

ESTABLISHING A TRUST IN THE UK

A guide to protecting the wealth of for Norfolk,
Suffolk, and Essex families



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Estate planning is a vital step you can take to safeguard your family's future. For many people across Norfolk, Suffolk, and Essex, a trust provides a powerful and adaptable tool for managing assets, protecting loved ones, and ensuring your wealth is transferred according to your exact wishes. This guide will clarify the process of establishing a trust and offer straightforward, practical advice on how it can benefit you and your family.

A trust is a legal arrangement in which you transfer ownership of your assets to a small group of people, known as trustees. They then manage these assets for others, called beneficiaries. Think of it as placing your money, property, or investments into a secure box. You appoint trusted individuals to look after the box and its contents, giving them instructions on who can benefit from it and when. This arrangement allows for greater control over your wealth, even after you are gone, than a simple will might provide.

UNDERSTANDING THE KEY PARTIES INVOLVED

Three main parties are essential in any trust arrangement. The first is the Settlor, the person who establishes the trust and transfers assets into it. Once the assets are in the trust, they legally belong to the trustees, not the settlor. The second party is the Trustees. These are the individuals (or sometimes a trust corporation) appointed to manage the trust. They have a legal duty to act in the best interests of the beneficiaries

and to adhere to the rules specified in the trust deed.

Finally, there are the Beneficiaries. These are the people or groups of people who are meant to benefit from the trust. A beneficiary might be a spouse, a child, a grandchild, a friend, or even a charity. The terms of the trust will specify how and when they can receive assets or income from the trust fund. For a family in Norfolk with young children, this could mean securing their education, while a Suffolk business owner might use a trust to manage the transfer of their company to the next generation.

AN OVERVIEW OF COMMON UK TRUSTS

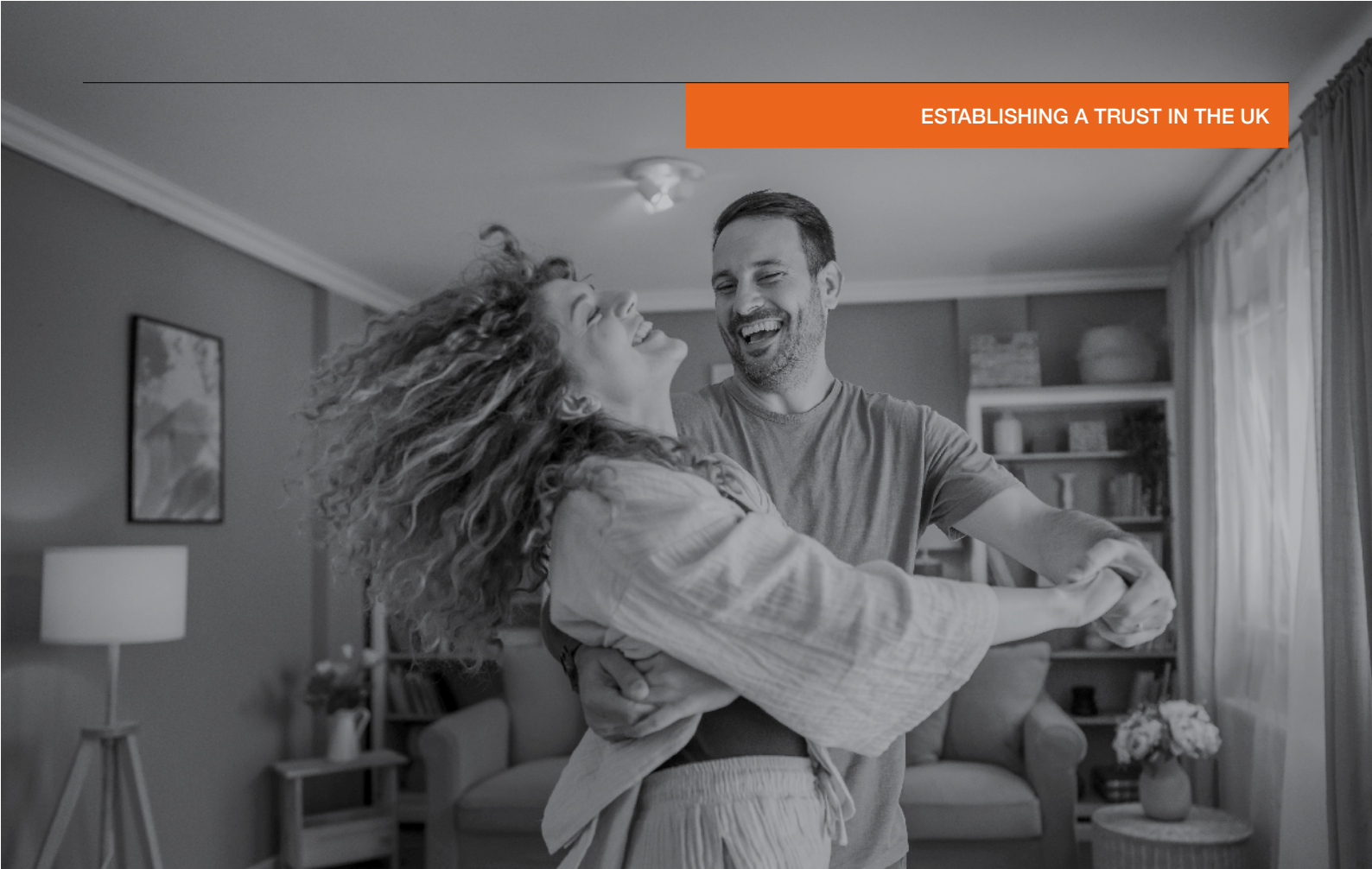
The UK legal system provides various types of trusts, each tailored for specific purposes. A Bare Trust is the simplest type, where the beneficiary has an unconditional and immediate right to the trust's capital and income once they turn 18 (16 in Scotland). It is frequently used to hold assets for children, as it is transparent and easy to understand.

