

# Spousal By Pass Trust ~ Freezer Trust



The Overseas Pension information sheets are for professional advisers **only** and aim to provide in depth comments on topical subjects. The information sheets cannot replace specialist financial, investment and tax advice – we always recommend taking advice relevant to an individual’s circumstances.

## Freezer Trust – Spousal Bypass Trust

The Freezer Trust can be used to receive death benefits payable from a pension scheme – QROPS or QNUPS – and when used in this way is a form of a Spousal Bypass Trust. The Trust keeps the death benefits separate from the spouse’s other assets on death. Therefore, the assets held in the trust are not considered when calculating the value of the estate for inheritance tax purposes.

Usually, death benefit payments from a pension scheme do not form part of the member’s estate, as the trustees of the scheme have discretion over who will receive the pension death benefits. The inheritance tax problem can develop as the surviving spouse may need the funds or income but on their death the funds would be part of the inheritance tax calculation.

The Trustees of the Freezer Trust can distribute income or capital to the surviving spouse and/or children. It is also possible to advance loans to the beneficiaries. This solves the problem of protecting the financial well-being of the surviving spouse whilst ring-fencing the capital from inheritance tax.

## Benefits

- The Trust can be used to reduce inheritance tax
- The Trustees can provide for the beneficiaries – e.g. the surviving spouse can receive income, capital and/or loans
- The Trust can provide flexible planning opportunities for future generations
- The member can leave instructions for the Trustees to consider
- The trust may be helpful when dealing with issues of forced succession

## Freezer Trust Charges

	Freezer Trust Charges
Formation fee - £250	Includes set-up and first 5 year’s fees
5 Yearly fee - £100	Includes review of wishes
Following payment of death benefits	Standard Trust fees apply

The Freezer Trust application form can be downloaded from [www.fairbairntrust.com](http://www.fairbairntrust.com) (FTC)

## 10 year Periodic Charge

The Freezer Trust is a discretionary trust, as such there is the potential of 10-yearly charges and exit charges of up to 6% of the value of the trust that exceeds the prevailing inheritance tax nil-rate band.

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## Freezer Trust Process

Member completes application and provides instructions to the trustees.

On death of member the death benefits are paid to the trust.

Trustees have discretion to pay benefits to spouse/children. Benefits can be paid as income, capital or loans.

On death of spouse any outstanding loans are repaid to the trust and children may choose to request a capital payment.

### Important Information

This information sheet is not intended to be considered or regarded as advice. While we believe the information to be correct, we cannot guarantee it. Individual client circumstances must be considered and specific advice taken. FTC cannot accept any responsibility for any action taken or refrained from being taken as a result of the information contained in this article or any losses or costs incurred. This information sheet has been written from the perspective of an individual of UK domicile.

### Contact details

For comprehensive information on The Overseas Pension QNUPS please visit The Overseas Pension [Website](#)

Our [Key Features](#) document provides comprehensive information on The Overseas Pension QNUPS

If you would like further information or have a specific client enquiry, please contact our QROPS and QNUPS advisers on +44 (0) 20 8209 9251 or email [info@overseaspension.com](mailto:info@overseaspension.com)

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