



A GUIDE TO OUR TRUST RANGE FOR THE FINANCIAL ADVISER



**FRIENDS PROVIDENT
INTERNATIONAL**

This guide contains general information and is not intended as a substitute for specific advice. It is based on the assumption that further information would be required and is only intended to cover some of the possible routes an adviser could cover when advising his client. Further detail on the general points above is available from Friends Provident International Limited.

This document should be read in conjunction with the main trust literature, and any relevant product brochure, which together with the policy document, sets out the terms and conditions of the contract. A written statement of all the policy terms and conditions of the products may be obtained from Friends Provident International Limited on request.

Prospective investors should consult their usual Financial Adviser before entering into a contract of this nature.

Each Policy is governed by and shall be construed in accordance with the law of the Isle of Man.

Some telephone communications with the Company are monitored and may be randomly monitored or intruded into.

The rules and regulations made by the Financial Services Authority under the Financial Services and Markets Act 2000 for the protection of investors may not apply. Holders of policies issued by the Company will not be protected by the Financial Services Compensation Scheme if the Company should become unable to meet its liabilities to them. Policyholders will receive the protection of the Life Assurance (Compensation of Policyholders) Regulations 1991 of the Isle of Man.

Complaints we cannot settle can be referred to the Financial Services Ombudsman Scheme for the Isle of Man or the Financial Ombudsman Scheme in the UK, depending on the parties involved.

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**FRIENDS PROVIDENT
INTERNATIONAL**

Friends Provident International Limited

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Incorporated company limited by shares. Registered in the Isle of Man No. 11494

Regulated by the Financial Services Authority for UK business. Provider of life assurance and investment products

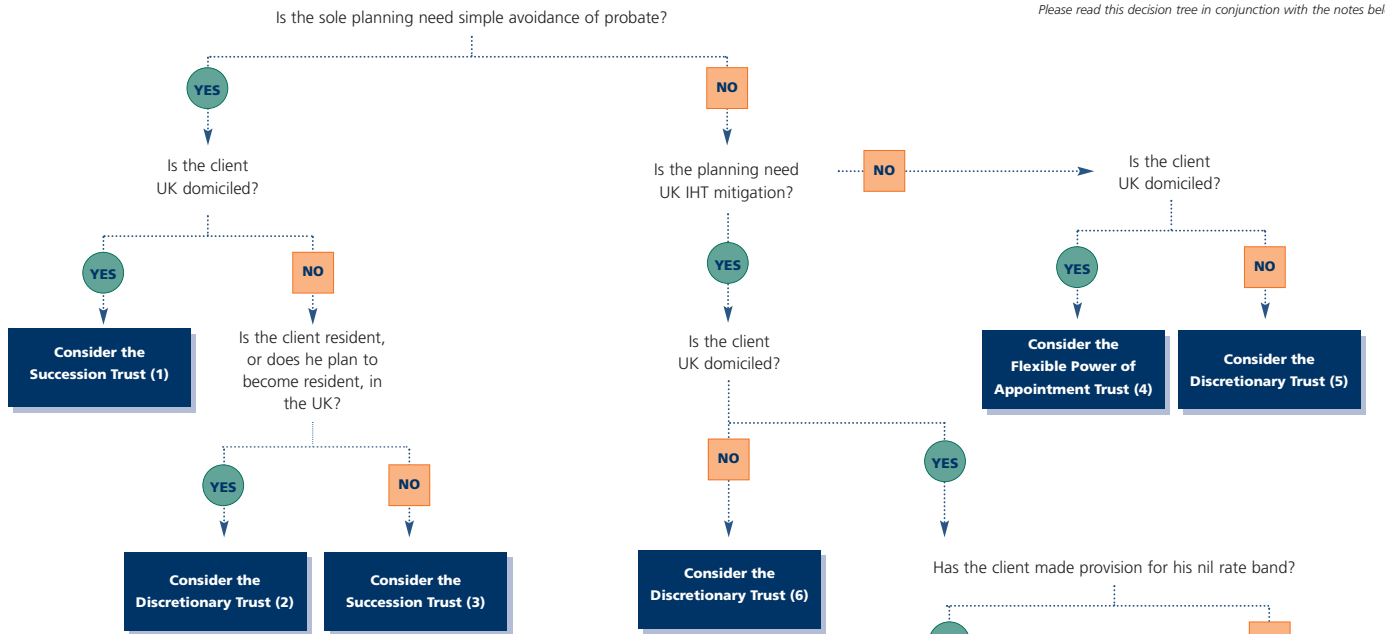
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TRUST PLANNING DECISION TREE