An Interest in Possession Trust is another common type. Here, a beneficiary, often called the life tenant, has the right to receive all the income generated by the trust's assets for their lifetime. For example, a person might place their home in a trust for their spouse to live in for the rest of their life. After the spouse passes away, the property would then pass to the final beneficiaries, such as their children. This is a popular choice in second marriages to balance the needs of a new partner with the inheritance for children from a previous relationship.

EXPLORING DISCRETIONARY AND WILL TRUSTS

A Discretionary Trust offers the greatest flexibility. In this type of trust, the trustees have full discretion regarding how income and capital are allocated among potential beneficiaries. No beneficiary has an automatic entitlement to anything. This is especially beneficial when you are unsure about your beneficiaries' future needs. For instance, a family in Essex might establish one for their grandchildren, allowing trustees to allocate funds for a house deposit for one, support another through university, or assist a third in starting a business, all depending on their individual circumstances as they arise.

A Will Trust is a trust established within your will that only takes effect upon your death. This is a common feature in estate planning, helping you to care



for vulnerable beneficiaries, safeguard assets from being wasted, or handle complicated family matters. For instance, you might set up a will trust to hold your estate until your children reach a more suitable age, such as 25, instead of inheriting a large sum at 18.

WHEN SHOULD YOU CONSIDER A TRUST?

Trusts are not only for the very wealthy; they serve as a practical tool for many families. You might consider setting up a trust if you wish to provide for a vulnerable loved one who may struggle to manage their own finances, such as a child with a disability. They are also highly effective for safeguarding assets against potential future claims, like divorce settlements or creditors, if a beneficiary encounters financial difficulties.

Another key reason is to regulate the distribution of your wealth. If you have children from a previous relationship, a trust can ensure your current partner is cared for while also protecting your children's inheritance. For small

business owners in the region, from the tech hubs around Cambridge to the agricultural businesses in rural Suffolk, trusts are invaluable for succession planning, ensuring a smooth transfer of business assets without disrupting operations.

UNDERSTANDING INHERITANCE TAX (IHT) PLANNING

One of the most effective uses of a trust is for Inheritance Tax (IHT) planning. When you place assets into certain types of trusts, they are often regarded as outside your estate for IHT purposes after a period of seven years has elapsed. This is known as the '7-year rule'. If you survive for seven years after making the gift into the trust, its value will not be included in your estate calculation for IHT.

