

What is a Trust?

A trust is simply a way of separating beneficial ownership from legal ownership.

There are different types of trusts.

Most trusts fall into one or two main categories depending on how the income or benefit (dividends, interest, rents, free use of property, etc.) will be dealt with.

Interest in Possession Trusts

The interest in Possession Trusts (or fixed interest/life interest trusts) is often used in a Will when a person dies leaving a surviving spouse e.g. "to my wife for her life and then to my children".

These are trusts where the income or benefit must be given to the specific beneficiary.

Thus the widow can enjoy the assets placed in trust but is prevented from dissipating the trust capital.

Discretionary Trusts

There are several types but the common feature is that the benefits are allocated at the trustee's discretion to any one or more of several beneficiaries. The trustees might even decide, for a time, to benefit no one: the income being accumulated for future use.

Discretionary Trusts give the trustees power to make gifts of capital and/or income to a stated class of potential beneficiaries. The most common of these are the general discretionary trust and a charitable trust.



"Trusts fall into two categories."



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