

## THE BARE TRUST

This form is suitable for use with our range of onshore life assurance products, **other than those applied for online** (when an existing policy version of the trust must be used).

All policy benefits will be gifted, unless:

- the revert to settlor option is chosen, or
- it is a joint life, first death policy and you have ticked box 2 in Part D of the Schedule to indicate the proceeds will be held in trust for the survivor, if they are living 30 days after the death of the first of you to die.

It is important that you appoint an additional trustee at outset.

If you are in any doubt as to the suitability of this form we recommend that you obtain independent professional advice.

Friends Life categorises each trustee of an investment contract as a 'retail client'. This gives you the highest level of protection available under the Financial Services Authority's (FSA) Conduct of Business Rules. If you would otherwise be categorised under FSA Rules as a 'professional client' or an 'eligible counterparty' then you may not have access to the Financial Services Compensation Scheme or Financial Ombudsman Service. Please contact your financial adviser if you require further details.

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Authorised and regulated by the Financial Services Authority  
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# THE BARE TRUST

## Explanatory Notes

It is important to read these notes before completing this Trust Form

### The advantages of writing life assurance in trust

The main advantages are:

- (i) We can pay the policy proceeds to the surviving trustees on production of a death certificate without waiting for your personal representative(s) to produce a grant of representation or confirmation. It is therefore important that you ensure that you do not remain the sole trustee;
- (ii) The policy proceeds will be free of inheritance tax (but see opposite).

### When will this trust form be used?

This trust form is suitable for both single and joint applications and can be used anywhere in the United Kingdom. It is not suitable for pension contracts or for life assurance contracts approved under pensions legislation.

The Bare Trust enables you to place a policy into trust for one or more beneficiaries.

If you are the sole applicant for the policy you can indicate that you wish the benefit of the trust to pass to your present spouse or registered civil partner if he/she survives you by thirty days, overriding the trusts in box 1. To do this, please tick box 2 in Part D.

If the policy provides a benefit payable on first death, you can indicate that, if one of you dies before the maturity date and the other survives for 30 days, the benefit of the policy passes to the survivor. To do this, please tick box 2 in Part D.

If the policy is an endowment, you must decide at outset if you wish to benefit from the maturity proceeds. If you wish to benefit, please tick box 3 in Part D.

Once the beneficiary clause has been chosen the beneficiary cannot subsequently be changed.

**You must not be included as a named beneficiary under part 1 of Part D.**

If the following conditions are met, the trust will be created under the Married Woman's Property Act 1882 or the Married Women's Policies of Assurance (Scotland) Act 1880. This normally provides protection from creditors in the event of bankruptcy:

- (a) It is a single life, own life policy; and
- (b) The beneficiaries are your husband, wife, registered civil partner or children. This includes adopted children or illegitimate children but not stepchildren.

### Who are the Trustees?

You are automatically appointed as the first trustee(s). You should (and in Scotland must) appoint one or more additional trustees. Provided there is at least one surviving trustee, then in the event of a death claim against the policy, we can pay the trustees as soon as proof is received. If no additional trustees are appointed, payment cannot be made until probate, letters of administration or confirmation have been granted and new trustees have been appointed.

### What are the Inheritance Tax consequences of using this Trust Form?

- (a) **On payment of premiums**  
Premiums will be gifts for the purpose of inheritance tax. Any regular premiums will normally be covered by certain exemptions, under which lump sum payments may also be either wholly or partially exempt. Any premium amount not covered by an exemption will be a potentially exempt transfer. Joint applicants each have their own exemptions.
- (b) **On your death**  
The trust fund does not form part of your estate for inheritance tax purposes. However, any potentially exempt transfers made in the seven years prior to your death will be taken into account for the calculation of IHT.
- (c) **Cessation of Beneficiaries' Interest**  
The death of a beneficiary may cause the value of his or her share in the policy to be included in his or her estate for inheritance tax. If the only asset of the trust is a term assurance policy, the value will be nil unless the life assured is known to be in ill health at the time.  
  
Should the benefit revert to your spouse, civil partner or yourself under destination clause (2) or (3) in Part D this will be classed as an exempt transfer by the beneficiaries.

### Select Protection Plans

A Select Protection Plan can potentially consist of several different policies, some of which cannot be placed in trust e.g. income protection. Each separate policy should be placed in its own trust (if required) according to the benefits it provides.

### Alterations

If you make a mistake when completing the form, please cross through the error, insert the correction and sign against it. If there are two applicants, both should sign the amendment. The additional trustees do not need to sign the amendment. Please do not use correction fluid.

### Warnings

Law and HM Revenue & Customs practice may change at any time. These notes are based on our understanding of both as at May 2008. Friends Life cannot take responsibility for or guarantee the legal effectiveness of any amendments.

