rate band), as there may be little time for them to implement appropriate IHT protection for future beneficiaries on their death. Alternatively, there may be no IHT issues for the beneficiary, but the client may not wish them to have uncontrolled access to a large sum of money. This may be due to their age or other circumstances.

A Spousal Bypass Trust can be used therefore, to protect pension death benefits from IHT on the subsequent death of a spouse/civil partner or dependent, and to provide clients with some control over how their benefits are paid.

Managed and operated by Knights Chartered Accountants, which is affiliated with other firms of Chartered Accountants in all principal cities of the world

Registered in Gibraltar No.46030

Regulated and Licensed by the Financial Services Commission Licence No. FSC 00229B

Bankers: NatWest Bank plc. Auditors: Deloitte





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Who is a SBT suitable for?

In general, members of schemes (where a separate trust is within the allowable death beneficiaries) who wish to:

- protect the value of pension death benefits from IHT on the subsequent death of the intended beneficiaries and/or
- prevent potential beneficiaries having uncontrolled access to large sums of money.

New or existing Castle Trust Group clients can nominate a SBT to receive pension death benefits upon their death. Both benefits pre and post income drawdown death benefits may be paid to the Trust.

A SBT may not be suitable if the aim is to pay beneficiaries shortly after the death benefits are paid into trust, especially within two years of the pension scheme being notified of the client's death - as an IHT exit charge may apply.

Key benefits

- A SBT may help to reduce the beneficiaries' IHT liability if they are close to or over the IHT threshold - money held in Trust does not form part of a surviving spouse/civil partner's estate.
- The client can make trustees aware of their wishes for the future distribution of any funds, so maintaining some element of control post death e.g. to prevent younger beneficiaries having uncontrolled access to large sums of money.
- The client, while alive, has the flexibility to change the beneficiaries or terms of the trust.
- Trustees can make loans to beneficiaries as required. For example, beneficiaries can receive funds as a loan, which will be repaid to the Trust from their estate when they die. This would have the effect of reducing the value of their estate.

How to set up the SBT

Clients must:

- nominate the Trust as a beneficiary for pension death benefits, either when the plan is set up using the application form, or afterwards using our Expression of Wishes form, and
- complete the details below so that we can prepare the Trust Deed for you.

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How much does it cost?

In order to create the trust an initial gift to the trust must be made. The amount is up to you and can be as small as £10.

Trustees must be appointed to look after the trust. Castle Trust is prepared to act as trustee for your SBT and for this service we will charge £250 at outset. No further fees will be payable until such time as the death benefit is paid into the trust, at which point Castle Trust's standard trustee fees will apply. A fee schedule is available upon request.

SBT Taxation

The SBT will be established in Gibraltar and be subject to Gibraltar taxes. At the time of writing there are no Gibraltar taxes on the income or capital gains produced by a Gibraltar trust. If you are not a Gibraltar resident you should seek your own tax advice as to whether tax in your country of residence and/or domicile would be payable.

Details required in order to establish the trust

Please complete the accompanying New Trust Client Introduction Pack and then return it to Castle Trust together with a cheque for the Initial Gift plus £250 for Castle Trust to be appointed as trustee of your trust.

Cheques should be made payable to Castle Trust & Management Services Limited. If you would prefer to make your payment electronically, please contact us for details.

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