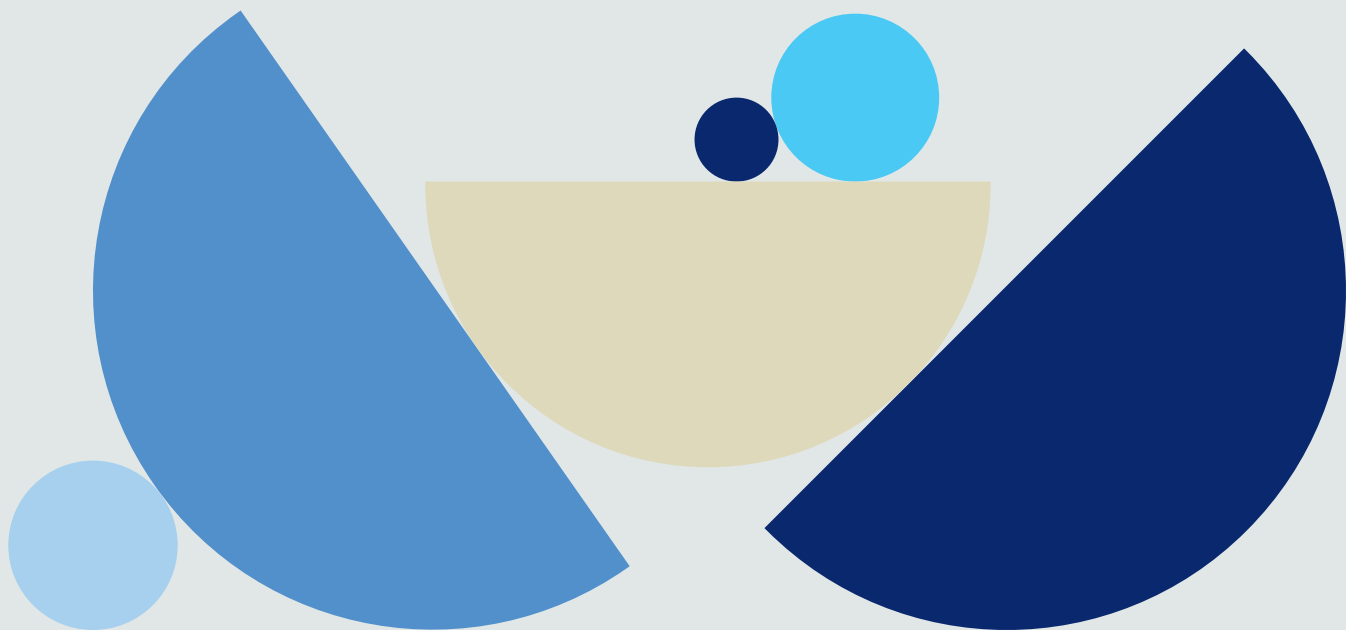


Absolute Trust Deed



What is it?

An absolute trust designed for use with life assurance policies (including investment bonds). The trust is only suitable for those wanting to make outright, absolute gifts as the beneficiaries can never be changed. The donor(s) (the person(s) creating the trust) cannot benefit from the trust at any time.

If greater control and flexibility is required, a more flexible type of trust should be considered instead. Please speak to your adviser.

Aims of the trust

To create an absolute gift from the donor(s) to the trust beneficiaries.

To ensure the policy proceeds will not be liable to inheritance tax.

To ensure that if the benefits of the policy are paid on the donor's (your) death, they are paid into the trust without the delay that would arise from the need to obtain a grant of probate/letters of administration on your estate. There will need to be at least one surviving trustee at the date of your death to avoid probate delay.

When should this trust not be used?

- If you want to retain any of the policy benefits for yourself. You cannot benefit from the trust at any time.
- If your policy is a joint owner/joint life first death policy, because the surviving owner will not be able to benefit from the proceeds of the policy payable on death.
- If your policy is to be assigned as security for a loan.
- If you have, or are applying for, critical illness assurance, you will not be able to benefit from the proceeds of the policy payable on suffering a critical illness.
- If your policy is to be used for business protection, as a different type of trust will be more suitable. Please speak to your adviser.

How does it work?

The Absolute Trust ensures that the nominated beneficiary(ies) will receive the benefit of the policy. The beneficiaries should be individually named and, if there is more than one beneficiary, each beneficiary's share of the trust fund must be stated.

Once the beneficiaries have been chosen they cannot be changed. Their interest in the trust is absolute and neither the donor nor the trustees can alter that.

