

# A guide to the range of trusts available through the HSBC Onshore Investment Bond

For Adviser use only

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The value of your client's investment may fall as well as rise and they may not get back what they put in.

The value of any tax payable will depend on the investor's individual circumstances.

**Gift Trust Absolute** - The beneficiaries are nominated at outset and cannot be changed once the Trust has been set up.

**Gift Trust Discretionary** – The trustees have full discretion on who will benefit and when.

**Discounted Gift Trust (DGT) Absolute** – The client gifts money to a trust and receives regular fixed capital payments for the whole of their life or until the fund runs out. There is no discretion to change beneficiaries.

**Discounted Gift Trust (DGT) Discretionary** – The client gifts money to a trust and receives regular fixed capital payments for the whole of their life or until the fund runs out. There is discretion to change beneficiaries.

**Loan Trust Absolute** – Provides clients with unrestricted access to the original capital invested, with future investment growth being outside their estate for IHT. No discretion to change the beneficiaries.

**Loan Trust Discretionary** – Provides clients with unrestricted access to the original capital invested, with future investment growth being outside their estate for IHT. There is discretion to change beneficiaries.

|   | Gift Trust |               | Discounted Gift Trust (DGT) |   | Loan Trust |   |
|---|------------|---------------|-----------------------------|---|------------|---|
|   | Absolute   | Discretionary | Absolute                    | Discretionary   | Absolute   | Discretionary   |
| Is the trust IHT efficient? Is the capital outside of the estate after seven years?                           | ✓          | ✓             | ✓                           | ✓   | ✗          | The original capital is loaned to the trustees, not gifted and remains part of the estate. Any growth on the bond will be held for the beneficiaries of the trust |
| Is the trust IHT efficient? Is the growth immediately outside the estate?                                     | ✓          | ✓             | ✓                           | ✓   | ✓          | ✓   |
| It is a Potentially Exempt Transfer (PET)?  | ✓          | ✗             | ✓                           | ✗   | ✗          | ✗   |
| Is it a Chargeable Lifetime Transfer (CLT)? (May be subject to entry charge if over available nil rate band*) | ✗          | ✓             | ✗                           | ✓   | ✗          | ✗   |
| Might the trust be subject to a 10 year charge (if over available nil rate band*)?                            | ✗          | ✓             | ✗                           | ✓   | ✗          | ✓   |
| Can beneficiaries be added/changed?   | ✗          | ✓             | ✗                           | ✓   | ✗          | ✓   |
| Can the Settlor receive any benefit or access to capital?   | ✗          | ✗             | ✓                           | Regular payments are established at outset and will continue for whole of life or until the fund runs out | ✓          | Unrestricted access to the original capital invested (the loan amount)  |
| Will the trust assets avoid probate?  | ✓          | ✓             | ✓                           | ✓   | ✓          | ✓   |

\* Currently £325,000 minus any CLTs made by the Settlor in the seven years prior to creating this trust.