Standard Life
Part of Phoenix Group

Trustee meeting guide

This communication is intended for qualified financial advisers only and must not be relied upon by anyone else.

Contents

This Trustee Meeting Guide is intended to support you in working with family trustees, to help create a framework for the discussions you will have with them about investment decisions affecting the trust.

The legislation in this area gives you a starting point when reviewing the trust's investments. This guide covers the touch points between the legislation and the investment advice process; so that you can help family trustees see how their decisions relate to their investment duties.

Standard Life has also produced a range of documents to support you in delivering investment advice to this specialist group of clients, all of which are available on the Estate Planning website: **www.standardlife.co.uk/adviser/estate-planning**

Tax rules and legislation are likely to change. Your client's personal circumstances will have an impact on tax treatment of money received from the trust. The information provided here is based on Standard Life's understanding of law and HM Revenue & Customs practice in March 2024 .

How confident is your client about their role as a Trustee?

When advising new trustee clients, there are various areas you will want to cover with them in terms of understanding the type of trust, its taxation treatment and the goals of the trust, all of which will be documented in your Trustee Factfind.

Trustees may not be fully aware of their duties or the range of points they need to consider. Here are some examples of questions which might be relevant:

Do they

- Know that the Trust should be registered on HMRC's Trust Registration Service (TRS) if holding an onshore bond (unless exempt), or HMRC's TRS (unless exempt) and the Irish Revenue's Central Register of Beneficial Ownership of Trusts (CRBOT) if holding an offshore bond. If registerable, are they aware that these records must be kept up to date?
- Understand the investment process which the trustees should go through?
- Have an investment policy statement and understand the circumstances in which the statement is mandatory?
- Know where the trust deed and other important trust documents are stored?
- Meet or communicate with their fellow trustees annually, and document the outcome of that annual review?
- Know if any of the beneficiaries have a key birthday coming up which might affect the tax treatment of the trust?
- Understand the nature of the beneficiaries' interests in the trust, and what rights they have?
- Know if capital and income must be paid to different groups of beneficiaries?

Few family trustees will be able to answer "yes" to all of these questions, and your guidance in the investment advice process can reassure them that they have taken all relevant considerations into account.

Trustee Factfind (IHT19)	Trustee Meeting Guide (IHT39)	Investment Policy Statement (IHT18)

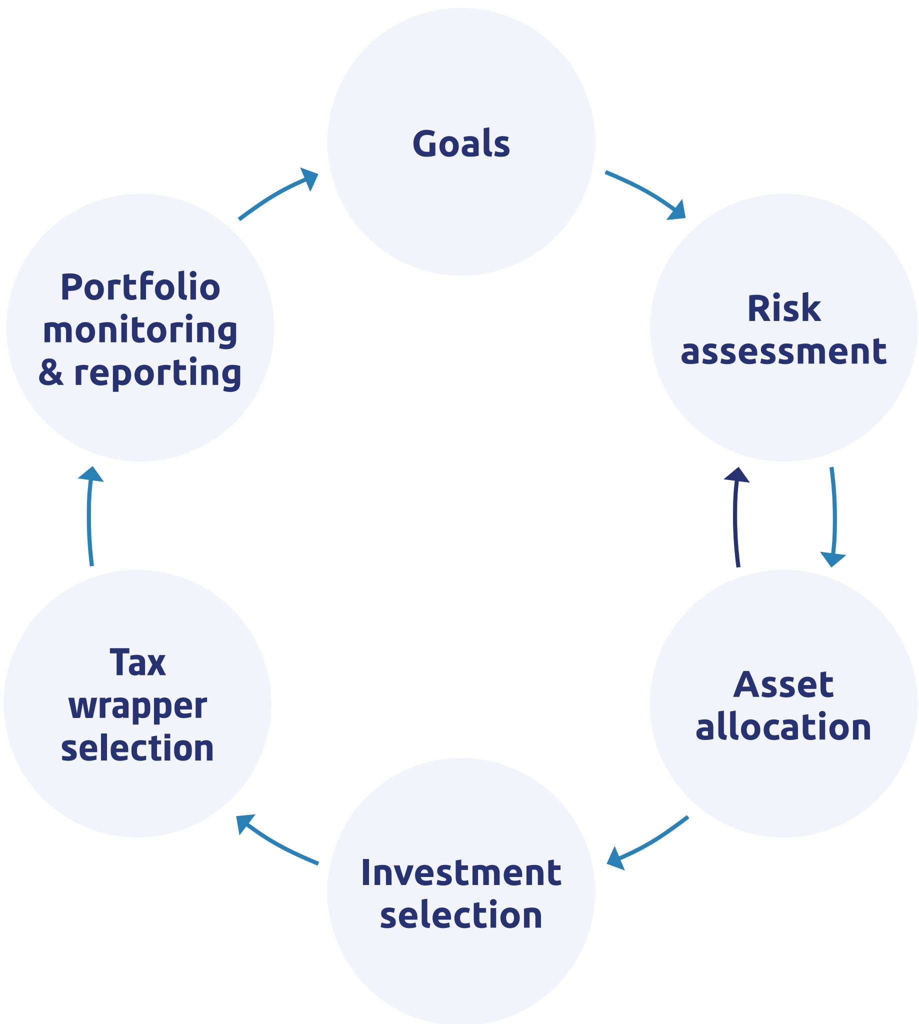
Discussing the investment advice process with Trustees

