CASE STUDY

TRUST INVESTING

The majority of our clients in Financial Planning are individuals, but we do also have a significant number of Corporate clients, as well as Trusts.

Trusts can offer a particularly interesting set of circumstances, which can require a very different approach to the way we invest. It can be a balancing act to meet the needs of all those involved as well as the requirements of the Trustee Act.

The M O Trust was set up upon the death of Mr O, who was married, but in his Will, specified that some of his assets to be held in Trust. This Trust should provide an income for the rest of the life of his wife, Mrs O as well as one other individual, Mrs B and when each died, a split of the capital be paid out to all of his Grandchildren.

The first key thing from an investment perspective is that the income which is paid must be 'real' income, such as dividends or interest, not a fixed return of the capital invested. Consideration must be made of the way that it is paid; as this can have an impact on the tax position.

The second consideration is that the income beneficiaries have different life expectancies, so funds may be invested for different time periods. As we approach later life it is often appropriate to reduce the risk profile, as the time horizon gets shorter.

Possibly the most important aspect however is the balance that is required between the income needs of Mrs O and Mrs B in their lifetimes, and the need to preserve and grow the value of the portfolio ready for when it is received by the Grandchildren.

This is why Trusts, just like individuals need regular reviews with the Trustees, to ensure that the needs of all those involved are met, and to strike the right balance of risk, income and capital growth.

'The Financial Conduct Authority does not regulate tax advice, Wills or Trusts.'

DAVID SCULL

CLIENT SERVICES TEAM LEADER

ALBERT GOODMAN CHARTERED FINANCIAL PLANNERS