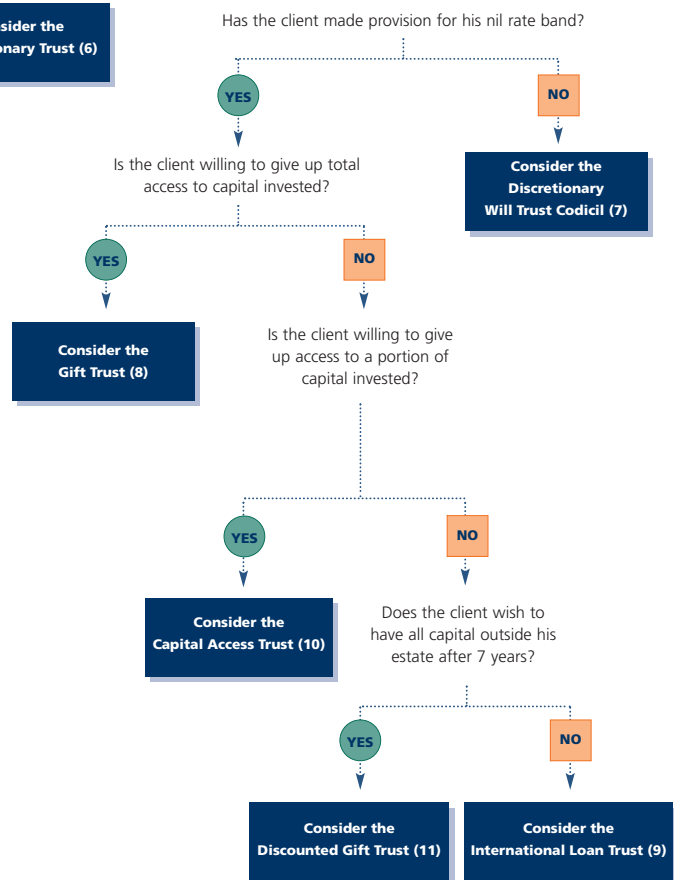
Which Friends Provident International Limited trust to consider