The trust fund may be subject to tax in any territory where a trustee is resident. Friends Life cannot advise on non-UK tax issues.

This trust restricts a trustee's liability to losses arising from the trustee's own fraud, wilful misconduct or gross negligence (unless the trustee is entitled to charge for acting as a trustee).

# Declaration of Trust – Bare Trust

## 1. Definitions and Interpretation

1.1 In this trust form (except where the context otherwise requires) the following words shall have the following meanings:

“Additional Trustees” means the person or persons specified in Part C of the Schedule;

“the Applicant” (or “the Applicants”) means the person or persons specified in Part A of the Schedule;

A person's "Civil Partner" means the person with whom he or she is in a civil partnership within the meaning of section 1(1) of the Civil Partnership Act 2004;

“the Policy” means the policy specified in Part B of the Schedule;

“the Schedule” means the Schedule hereto;

“the Trustees” means the Applicant(s) and the Additional Trustees or such person or persons who may hereafter be appointed as a trustee or trustees hereunder;

“the Trust Fund” means the Policy, all monies to become payable thereunder (including bonuses) and monies received on the sale or surrender thereof, all property at any time added thereto by way of further settlement, accumulation of income, capital accretion or otherwise and all property from time to time representing the foregoing respectively.

1.2 The Schedule forms part of this trust form.

1.3 The clause headings are included for convenience only and shall not affect the interpretation of this trust form.

1.4 In this Trust Form (except where the context otherwise requires):

1.4.1 Use of the singular includes the plural and vice versa.

1.4.2 Use of any gender includes the other genders.

1.4.3 Any reference to an English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than England, be deemed to include a reference to what most nearly approximates in that jurisdiction to the English legal term.

## 2. Declaration of Trust

The Applicant HEREBY DECLARES that the Trust Fund shall be held upon the trusts specified in Part D of the Schedule and with and subject to the powers and provisions hereinafter declared and contained.

## 3. Payment of Income and Capital

3.1 Section 31 of the Trustee Act shall not apply to this trust.

3.2 During a beneficiary's minority, the Trustees have discretion to pay the whole or any part of his or her share of the income towards his or her maintenance, education or benefit. The remainder of his or her share of the income shall be accumulated for his or her absolute benefit until he or she reaches the age of 18.

3.3 The Trustees have discretion to advance to a beneficiary the whole or any part of his or her presumptive share of the capital.

## 4. Law

If the address (or both addresses) shown in Part A of the Schedule is in Scotland this trust shall be subject to, and shall be construed in accordance with, Scots Law. If the address (or either address) shown in Part A of the Schedule is not in Scotland this trust shall be subject to, and shall be construed in accordance with, the Law of England and Wales.

## 5. Irrevocability

This Declaration of Trust shall be irrevocable.

## POWERS

### 6. Powers of investment

The Trustees may apply any money to be invested in the purchase or acquisition (either alone or jointly with others) of such property, of whatever nature and wherever situate and whether of a wasting nature, involving liabilities or producing income or not, or in making such loans with or without security, as they think fit so that they shall have the same powers to apply money to be invested as if they were an absolute beneficial owner provided that any option, right of surrender or other right under any policy of assurance forming part of the Trust Fund must be exercised by all the Trustees acting together. Provided further that any right to switch investment funds under any unit-linked policy forming part of the Trust Fund may be exercised on behalf of the Trustees by the Applicant during his or her life (or by the Applicants during their joint lives and by the survivor of them during his or her life) without the consent of any other of the Trustees or being under any duty to seek advice thereon.

**7. Power to borrow**

The Trustees may borrow and raise money on the security of the whole or any part of the Trust Fund and to use such money to pay the premiums on any policy of assurance or for acquiring investments to be held as part of the Trust Fund or for any other purpose for which the Trust Fund may be used.

**8. Power to appoint new trustees**

8.1 The power of appointing new trustees shall be vested in the Applicant during his life (or in the Applicants during their joint lives and in the survivor of them during his life) or so long as the Applicant retains full legal capacity.

8.2 The Applicant hereby appoints the Additional Trustees to be Trustees to act with the Applicant in the trusts of this trust form, which office the Additional Trustees acknowledge has been accepted on execution of this trust form.

**9. Power to remove trustees**

The Applicant(s) (or the survivor of the Applicants) shall have the power to remove any Trustee by deed without assigning any reason therefor and without the necessity for any Trustee to concur or otherwise be party to such removal provided that this power shall only be exercised if there are at least two Trustees remaining after such removal.

**10. Receipts**

10.1 The receipt of any parent or legally appointed guardian of any beneficiary who shall be under the age of full legal capacity shall be a full discharge to the Trustees.

10.2 The receipt of the Trustees shall be a good and sufficient discharge to any person for all monies payable by such person under any policy forming part of the Trust Fund.