In the 2025/26 tax year, everyone has a Nil-Rate Band (NRB) of £325,000. This is the amount you can pass on without paying IHT. There is also a Residence Nil-Rate Band (RNRB) of £175,000 if you leave your main home to direct

descendants. Gifts into certain trusts, especially discretionary trusts, are considered 'chargeable lifetime transfers' and may incur an immediate IHT charge of 20% if they exceed your available nil-rate band. However, careful planning can help reduce this liability.

ADVANCED IHT CONSIDERATIONS WITH TRUSTS

For discretionary trusts, there are ongoing tax charges to consider. A periodic charge of up to 6% may be payable on the value of the trust fund every ten years. An exit charge may also apply when capital is distributed to a beneficiary. These charges are complex, but with professional guidance, they can be managed effectively. It is also essential to be aware of the 'gift with reservation of benefit' rule. If you transfer an asset into a trust but continue to benefit from it (for example, placing your house in trust while continuing to live in it rent-free), HMRC will treat it as if it never left your estate for IHT purposes.

Another important consideration is the ‘deprivation of assets’ rule, which is particularly relevant if you are concerned about funding long-term care. If a local authority assesses that you have deliberately transferred assets, such as placing them in a trust, to avoid paying for care home fees, they can still include the value of those assets in their means test. This is a complex area, and it is crucial to seek advice to ensure any planning is solid and not vulnerable to challenge.

TRUSTS AND THEIR IMPACT ON BENEFITS

If a beneficiary receives means-tested benefits, obtaining a large inheritance directly could disqualify them. A discretionary trust is an excellent solution in this situation. The trustees, not the beneficiary, hold the assets, so they are not included in a means test for benefits. The trustees can then use the trust funds to enhance the beneficiary’s quality of life by paying for holidays, a new car, or home adaptations, without affecting their state support.

This offers reassurance to families across the region who may be caring for a vulnerable relative. It ensures that your hard-earned money improves their life as you intended, rather than simply replacing the support they would usually receive from the state. Professional advice is crucial for structuring this properly.

MANAGING PROPERTY AND LIFE INSURANCE IN A TRUST

Placing property into a trust is a common strategy. For example, many holiday homeowners with coastal properties in Norfolk or Suffolk might put their second home in a trust for their children and

grandchildren to enjoy for generations. This can also be an effective way to ring-fence a property from potential relationship breakdowns or business risks faced by a beneficiary.

Similarly, writing a life insurance policy in trust is one of the simplest and most effective estate planning steps you can take. When a policy is in trust, the payout upon your death goes directly to the beneficiaries through the trustees, rather than into your estate. This means the funds are not subject to IHT and, crucially, do not need to go through the often lengthy probate process. Your family can access the money much faster, providing vital financial support when they need it most.

SPECIAL RELIEFS FOR BUSINESS AND AGRICULTURAL ASSETS

For many families across Norfolk, Suffolk, and Essex, the ability to pass on a farm, a family-run business, or even shares in a qualifying company without incurring a hefty IHT bill is crucial to preserving their legacy. Agricultural Property Relief (APR) and Business Property Relief (BPR) have long been vital parts of this planning, enabling valuable assets to transfer easily to the next generation. However, reforms announced in the Autumn 2024 Budget will substantially change how these important reliefs are applied.

WHAT IS CHANGING?

The government has introduced changes designed to rebalance the system, which will take effect over the next couple of years.

- From 6 April 2026: A new cap will be introduced. The current 100% relief

from IHT will be limited to a combined total of £1 million for assets qualifying for APR and BPR per estate. For asset values that exceed this £1 million cap, the rate of relief will be reduced to 50%.

- From 6 April 2025: In a positive development for landowners involved in conservation, the scope of APR will be extended. It will now apply to land managed under certain qualifying environmental agreements, recognising the value of sustainable land stewardship.

WHAT STAYS THE SAME?