If a beneficiary should die, their interest in the trust will pass on in accordance with their Will, or by the laws of intestacy.

How is the trust set up?

Completion of the form is very straightforward – see below. Your full name(s) must be written in the space provided (as the 'Donor').

Beneficiaries' box – you should write the full name(s) of the nominated beneficiaries of the trust fund and the share each is to take (expressed as a percentage) in this box. Please ensure that the shares add up to 100%. **Do not leave this box blank.**

Please note that once the beneficiaries have been chosen, neither the nominated beneficiaries, nor their share of the trust fund, can be changed in the future.

In the boxes underneath the beneficiaries' box, you should sign and date the deed and your signature(s) must be witnessed by an individual who is neither a trustee nor a beneficiary under the trust, nor your spouse or civil partner.

Additional trustees' box – you should write in the full name and address of each additional trustee and each trustee should sign in the box. You can appoint up to four additional trustees in the boxes provided. We recommend that at least two additional trustees are appointed. You, the donor, are automatically a trustee and so you should not be included in this box.

If you do not appoint any additional trustees, and if the benefits of the policy are paid on your death, we will need to delay payment until a grant of probate/letters of administration on your estate has been obtained. This is because the claim will need to be made by your legal personal representatives or someone they have appointed to operate the trust.

Trustees and trustee bank account

The trustees will be in control of the operation of the trust. As Zurich will make payment to all the trustees, they may need to set up a trustee bank account.

However, if the policy provides Family Income Cover (a benefit which provides a regular income following the death or critical illness of a life assured until the end of the term of the policy), then a trustee bank account must be set up to receive the ongoing payments until the end of the term of the policy.

Inheritance tax

Inheritance tax (IHT) is a complex subject. These notes are not comprehensive and are intended only to give a broad outline of our understanding of the tax position based on the law as at 1 July 2022. It does not constitute tax advice, and donors should take their own tax advice before making any payments, gifts or assignments.

Payment of the policy premiums will be treated as gifts for IHT purposes which are often covered by one or more of the IHT exemptions (annual exemption and/or normal expenditure out of income exemption). However, that does depend on the donor or donors' personal circumstances and, if and to the extent that the gifts are not covered by exemptions in any case, the tax treatment varies depending on whether the policy has any value, and who's paying the policy premiums.

If the policy has no surrender value, and if the donor(s) pays the policy premiums directly to Zurich, they may be chargeable lifetime transfers (CLTs) – meaning that an immediate charge to IHT could arise, depending on the donor's circumstances and the availability of his/her nil rate band. If instead the donor(s) makes payments to the trustees (via a trustee bank account) for the trustees to pay the policy premiums, they should be potentially exempt transfers (PETs), which means that if the donor survives the gift by seven years, the transfer will be free of IHT. The position for protection policies which accrue a surrender value is more complex and advice is essential. Please note, where the policy premiums are covered by the IHT exemptions referenced above, they will be exempt transfers and so this paragraph will not apply.

If the policy is already in force, the assignment of the policy to the trust will be a PET which, in general, will be based on the market value of the policy at the time. If the policy is a term policy, this is likely to be negligible unless the donor(s) is in serious ill health. However, if the policy is a whole of life policy and assuming good health, the value of the PET will be the market value of the policy or the total of all the premiums made to the policy if greater.

If an investment bond is placed in trust, the creation of the trust will represent a PET by the donor(s) equal to the value of the bond.

The payment of the proceeds will not be liable to IHT.

If a beneficiary dies before the donor, the value of their share of the trust fund is considered to be part of their estate, even though the donor is still alive and they have not, as yet, received any actual benefit from the trust. There could, therefore, be a potential IHT liability on the beneficiary's estate. This will depend on the circumstances of each individual case and advice is essential.

Trust registration

Trust registration is a complex subject. These notes are not comprehensive and are intended only to give a summary of our understanding of the position on 1 July 2022.

Protection policies

An Absolute Trust holding a protection policy (whether term or whole of life) which **only** pays out on the death, terminal illness, critical illness, or disablement of the person assured is excluded from registering on HM Revenue & Customs' (HMRC) Trust Registration Service (TRS). That is providing benefits are distributed as summarised below:

For a death claim

The benefit is paid to beneficiaries within **two years** of the date of death.

For a terminal illness claim

The benefit is paid **directly** to the beneficiaries.

