

# Flexible Life Interest Trusts (FLIT's)



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A Flexible Life Interest Trust in your Will offers greater peace of mind if you have significant assets or investments as well as property, and wish to protect their value for future generations.

A FLIT is often described as the ideal modern Will Trust, as it allows for adequate provision for the surviving spouse, whilst incorporating flexibility into the Will whereby other family members/ beneficiaries may benefit should the spouse not require the provision after the death of the 1st spouse.

The FLIT is flexible because it allows the Trustees to advance capital as well as income to the surviving spouse, if required. In addition, if the deceased owns property, the trust enables the survivor to continue to occupy it until their death if required.

This Trust is created on the death of the first spouse and the capital assets of the deceased are held in a trust which pays any income generated to the surviving spouse for their lifetime. This is treated for Inheritance Tax purposes as an outright gift to the surviving spouse, so does not create a tax charge and

does not use any of the Inheritance Tax allowance of the deceased spouse – preserving it for later use on the death of the surviving spouse.

On the death of the surviving spouse, the trust capital is passed to nominated beneficiaries, such as children. Because the capital in the trust is not owned by the surviving spouse, it cannot be given away by them, to say, a new husband or wife, and it cannot be assessed if the surviving spouse needs to end their days in a care home.



## The Trust:

Includes powers for the trustees to lend trust capital to the surviving spouse. So if they need capital, the trustees can lend it to them – with the capital being repaid either when the surviving spouse dies or if they go into care.

Includes powers for the trustees to give capital to the surviving spouse. It is unlikely that this power would be used because the capital would then be owned by the surviving spouse and could be given by them to a new husband or wife and would be assessed if they went into care.

However, as a flexible trust it covers eventualities both foreseeable and unforeseeable – and this power, for example, enables the trust to be wound up and the whole estate given outright to the surviving spouse.

Includes powers to pay capital to the nominated beneficiaries (children, for example) so that if children need capital and the surviving spouse does not (for example, if the surviving spouse is in a care home and the children are in need of capital to reduce their mortgages), capital in the trust could be paid to them.

Includes powers for the trustees to convert some or all of the trust into another type of trust. So if, for example, Inheritance Tax laws change and make it preferable for the trust capital to sit in, say, a Nil Rate Band Discretionary Trust, the trustees could do this.

## Key benefits:

- Guarantees who will benefit from your cash assets and investments as well as property if your surviving partner either remarries or writes a new Will after your death
- Allows a nominated person to benefit from the income generated from your investments when you are gone, whilst protecting the capital value for future generations
- Reduce the potential impact of residential care fees on the value of your estate should your surviving partner go into care.
- Using a FLIT is a good way of controlling not only the estate, but what then happens to that estate upon second death and allows for the distribution of wealth through future generations in a way that the trustees may consider best.

### Member Associations:



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