While the headline relief is changing, the fundamental architecture of APR and BPR remains. The core qualifying rules, such as minimum ownership periods and business trading tests, will still apply. The distinction between a farm’s agricultural value (which qualifies for APR) and its open-market value will also remain critical. Similarly, these reliefs will continue to interact with trusts, making them a powerful yet complex tool in estate planning.

PRACTICAL PLANNING IMPLICATIONS FOR YOUR FAMILY

These changes make proactive planning more important than ever. Families with assets likely to exceed the new £1 million cap will need to review their succession strategies. This might involve:

- Re-evaluating asset valuations to understand your potential exposure.
- Considering the timing and phasing of asset transfers into trusts or to individuals.
- Maximising the use of spouse and registered civil partner exemptions, which remain unlimited for IHT.

- Reviewing existing trust structures to assess the future impact of periodic and exit tax charges in light of the new cap.
- Updating farm partnership or company shareholder agreements to reflect the new landscape.

For example, a multi-generational arable farm near Bury St Edmunds, valued at more than £1 million, might now consider restructuring ownership between spouses or placing different assets into separate trusts over time. Similarly, the owner of an engineering firm in Essex with valuable AIM-listed shares eligible for BPR will need to assess the impact of the 50% relief on any value exceeding the cap. For those with mixed-use coastal land in North Norfolk, separating trading business assets from investment components is even more essential.

Your action checklist:

- Obtain up-to-date valuations for your farm or business assets.
- Review your will and any existing trust deeds with a professional.
- Analyse your business structure, is it optimised for BPR?

- Assess how much of your farm's value is purely agricultural.
- Model the potential IHT liability under the new capped relief.
- Discuss succession plans openly with your family and business partners.
- Consider the benefits of lifetime gifting and using your annual exemptions.
- Explore how life insurance written in trust can cover any remaining tax liability.

The rules surrounding APR and BPR are complex, and the final legislation may contain further details. To understand exactly how these reforms will affect your specific circumstances, tailored financial modelling and expert advice are essential. At DG Financial Services, we can review your estate plan and ensure your family's legacy is protected for the future.

HOW TO CHOOSE THE RIGHT TRUSTEES

Choosing your trustees is one of the most important choices you will make. Your trustees are legally responsible for managing the trust, and their duties are substantial. They must act impartially, in the best interests of all beneficiaries, and with reasonable care and skill. You can

appoint family members, trusted friends, or a professional trustee. It is often wise to appoint both a family member who understands the beneficiaries' needs and a professional who is familiar with the legal and financial obligations.

You should think about appointing at least two trustees. This creates a system of checks and balances in decision-making and ensures the trust can continue to operate if one trustee is unable to act. Before appointing anyone, you must get their consent. You should also consider their age, health, financial knowledge, and location. It is also sensible to name successor trustees in the trust deed in case your initial choices can no longer serve.

TRUSTEE RESPONSIBILITIES IN DETAIL

The duties of a trustee are legally binding and extensive. They include investing the trust's assets prudently, maintaining detailed records, preparing annual tax returns, and deciding how to distribute funds to beneficiaries. They must understand the terms of the trust deed implicitly and act within the powers it grants them. They have a duty to treat all beneficiaries fairly, which can be

challenging when beneficiaries have competing interests, for example, a life tenant who wants maximum income versus a remainderman who wants capital growth.

Trustees should hold regular meetings to discuss the management of the trust and record their decisions in minutes. This record is vital for demonstrating that they have acted properly and fulfilled their duties. Given these important responsibilities, you might consider appointing a professional trustee, such as DG Financial Services, with the expertise and impartiality to manage the trust effectively and address any family conflicts that may arise.

THE PROCESS OF SETTING UP A TRUST

The first step is to seek professional financial and legal advice to assess whether a trust is appropriate for you and which type best aligns with your objectives. You will need to be clear about what you aim to achieve, which assets you want to place in the trust, who your beneficiaries will be, and who you want to serve as trustees. We can help you consider the long-term implications for your wealth.

