INHERITANCE PLANNING COMPANY

How Trusts Can Protect Your Death in Service Benefits

Death in Service Life Assurance is a valuable employee benefit, offering financial support to your loved ones if you pass away while employed. However, without careful planning, these benefits can be exposed to unnecessary risks, such as inheritance tax (IHT), creditors, or family disputes. Placing your Death in Service benefits in a trust ensures they are protected and distributed according to your wishes.

What Are Death in Service Benefits?

Death in Service benefits provide a lump sum—often several times your annual salary—to your nominated beneficiaries. However, unless carefully structured, these benefits could become part of your taxable estate, reducing the amount your loved ones receive.

Why Use a Trust for Death in Service Benefits?

1. Preserve Inheritance Tax Exemptions

- o While Death in Service benefits are generally exempt from IHT, placing them in a trust ensures they remain outside your estate, even if tax rules change in the future.

2. Avoid Probate Delays

- o Trust-held benefits are paid directly to your beneficiaries, bypassing probate and providing immediate financial support.

3. Protect from Creditors

- o Funds held in a trust are safeguarded against creditors, ensuring the payout reaches your intended beneficiaries.

4. Maintain Control

- o You can specify how the funds are used, offering protection for young or vulnerable beneficiaries.

How It Works

- **Step 1: Set Up the Trust**

  The trust is created specifically to receive your Death in Service benefits.

- **Step 2: Nominate the Trust as Your Beneficiary**
  On your employer's death benefit nomination form, name the trust instead of individual beneficiaries.
- **Step 3: Funds Go Directly to the Trust**
  Upon your death, the benefits are paid to the trust, where they are managed and distributed as per your instructions.

A Real-Life Scenario

Sophia's Safeguard:
Sophia's employer offered a Death in Service benefit worth £300,000. By placing this in a 84 trust, Sophia ensured the funds were protected from her estranged ex-husband and passed directly to her children. The trust also allowed her children to receive the money in instalments, ensuring their long-term financial security.

Why Act Now?

You can only set up a trust while you are alive and mentally capable. By acting now, you secure your family's financial future and ensure your benefits are distributed according to your wishes.

How We Can Help

At the Inheritance Planning Company, we guide you through the process of creating a trust for your Death in Service benefits. Our services include:

- Drafting and setting up the trust.
- Liaising with your employer to update your nomination forms.
- Providing personalised advice to meet your family's needs.

Secure Your Death in Service Benefits Today

Contact us now to learn more about how trusts can protect your benefits and ensure your family is financially secure.

Disclaimer:

This information is correct as of September 2024. Legal updates or changes may have occurred since then. For the most current advice, please contact **Inheritance Planning Company Ltd** at:

For the most current advice, please contact:

Inheritance Planning Company Ltd
18 Walsworth Road
Hitchin SG4 9SP
E-mail: info@inheritance.uk.com
T: +44 01462 616687