PHOENIX WEALTH

LOAN TRUST

DRAFT WORDING FOR LOAN LEGACY FOR USE WITH THE INVESTMENT BOND

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This document provides draft wording that can be used in the Lender's Will to prevent early encashment of the Investment Bond when they die.

Generally speaking, if the Lender dies then his personal representatives would have to call in the outstanding loan. This would normally mean the Trustees of the Loan Trust would have to encash the Investment Bond and repay the loan. In practice this may not always be the preferred choice.

Instead, the Lender may want to pass their entitlement to the outstanding loan to a beneficiary so they can continue to receive the benefit of the loan repayments rather than the full cash entitlement.

The following is suggested wording that can be used in the Lender's Will, or a codicil to their Will, to let them achieve this. Neither Phoenix Wealth nor any of its representatives, officers or employees accept any responsibility or any loss occasioned as a result of the use of the Trust Deed and Loan Agreement for the Loan Trust or the following wording in any circumstances whatsoever.

> "I give to **[insert name]** my **[insert husband/wife/child etc.]** my entitlement under the loan made on the **[insert date]** to the Trustees of the Trust created by me by a Deed of Trust dated **[insert date]** together with all rights and benefits arising there under including the right to call in the loan or postpone the calling in thereof as he/she thinks fit."

Depending on the intended Beneficiary there will be different inheritance tax (IHT) implications.

If the entitlement to the outstanding loan is left to:

- The surviving spouse/civil partner then there will normally be no IHT to pay.
- Another individual, such as a child or grandchild, it will be a chargeable transfer for IHT purposes. This may be suitable if all or part of the Lender's available nil-rate band is to be used when they die.

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