

CASE STUDY

LEAVING DEATH BENEFITS TO A TRUST

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This case study is from Meet the Joneses – Series 2. This series is set 4 years after Series 1. Information about the family and further case studies can be found on our website, www.curtisbanks.co.uk/meet-the-joneses. All characters in the Jones family are fictional and intended for demonstrative purposes only.

The Challenges

Karolina and Dan Jones have been reviewing their expressions of wishes. Both are in their early 50s and in good health, so they don't expect their expressions of wishes to be needed any time soon. However, the couple still try to review their arrangements at least annually, to check they would be appropriate for use if the worst should happen.

For the last few years they haven't changed their expressions of wishes, which leave their pensions to their two children, Alfie (26) and Paula (29). This year, however, they are concerned about the prospect of leaving money to Alfie.

Over the last few months, Alfie's spending habits have, in their view, become extremely irresponsible. He recently began completing a part-time degree course while working for his father and grandfather's business, and Dan and Karolina believe the new group of friends Alfie met on the course are a bad influence on him. Alfie has already spent most of the money he inherited as a lump sum from his late grandmother Margaret, instead of contributing it to his pension or saving it to use for a house deposit, as he'd always planned to do.

While Karolina and Dan are worried about Alfie's spending, they don't want to interfere too soon and risk upsetting the good relationship they've always had with their son.

They suspect there's a good chance the new group of friends will fall away once the course is over, if not before. At the same time, they can't help but think about what Alfie might do with any money he inherited while in this current mind set.

They'd always assumed that if Alfie inherited money from them he would put it into beneficiaries' drawdown and try not to use it unless really needed, as he had planned to do with the money he inherited from Margaret. Now, they're not convinced that Alfie wouldn't opt for a lump sum and spend the money in one go. Ideally they would still like to leave money to their son, but want to make sure he doesn't use it irresponsibly.

The Actions

Dan decides to call Curtis Banks to see if there's anything he and Karolina can do. He gets through to Uta, and explains the situation. Dan asks whether pension holders can control how or when beneficiaries take their benefits: although neither he nor Karolina were aware of such a thing, they wondered if it might be possible to instruct Curtis Banks to put Alfie's funds into beneficiaries' drawdown and put restrictions on when income could be withdrawn.

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Uta confirms that unfortunately this isn't possible: if Alfie was chosen as a beneficiary he would be able to choose between any options available to him under the legislation and scheme's rules at the time. Under the current rules, if Alfie opted for drawdown, he would be able to take as much income as he wanted, and Curtis Banks would not be able to put restrictions in place of the kind Dan and Karolina would be asking about.

Uta says that while she can't advise whether it would be suitable for Dan and Karolina's circumstances, they may wish to consider exploring the option of naming a trust as their beneficiary. Uta explains that Curtis Banks would pay a lump sum death benefit to the trust, and the trustees would then be able to control any subsequent payments to the underlying beneficiaries.

After the call, Karolina and Dan discuss this in further detail. They wonder if it would be possible to set up a trust so that the survivor between them would be one of the trustees, but also consider what might happen in a situation where neither of them was around. Dan's sister Julia is well aware of the situation with her nephew, and they think that as a trustee she would also make very similar decisions as they would themselves.

Dan and Karolina decide that they need to speak to an adviser to explore this option further. They aren't sure what's required to set up a trust, or what would happen if they didn't end up using it at all, as might happen if Alfie's habits changed in the future and they decided to list him as a beneficiary again. In the meantime, Karolina calls Julia to ask if she would, at least hypothetically, be willing to act as a trustee.

Julia is more than happy to help. However, she wonders if Dan and Karolina should consider telling Alfie what they're planning to do. After getting in a bit of a muddle contributing to her daughter's pension as a surprise, Julia's concluded that it's generally always better to discuss pension matters with those involved. She also remembers the process the family went through when her mother died without an expression of wishes, and how much more

difficult it could have been if the family hadn't all agreed on how the death benefits should be distributed. She can imagine Alfie challenging a decision to pay funds into a trust.

The Results

Karolina and Dan appreciate Julia's input but are still concerned about falling out with Alfie over something that might only be a temporary concern. Instead, they decide to write an explanation of why they're changing their expressions of wishes, and recording their intention to change their wishes again to leave funds directly to Alfie again if things should change in the future. They plan to keep hold of this letter so that it could be used to help support a decision about how to pay the death benefits. They put the letter with their other important paperwork and tell Julia about it so that she'd know where to find it if needed.

Karolina and Dan speak to an adviser and solicitor and arrange to establish a trust that meets their requirements. They also arrange to get expression of wishes forms for their Curtis Banks SIPP's so that they can complete the new details.

Important points to consider

The value of pension funds may fall as well as rise. Your money is tied up until you take your benefits. Benefits can generally be taken any time after age 55, although this is due to increase to 57 in 2028.

Contact details

If you'd like to speak to us about anything in this case study, please contact us on:

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