Please read this decision tree in conjunction with the notes below



NOTES ON THE TRUST PLANNING DECISION TREE

- The Succession Trust is a simple trust where the settlor is the sole beneficiary during his lifetime. The settlor nominates secondary beneficiaries who will have an interest in possession in the trust fund after the settlor's death. The secondary beneficiaries can be changed at any time. This allows the settlor to benefit from the policy during his lifetime whilst passing the policy proceeds to his chosen beneficiaries without the need to obtain probate on his death.
- If an individual is non-UK domiciled, creation of a discretionary trust is not a chargeable transfer for UK IHT purposes. If a non-domiciled individual plans to become UK resident, the DISCRETIONARY TRUST can offer opportunities for future inheritance tax planning (see note 6). If a trust is used where the settlor or anyone else has an immediate interest in possession, any possible IHT opportunities could be jeopardised. If the client is adamant that UK IHT is not likely to be an issue in the future, the Succession Trust could be considered (see note 3).
- If the client does not plan to settle in the UK, no UK IHT liability will arise on the policy proceeds, so a SUCCESSION TRUST may be suitable. Clients should satisfy themselves of any tax or legal consequences (e.g. exchange control restrictions) of creating the trust in their country of residence.
- If the planning need is not simple probate planning, or UK inheritance tax mitigation, a trust which offers maximum flexibility in order to facilitate future estate planning may be suitable. The trustees' wide power of appointment in the FLEXIBLE POWER OF APPOINTMENT Trust allows benefits to be appointed among a wide class of beneficiaries (including the settlor) and for the terms under which benefits are held to be changed at any time. Because the Flexible Power of Appointment Trust names beneficiaries who have an interest in possession, it is suitable for UK domiciled individuals who want maximum flexibility without creating a chargeable transfer for UK IHT.
- Maximum flexibility for non-UK domiciled individuals can be achieved by using the DISCRETIONARY TRUST. The trustees' wide power of appointment allows benefits to be appointed among a wide class of beneficiaries and for the terms under which benefits are held to be changed at any time. Because the client is non-UK domiciled, creation of the trust is not a chargeable transfer for UK IHT.
- If a client is non-UK domiciled and UK IHT mitigation is an issue, the DISCRETIONARY TRUST may be an effective planning tool. If the only property in the trust consists of non-UK assets (such as a Friends Provident International Limited bond), the trust will be classed as an "excluded property" trust. This means that the trust fund will never form part of the settlor's estate, even if he subsequently becomes UK "deemed domiciled" for IHT purposes. An excluded property trust is an effective IHT planning vehicle for foreign nationals who are resident in, or are intending to take up residence in the UK.
- Effective use of the nil rate band should be the starting point in IHT mitigation for UK domiciled individuals. The DISCRETIONARY WILL TRUST CODICIL (DWTC) is a simple deed, attached to the policyholder's will, which creates a discretionary trust on the policyholder's death. If the policy value remains within the nil rate band, the transfer on death is not a chargeable transfer for IHT. The trustees have the power to advance capital to a wide class of beneficiaries which includes the policyholder's spouse and children. Because the trust is discretionary, the policy will not form part of any beneficiary's estate. Furthermore, as the trust is not created until the death of the policyholder, he can continue to benefit from, and have complete control over, the policy during his lifetime. If a potential IHT liability remains after creating the DWTC, the client may wish to consider further IHT planning, such as gifting (see 8 below).
- The GIFT TRUST is a flexible trust which is created in favour of certain named beneficiaries with the power to appoint capital to a wide class of discretionary beneficiaries. Because the settlor is specifically excluded from benefiting from the trust, the Gift Trust is suitable for UK domiciled individuals who wish to reduce the value of their estate by gifting capital to their chosen beneficiaries. Lump sum investments can be used with the Gift Trust to create Potentially Exempt Transfers, and regular premium investments can be used to utilise annual IHT exemptions, or exemptions for normal expenditure out of income.



- The LOAN TRUST is suitable for UK domiciled individuals who have made provision for their nil rate band, have already made substantial gifts, or are unwilling or unable to give up access to capital, but who wish to mitigate IHT. The Loan Trust is structured whereby the premium for the bond is transferred to trustees in the form of an interest free loan repayable on demand. The settlor is excluded from benefiting from any growth on the bond which is held on trust for named beneficiaries, with a power of appointment to a wide class of discretionary beneficiaries. The settlor retains access to his original capital in the form of loan repayments, whilst all growth on the bond is immediately outside his estate.
- The CAPITAL ACCESS TRUST may be used where the settlor wishes to retain access to a set monetary amount and also make a gift for IHT purposes. The Capital Access Trust is a split trust. The settlor's entitlement can be accessed at anytime whilst the amount gifted excludes the settlor from benefiting and is treated as a potentially exempt transfer.
 - For those individuals who wish to retain access to growth as well as original capital, further IHT strategies can be adopted by using the Flexible Power of Appointment Trust.
- The DISCOUNTED GIFT TRUST enables the settlor to reduce his IHT immediately whilst retaining access to tax efficient regular payments. The trust enables the settlor to reduce exposure to IHT and retain access to an income for life.