

# Family Protection Trusts (FPT)

A family protection trust is like your own personal safety deposit box. Used in conjunction with your will our Family Protection Trusts help ensure your family's future inheritance is preserved for their benefit.



# Family Protection Trusts



This is a Lifetime Trust to protect assets, for example a house and savings, from various inheritance difficulties. It is set up during the lifetime of the Client.

## What are these so called 'inheritance difficulties'?

The aim of the Trust is to ensure a client's estate passes to their beneficiaries without hindrance or giving rise to issues leading to disagreement or uncertainty. The Trust also aims to pass as much of Client's estate to their beneficiaries as possible without losing it through other means. If a Client's circumstances suggest that a Family Protection Trust might meet these requirements or resolve certain of their issues.

## Probate Costs

When distributing assets protected by a Trust, the estate does not incur professional probate fees and there is no inconvenience or delay in estate administration. This feature alone often saves the cost of setting up the Trust.

## Sideways Disinheritance

For example, the husband dies first and leaves everything to his wife through his Will. The wife remarries, and this revokes the Will she made with the first husband. Sadly she dies before making a new Will and before the second husband. The laws of intestacy state that he receives everything. The second husband dies without a Will. Again the intestacy laws devolves his whole estate to his children and the children of the original couple are disinherited! The Family Protection Trust avoids this situation.

## Children's Inheritance Tax Liabilities

Very often when a parent's estate is added to that of a child, it creates an inheritance tax liability. Why would any parent want to leave a serious tax problem for their children? This risk is avoided with the Family Protection Trust.

After the parents die the assets remain in the Trust for the balance of 125 years.

This means the assets are available to the children, but they do not form part of their estate. This is called generational planning and it is a feature that every parent should consider.

## Difficult Children

Beneficiaries can find themselves in difficult situations from time to time. For example, social pressures can lead them to alcohol, drugs or gambling. A significant number of marriages end in divorce. Self employment and new start businesses set up by the younger working population, can lead to bankruptcy. Assets within a Family Protection Trust remain in the Trust and will not be distributed until the Trustees are certain that the beneficiaries circumstances are satisfactory.

## Incapacity

If a person loses the mental capacity to manage their own affairs, they will need a Lasting Power of Attorney. The assets in a Family Protection Trust are managed by the Trustees and therefore have an effective power of attorney over them. However, assets outside the trust are still vulnerable and require Lasting Powers of Attorney.

## Claims from Dependent Relatives

Whilst we all have the right to leave our estate to whomsoever we wish, equally we all have a right to make a claim on an estate if we believe we have a justifiable reason of dependency. Claims are infrequent, but a Family Protection Trust protects assets from these claims providing the Trust was not set up to defeat such a claim, or the Trust has been established for more than six years.

### Member Associations:



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