Next is preparing the Trust Deed. This is the legal document that establishes the trust and outlines all the rules: the trustees' powers and responsibilities, the identities of the beneficiaries, and how the trust fund should be managed and distributed. Once you are satisfied with the deed, you and the trustees will

sign it. The final step is to transfer the assets into the trust, for example, by changing the name on a bank account to the trustees' names or updating the land registry details for a property.

COSTS, FEES, AND ONGOING ADMINISTRATION

Setting up a trust involves professional fees. You will encounter legal costs for drafting the trust deed and may incur financial advice charges for the initial planning. The complexity of the trust will affect the overall cost. For instance, a simple bare trust is cheaper to establish than a complex discretionary trust with multiple asset classes. Ongoing expenses include fees for preparing annual trust accounts and tax returns. If you appoint a professional trustee, they will also charge for their time and expertise.

Understanding these costs from the start is crucial, viewing them as an investment in your family's financial security. The protection and tax advantages a well-structured trust can provide often far surpass the initial and ongoing costs. At DG Financial Services, we offer a transparent fee structure so you can make an informed choice.

HMRC REGISTRATION AND RECORD-KEEPING

Most new UK trusts, as well as some existing ones, must now be registered with HMRC's Trust Registration Service (TRS). This requirement is part of anti-money laundering measures. Registration

is typically due within 90 days of the trust's creation. The TRS requires details of the settlor, trustees, and beneficiaries. There are some exemptions, such as for will trusts within two years of death and for life insurance policies held in trust, but the rules can be complex.

Trustees are legally obliged to keep comprehensive records for the trust. This includes the trust deed, details of all assets and their values, records of all income and expenditure, tax returns, and minutes of all trustee meetings and decisions. These records are crucial for demonstrating proper governance and for preparing the necessary reports for HMRC.

REVIEWING, AMENDING, AND MANAGING THE TRUST

A trust is not a 'set and forget' vehicle. It should be reviewed regularly, at least every few years, with us to ensure it continues to meet your objectives. Life circumstances change: new grandchildren may be born, tax laws can be amended, or the beneficiaries' needs may evolve. The trustees must ensure their investment strategy remains appropriate for the trust's aims.

In some cases, a trust can be amended, but this depends on the powers included in the original trust deed. Some deeds include a specific 'power of amendment'. If not, it may be possible to change a trust with the consent of all beneficiaries (if they are all adults and of sound mind) or by applying to the court, although this can



be a complex and costly process. This emphasises the importance of getting the structure right from the outset.

HOW DG FINANCIAL SERVICES CAN HELP

Navigating the world of trusts may seem daunting, but you don't have to do it alone. At DG Financial Services, we specialise in helping families across Norfolk, Suffolk, and Essex protect and grow their wealth for future generations. We understand the specific opportunities and challenges in our region, whether it's planning for the succession of a family farm, managing a portfolio of coastal properties, or structuring wealth for commuting professionals. Our team offers clear, personalised advice tailored to your individual circumstances.

We will work with you to understand your family's needs and financial goals, guiding you through every step of the process. From choosing the right type of trust and selecting your trustees to liaising with legal professionals and ensuring ongoing compliance, we are here to offer expert support. Let us help

you create a lasting legacy for your loved ones. ■

This guide was published before Chancellor Rachel Reeves' 2025 Autumn Budget, which was announced on Wednesday, 26 November. Please note that some details may have changed since the announcement.

At DG Financial Services, we are committed to helping families explore these opportunities within the wider context of their lives. Whether saving for retirement, funding education, or planning for property wealth, making effective use of allowances can be one of the most significant steps you take. To learn more about how these principles can support your financial journey, please contact us today.

THIS DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

Take the next step today. Book a no-obligation consultation to discuss your objectives so we can start developing a strategy that suits you. Contact DG Financial Services now to arrange your initial meeting and gain peace of mind with a carefully crafted estate plan.



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D G Financial Services Ltd is registered in England and Wales no. 06405618.
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If you wish to register a complaint, please write to russell.golledge@dgfs.biz or telephone **01379 454508**

A summary of our internal complaints handling procedures for the reasonable and prompt handling of complaints is available on request and if you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service at www.financial-ombudsman.org.uk or by contacting them on **0800 0234 567**.