Depending on which law governs the trust, a key reference point for the trust will be one of the following Acts:

- **Trustee Act 2000**
- **Trustee Act (Northern Ireland) 2001**
- **Charities and Trustee Investment (Scotland) Act 2005**

Generally speaking, when investing the trust fund or considering a change to the assets held within the trust fund, Trustees should think about the suitability of the investments concerned. Depending on the goals of the trust, diversification may also be another relevant consideration. The Trustees are also fulfilling their obligation to take proper advice by meeting you to discuss the trust's investments and in requesting recommendations from you.

In communicating the investment advice process to your trustee clients, one way to approach this is to describe the six steps shown here:



Step 1: Goals

Above all, the goals of the trust will determine whether or not a particular investment strategy is suitable.

Step 2: Risk assessment

Whilst Trustees might be prepared to take risks with their own money, that attitude to risk is not necessarily appropriate when it comes to looking after funds which are held for someone else's benefit. Trustees are often more cautious for this reason.

Step 3: Asset allocation

The long-term investment horizon of many trusts, for example where beneficiaries are still young children, will impact on the asset classes selected. This is also where diversification benefits fit into the conversation, with a reference back to the appropriate trustee legislation.

Step 4: Investment selection

The capital and income requirements of the trust, and the nature of any distributions due to beneficiaries, will be drivers for the investment selection. How soon, and how regularly, distributions are required will point at any liquidity required. Investment style is also a consideration here, for example discussing passive or active investment approaches, and collective or direct investment, with costs, and diversification being factors.

Step 5: Tax wrapper

Tax efficiency is a driver in product selection. With discretionary trusts the income tax rate is 45%, there may be opportunities to manage the tax liabilities. Some products allow the tax status of the beneficiary to come into play, e.g. investment bonds, where segments can be assigned and the lower tax paying status of the beneficiary can give a beneficial result.

Tax rules and legislation can change. The information is based on our understanding of law and HMRC practice as at March 2024 Tax rates and relief will depend on your client's individual circumstances.

Step 6: Monitoring and reporting

This is a vital trust governance point, as the Trustees need to be able to evidence their decision-making and review processes. When it comes to recording the trust's goals, and indeed recording the outcome of the Trustees' investment discussions which arise from the Trustee Meeting, an Investment Policy Statement (IPS) might be a sensible document to use.

Strictly speaking, an IPS is only compulsory in England, Wales and Northern Ireland where the investment management is delegated on a discretionary basis. However, although not compulsory in all cases, an IPS can be a really good way of recording a variety of important information for larger trusts in all jurisdictions, as it evidences the factors taken into account as background to the investment decisions.

Those financial planners making use of platforms/technology can also show how Trustees can access portfolio valuations online, which makes monitoring a quick and easy process.

The benefits to Trustees of taking a structured approach

By following a well structured approach to the Trustee Meeting, the trustees can be reassured they have met the standards expected of them in dealing with investment decisions.

In turn,
it means those investment decisions are more likely to be seen as robust in the event of a challenge by a beneficiary.

This structured approach
puts financial planning and a robust investment advice process at the heart of achieving the trust's goals.

No guarantees are given regarding the effectiveness of any arrangements entered into on the basis of the information provided by Standard Life in this guide.

If you'd like further information on this or any of our other products, or if there's anything more about Standard Life we can help you with, just call us on 0345 60 60 002, or visit our website. Call charges will vary.

Find out more

www.adviserzone.com