

# A SIMPLE TRUST GLOSSARY

## WHAT IS A TRUST?

A trust is a legal arrangement which allows a person to transfer money out of their estate and to entrust the assets (the trust fund) to the trustees who hold it for the benefit of the beneficiaries. The trust fund can include cash, life assurance policies, investments or possessions such as a house or car.

Normally a trust document sets out the powers, responsibilities and rights of the various people involved in the trust.

## THE SETTLOR

The person who sets up a trust is called the settlor. The settlor is the owner of the assets being put into the trust and transfers legal ownership of it to the trustees.

## BENEFICIARIES

Beneficiaries are chosen by the settlor to benefit from, or potentially benefit from, the trust fund in line with the trust. Depending on the type of trust they may be identified by name, or described as a class, such as children or grandchildren of the settlor so that any children born in the future will be included. Beneficiaries do not have to be a relative of the settlor. They can be an individual, company or charity. The beneficiaries are selected at outset and depending on the flexibility of the trust may sometimes be changed or added to.

## THE TRUSTEES

The settlor chooses who the trustees will be, however a trustee must agree to their appointment. A trustee can be an individual, such as a family member, friend or family solicitor, or a corporate trustee such as a bank. There are no restrictions on who can be a trustee except that they must be over 18 and of sound mind. They should be someone the settlor trusts and who is likely to outlive the settlor. The settlor can be a trustee themselves.

## HOW MANY TRUSTEES?

Usually there can be any number of trustees, though it is advisable to have at least two so that, should one die, control of and access to the trust fund can continue without interruption. Usually, the settlor has the power to choose further trustees during their lifetime. Depending on the trust wording, the settlor can choose another person to have the power to select trustees. Following the settlor's death it is usually up to the other trustees to choose extra trustees, if needed.

## TRUSTEES' DUTIES

The job of the trustees is to hold the trust property and administer it for the benefit of the beneficiaries as set out in the trust. Having too many trustees can lead to administrative problems, as usually they must all agree on any decisions made about the trust. If one of the trustees disagrees with a proposed action it cannot go ahead, unless a majority decision is stated in the trust provisions. If the trustees act in a way which breaches the rules of the trust, they can be personally liable for any resulting loss.

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## CHANGING A TRUSTEE

The settlor and trustees cannot usually change or remove a trustee, however trustees may be able to remove another trustee in certain circumstances. A trustee may retire from being a trustee as long as they receive consent from the other trustees and the settlor. Additional trustees will be needed when the retirement of a trustee leaves just one remaining trustee.

Some trusts allow the settlor or another nominated person to remove trustees.

## ARE TRUSTEES PAID FOR THEIR WORK?

A corporate trustee can receive payment for their duties, however an individual trustee is not normally allowed to make a profit from their duties.

## THE PROTECTOR

Some trusts allow the settlor to appoint a protector. A protector's powers will be set out in the trust document and usually allow the protector to supervise the actions of the trustees. The protector may also have the power to add or remove trustees. The settlor can also be the protector.

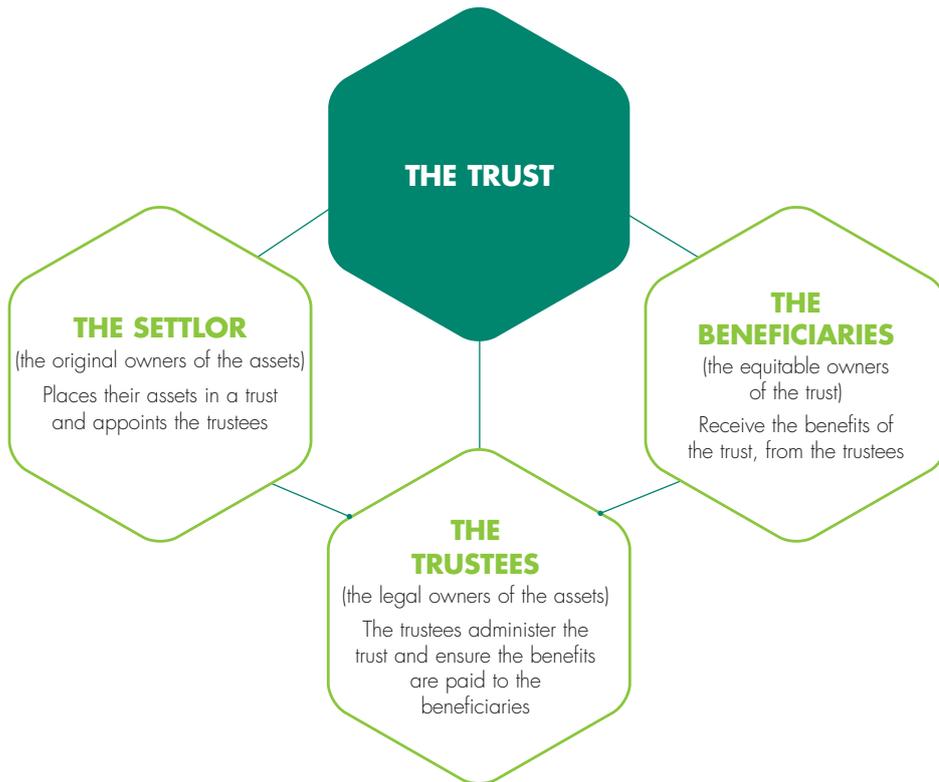
## THE TRUST

The trustees have legal ownership of the trust property, but cannot use it as their own personal property; they can only use it for the benefit of the beneficiaries.

The trustees are the legal owners and are entitled to make a claim on any policy included in the trust.

The beneficiaries have 'the equitable or beneficial ownership', which means that although they cannot make a claim on an assurance policy, they can claim against the trustees in accordance with the terms of the trust.

A trustee can also be a beneficiary.



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