Additionally, a trust holding a protection policy which includes a surrender value should also be excluded from registration providing:

- there have been no partial surrenders from the policy or
- in the event of a full surrender, benefits are paid **immediately** and **directly** to a beneficiary.

A trust must **always** be registered should it become liable for tax.

Should a trust need to be registered, it is the trustees' responsibility to do so. Zurich may require proof of registration and the trustees can obtain this by downloading a PDF output from the TRS.

Investment policies

An Absolute Trust holding an investment bond or regular premium investment plan would need to be registered on HMRC's TRS. It is the trustees' responsibility to register the trust.

The registration deadline for a new trust is 90 days from its creation. It is important the trustees understand the need to register, as late registration may incur a financial penalty. Once registered, the information on the TRS must be updated within 90 days of any changes.

Zurich will require proof of registration. This can be obtained by downloading a PDF output from the TRS.

The trustees may need to seek professional advice about their registration responsibilities.

Important note

We will send correspondence and notices relating to the policy to the first named trustee only. This will normally be the donor.

Creating a trust is an important matter and has lasting legal and tax consequences. These notes are for your general information only and cannot cover every situation. The trust is provided in draft form for consideration by your legal advisers. They are responsible for ensuring that it takes into account your individual circumstances and requirements. The trust, once created, is irrevocable and the policy and its benefits must be held according to the terms of the trust. The trustees will be in control of the operation of the trust which means that they may need to set up a trustee bank account and are responsible for understanding and complying with any applicable trust registration requirements. Any options and any further policies that are issued as a result of the exercise of any options will also be held subject to the trust.

The draft trust and these notes are based on our understanding of current law and HMRC practice (1 July 2022). Although every care has been taken in the preparation of these notes and the draft trust, neither Zurich Assurance Ltd nor any of its officers, employees or agents accept responsibility for the operation of the trust which should be referred to your own legal advisers to ensure it meets your requirements.

Trust provisions

1. Definitions

‘Civil Partner’ means someone who has formed a civil partnership with the person referred to in accordance with the Civil Partnership Act 2004. It includes surviving Civil Partners but it does not include former Civil Partners if the civil partnership has been ended.

‘Company’ means Zurich Assurance Ltd.

‘Donor’ means the person or persons declaring this trust and where two persons are named, the term Donor shall refer to them both and the survivor of them.

‘Policy’ means the policy of assurance identified above and any other life assurance policy included in the Trust Fund. Where the policy is a bond, it includes all the policies which make up the bond. It also includes any other policies set up in the exercise of rights under that policy and any property derived from that policy.

‘Spouse’ means the husband or wife or widow or widower of the person referred to at the relevant time. It does not include divorced persons who were previously married to each other.

‘Trustee(s)’ means the Donor and the Additional Trustee(s) named above or the Trustee(s) for the time being of this trust.

‘Trust Fund’ means:

- (a) the Policy
- (b) any policies of assurance that are held by the Trustees subject to this trust
- (c) any policies effected in accordance with any option in any policy subject to this trust
- (d) all monies, investments and property paid to or transferred to the Trustees as additions to the Trust Fund
- (e) any property representing the above.

Unless the context indicates otherwise, words in the singular will be deemed to include the plural and the masculine to include the feminine and vice versa.

2. Creation of the Trust

The trust will commence on the date shown immediately below the Donor’s signature or, if later, the date the above numbered Policy is issued to the Trustees.

- (1) If the Policy is not issued:
the Donor states that, in submitting the application for the above numbered Policy to the Company, he is acting with the intention of making himself and the Additional Trustees specified above Trustees for the beneficiary or beneficiaries named or referred to above upon the trusts and subject to the powers set out below. The Donor directs the Company to issue the

above numbered Policy to the Trustees to hold on the terms of this trust and requests that the Policy should be endorsed to this effect.

- (2) If the Policy is issued:
the Donor holds the above numbered Policy as Trustee for the beneficiary or beneficiaries named or referred to above upon the trusts and subject to the powers set out below. The Donor wishes to appoint the Additional Trustees specified above as Additional Trustees of the Policy and declares that he holds the Policy in trust as set out above and appoints the Additional Trustees as Trustees of the Policy jointly with him and assigns the Policy to the Additional Trustees and himself jointly.

3. Beneficiaries

The Trustees hold the Trust Fund and the income thereof upon the trusts and with and subject to the powers and provisions set out below for the absolute benefit of the person(s) in the box marked “Beneficiaries” and, if more than one, in the shares specified and, if no such shares are specified and there is more than one beneficiary, in equal shares.