**11. Power to Charge**

11.1 A Trustee (other than the Applicant) being a person engaged in any profession or business shall be entitled to charge and be paid all usual professional and other charges for business done, services rendered or time spent by such Trustee personally or by such Trustee's firm in the administration of these trusts including acts which a Trustee not being in any profession or business could have done personally.

11.2 A Trustee (other than the Applicant) shall be entitled to retain any commission which may be received personally or by such Trustee's firm in respect of any transaction carried out in relation to the Trust Fund for which such Trustee or Trustee's firm is, in the normal course of business, allowed commission, notwithstanding that the receipt of such commission was procured by an exercise by such Trustee or the Trustees of powers over the Trust Fund.

11.3 If any corporate body shall act as a Trustee hereof it shall be entitled to charge in accordance with its published terms for trust business in force from time to time and in the absence of published terms in accordance with such terms as may from time to time be agreed between the Trustee and the Applicant.

**12. Power of Appropriation**

The Trustees may appropriate any part of the Trust Fund in or towards satisfaction of the interest of any beneficiary and may for such purpose place such value on any property as they think fit.

**13. Power to Vary Administrative Provisions**

The Trustees may by deed amend or add to the administrative provisions of this trust.

**14. Liability for Breach of Trust**

The liability of a Trustee for breaches of trust shall be limited to breaches arising from the Trustee's own fraud, willful misconduct or gross negligence except in the case of a Trustee entitled to charge under Clause 11.

## Schedule - Bare Trust

In Part A insert your name(s) and address.	<b>A</b>	Applicant(s): _____ Address: _____ _____										
In Part B insert the class of policy, the sum assured and the date of your application for it.	<b>B</b>	Class of Policy: _____ Date of Application: _____ Sum Assured: _____										
In Part C insert the full names and addresses of the persons who are to be Additional Trustees.  <b>At least one additional trustee must be appointed, if this is not done the trust may not be valid.</b>  <b>Note: the trust fund may be subject to tax in any territory where a trustee is resident. Friends Life cannot advise on non-UK tax issues.</b>	<b>C</b>	Additional Trustees: (1) Full Name: _____ Address: _____ (2) Full Name: _____ Address: _____ (3) Full Name: _____ Address: _____										
The names of the person(s) who you wish to benefit should be entered.  Box 2 is <b>optional</b> . Tick this box if you wish the benefit of the trust set out in 1 to pass to your spouse/civil partner (or the survivor of joint Applicants) if he/she survives you by thirty days.  Box 3 is <b>optional</b> but can only be used with endowments. Tick box 3 if you wish the benefit of the trust set out in 1 (or 1 & 2) to revert to you when the endowment matures.	<b>D</b>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%; text-align: left;">(1) Upon trust for:</th> <th style="width: 30%; text-align: left;">Share/Percentage</th> </tr> </thead> <tbody> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> </tbody> </table> <p style="margin-left: 20px;">in the shares shown (failing which in equal shares) absolutely.</p> (2) <input type="checkbox"/> PROVIDED that if the Policy is on the life of the Applicant (or on the lives of joint Applicants) the interests of all the said beneficiaries shall cease and the Trustees shall hold the Policy for the Applicant's spouse or civil partner (or the survivor of joint Applicants) absolutely if living 30 days after the death upon which the Policy proceeds become payable.  (3) <input type="checkbox"/> PROVIDED ALWAYS that the interests of all the said beneficiaries shall cease and the Trustees shall hold the policy for the Applicant(s) (or the survivor of the Applicants) absolutely if living on the Maturity Date expressed in the Policy Schedule at outset.	(1) Upon trust for:	Share/Percentage	_____	_____	_____	_____	_____	_____	_____	_____
(1) Upon trust for:	Share/Percentage											
_____	_____											
_____	_____											
_____	_____											
_____	_____											

IN WITNESS WHEREOF these presents consisting of this and the preceding page are executed by the Applicant(s) and the Additional Trustees in acceptance of their appointment on the date shown in Part B and if executed in Scotland before the witnesses hereto subscribing.

The trust form should then be signed by you and the Additional Trustees.  <b>If the trust is declared in Scotland, each should sign in the presence of an independent witness whose signature and details should be included where indicated.</b>  <b>* If the trust is declared in England, Wales or Northern Ireland, witnesses are not required</b>	<b>E</b>	SIGNED: Signature(s) of Applicant(s): _____ _____  *Witness: Signature _____ Full Name: _____ Address: _____
		SIGNED: Signature of First Additional Trustee: _____ *Witness: Signature _____ Full Name: _____ Address: _____
		SIGNED: Signature of Second Additional Trustee: _____ *Witness: Signature _____ Full Name: _____ Address: _____
		SIGNED: Signature of Third Additional Trustee: _____ *Witness: Signature _____ Full Name: _____ Address: _____