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**fluid thinking.  
clear solutions.**

## The Penningtons Pilot Trust

A 'pilot' trust is a trust created in advance of the time it is actually needed. A nominal sum of, say, £10 is put into it to give it substance. At a later stage, the trust receives significant assets and it begins to serve its purpose.

In practice, these 'pilot' trusts are used to achieve a variety of benefits, including:

**Using the trust to receive any lump sums payable either as a result of death in service benefit or under pension/life assurance schemes.**

These lump sums can often be quite considerable. Placing the future benefit in trust now will take it out of your taxable estate, and potentially also out of the estates of your spouse and children. The flexibility of the trust can be used to reduce income tax as well as to avoid inheritance tax on your death and on later deaths.

**Setting up a number of pilot trusts on different days to be fed by your Will on death.**

If a Will sets up several trust funds, then they are all created by the same person on the same day – the date of death. It is often better – both from a taxation aspect and in valuation terms – to have trusts standing alone and set up on different days. This can be achieved by creating a number of pilot trusts on different days and then making a Will which gives assets to those trusts. One tax advantage is that each pilot trust has its own tax free allowance for inheritance tax purposes thereby reducing the ongoing inheritance tax charges during the lifetime of the trust.

### **Preserving the privacy of your estate.**

Your Will becomes a public document after your death. Pilot trusts are a way of keeping the identity of your beneficiaries private.

### **Passing assets out of your taxable estate whilst retaining overall control.**

Pilot trusts do not have to lie dormant until death. They can be used as a way of making lifetime gifts of assets to your children – but allowing you to keep control of the assets in your role as trustee. Provided you survive for 7 years from the time of the gift, its value will not be taken into account when calculating inheritance tax on your death.

**If you would like further information on the ways in which setting up a pilot trust could be of benefit to your family, please contact:**

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