4. Powers in relation to Income and Capital of the Trust Fund

Both before and after the Donor’s death, income will be paid to the person(s) in the box marked “Beneficiaries” and if more than one in the shares specified and, if no such shares are specified and there is more than one beneficiary, in equal shares.

5. Appointment and Removal of Trustees

- (1) The Donor has the power to appoint new Trustees. After the death of the Donor (or both Donors), the Trustees for the time being may appoint new Trustees.
- (2) During the Donor’s lifetime the Donor has the power to remove any Trustee provided that there are at least two Trustees remaining after the removal and one of the remaining Trustees is neither the Donor nor the Donor’s Spouse or Civil Partner.
- (3) As long as there are at least two other Trustees, if a Trustee cannot be found, after reasonable efforts have been made to find him, the remaining Trustees can discharge the missing Trustee. It is up to the remaining Trustees to decide whether reasonable efforts have been made to find the missing Trustee and no other person shall be under any duty to ensure that it was proper for the Trustees to have exercised their power to discharge the missing Trustee.

6 General Powers

- (1) The Trustees have all powers conferred by the law. In addition they have the powers in 6(2) below. The Company cannot be held accountable for, and is under no duty to investigate, the exercise of any of their powers by the Trustees, or how they apply any part of the Trust Fund.
- (2) The Trustees can:
 - (a) borrow for the purposes of the trust on whatever terms they think appropriate. They can use any part of the Trust Fund as security. The lender is under no duty to check that they use the money properly;
 - (b) make the Policy paid-up even if the sum assured is reduced as a result;
 - (c) surrender or partially surrender the Policy;
 - (d) sell any part of the Trust Fund (including the Policy);
 - (e) subject to 7(1) below, exercise rights under the Policy which can reduce the benefits payable under it or, with the Company's consent, reduce the sum assured or premiums payable under the Policy;
 - (f) subject to 7 below, release any powers which can be exercised by the Trustees (including this power). The Trustees can do this wholly or partly and impose whatever conditions they think are appropriate;
 - (g) invest the Trust Fund as though they owned it beneficially and absolutely. The Trustees can invest in income producing and non-income producing assets (including life assurance policies);
 - (h) delegate the exercise of any of their investment or management powers in relation to the Trust Fund, to any person they think fit, even if the delegate is resident or situated abroad. The Trustees can transfer the ownership of any property in the Trust Fund for these purposes;
 - (i) accept as a valid discharge any receipt, for any payment by the Trustees, given by a parent or guardian of a beneficiary who is a minor. The Trustees do not have any duty to ensure that the payment is paid to, or applied for the benefit of, the relevant beneficiary.
 - (j) subject to 7(1) below, advance all of a beneficiary's share of capital.

7 Limiting Exercise of Powers

- (1) If the Donor is alive, the powers in 6(2)(e), (f) and (j) can only be exercised with his agreement.
- (2) Unless the Trustee is a trust corporation, the powers in 6(2)(f) can only be exercised if there are at least two Trustees, and at least one of them is neither the Donor nor his Spouse or Civil Partner.

8 Administration of Trust outside the UK

All or part of the administration of this trust can be transferred outside the United Kingdom and persons resident outside the United Kingdom can be Trustees.

9 Donor's Incapacity

If any Donor becomes mentally incapable as defined by the Mental Capacity Act 2005 or any Act of Parliament which supersedes that Act, his rights and powers under this trust will be exercisable as if he is dead at that time.

10 Charging by Trustees

Apart from the Donor and his Spouse or Civil Partner, any Trustee who is in a profession, business or trade can charge his usual fees and charges for work done on behalf of the trust. This applies even where a Trustee who is not in the relevant profession, business or trade could have done the work personally.

11 Liability of Trustees

A Trustee shall not be liable for a loss to the Trust Fund unless that loss was caused by his own fraud or negligence. The duty of reasonable care set out in section 1, Trustee Act 2000, or any Act of Parliament which supersedes that Act and which sets out a Trustee's duty of care, applies to all the functions of the Trustees.

12 No duty to investigate Exercise of Power

Where the agreement or consent of any person is needed for the exercising of a power by the Trustees, no person dealing with the Trustees needs to be concerned whether that agreement or consent has been obtained.

13 Choice of Law and Jurisdiction

This trust is subject to the law of England. The parties are subject to the jurisdiction of the English courts.

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in large print, braille or audio.

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