

OUR GUIDE TO TRUST ACCOUNTS



HARPENDEN
BUILDING SOCIETY

HOW A TRUST ACCOUNT WORKS

Opening a Trust Account

To open a new Trust Account, we need:

- A completed Trust application. This can be completed online or by completing a relevant application form.
- A trustee must sign the application form on behalf of all trustees. This includes an Execution Only declaration.
- A copy of the Trust Deed or Will.
- ID for all Trustees and Beneficiaries. Normally this will be done electronically, but if this is not possible (or a beneficiary is under the age of 18) then identification will need to be provided.

The account can be withdrawn without notice.

Full details of rates and terms can be found on our website: www.harpendenbuildingsociety.co.uk

Trust Account Rules

All withdrawals and any closures will need to be in line with the terms of the Trust deed.

We can only send funds to a nominated account in the name of the Trust, Trustee or Beneficiary.

Sending Instructions for Transactions

You can send money electronically by Faster Payment to the Trust's nominated bank account.

Requests can be made using Harpenden Online, in writing by post or in a Branch.

Managing the Trust Account

You can manage the accounts you hold with us through Harpenden Online, which you can register for on our website.

Alternatively, if you wish to manage the account through the post on in a Branch, we can send you a passbook.

Amending a Trust Account

To change Trustees, we need a completed 'Adding or removing a party from an account' form and a copy of the Deed of Retirement or Amendment. Our savings team will be happy to provide the form and help with your request.

Closing a Trust Account

Closure requests can be made through Harpenden Online, in writing through the post or in Branch.

More information on transactions can be found in the Sending Instructions for Transactions sections.

Who can use our Trust Account?

Our Trust Account can be used by any of the following UK based Trusts:

- Will Trusts.
- Personal Injury Trusts.
- Bare or Simple Trusts.
- Charitable Trusts.
- Life Interest Trusts.
- Discretionary Trusts.

Trust Definitions

A Trust is a legal arrangement where one or more Trustees hold funds or assets for the benefit of one or more Beneficiaries. There are different reasons for a Trust to be set up, and so there are different types of Trust. What type of Trust is used is largely up to the Settlor.

Settlor – This is the person or entity who creates the Trust and makes a gift to the Trust. They can also be known as the Donor, Grantor, Trustor or Trust Maker. They legally transfer control of an asset to a Trustee, and they decide who the Trustees and Beneficiaries will be.

Beneficiaries – These are the people that the Settlor wants to receive the money that they have put into the Trust.

Trustee(s) – The person/people with responsibility for managing the trust, and administering it for the purposes specified by the Settlor for the benefit of the Beneficiaries.

Trust Deeds

The Trust Deed will give a name to the Trust. It will also name the Settlor, and will show the date that the Trust was created. Trustees and Beneficiaries will also be named, as well as a Solicitor firm if necessary. In some cases, the Settlor's Will replaces the need for a Trust Deed.

The Trust Deed sets out the rules for the Trust to operate within, and that all Trustees must follow. All withdrawals and any closures with us will need to be part of the rules of the Trust Deed.

If the Trust Deed is changed, you must give us a copy of the Deed of Amendment or Retirement. If this has happened before you open an account with us, you should give us these documents when applying for a Trust Account.

TYPES OF TRUST EXPLAINED

Types of Trust explained:

Will Trusts

- A Will Trust is any Trust created by an individual's Will.
- They may be used to reduce Inheritance Tax.
- The Settlor's Will document replaces the usual Trust Deed.

Charitable Trusts

- They can be created for an educational or scientific purpose, as an example, and are organised as a legal charity.
- They must have a charitable purpose and public benefit.
- As a charity, they won't need to pay tax on most kinds of income or gains.
- The Charity Commission is able to provide advice on Charitable Trusts.

Personal Injury Trusts

- The source of the Trust funding defines this type of Trust.
- They are funded by an award of compensation for a personal injury.
- The Settlor or person funding the Trust will usually be the injured party.
- Personal Injury Trusts may be set up as Bare, Life Interest or Discretionary Trusts.

Life Interest Trusts

- Beneficiaries are known as 'life tenants'.
- Income will be paid to one or more Beneficiaries in fixed proportions.
- At the end of a defined period of time, such as when the Beneficiary dies, their Life Interest will end.
- At the end of one Life Interest, another Beneficiary will become entitled to the Trust assets. At this point, they will be granted their own Life Interest.

Discretionary Trust

These are where the trustees can make certain decisions about how to use the trust income, and sometimes the capital.

Depending on the trust deed, trustees can decide:

- What gets paid out
- Which beneficiaries to make payments to
- How often payments are made
- Any conditions to impose on the beneficiaries

Discretionary trusts are sometimes set up to put assets aside for:

- A future need, like a grandchild who may need more financial help than other beneficiaries at some point in their life
- Beneficiaries who are not capable or responsible enough to manage money themselves.

Simple/Bare Trusts

- The Beneficiary has a right to both income and capital from these types of Trust. The Beneficiary also has a right to withdraw all the income and capital if they are 18 or over.
- The Beneficiary is entitled to take ownership and control of the Trust.
- Trustees act as nominees for the Beneficiary and must act according to their instructions.

SETTING UP A TRUST

To set up a new Trust, it is important to think about:

- ✓ Who would you like to be the Trustees?
- ✓ Who would you like to benefit from the Trust funds?
This could be children or grandchildren, for example.
- ✓ How and when should the funds be distributed to the Beneficiaries?
- ✓ What restrictions should be in place on the Trustees for how they distribute assets or funds from the Trust?

Once you have decided, you should talk to your Solicitor and Accountant.

They will then be able to draw up a Trust Deed and advise you of any tax issues.

You may also want to seek independent legal advice.

WHO ARE TRUST ACCOUNTS SUITABLE FOR?

Suitable for:

- ✓ Have a UK based trust
- ✓ Are trustees who want instant access to their funds, or are happy to provide notice for a better interest rate
- ✓ Are trustees who want to manage their account online or by post

Not suitable for:

- ✗ Deposits in excess of £1,000,000.
- ✗ Have a non-resident Trust
- ✗ Want to deposit funds for a non UK based Trust
- ✗ Want a fixed rate of interest

When you are ready to open a Trust Account, please contact our savings team on 01582 765411 or email specialistaccounts@harpendenbs.co.uk