Summary of Will trusts for minors

	Bare trust	Trust for bereaved minor	18 – 25 trust	Immediate Post Death Interest (IPDI)	Discretionary Trust
CAN BE USED BY:	Anyone	Parents only	Parents only	Anyone	Anyone
AGE CHILD CAN DEMAND THE ASSETS:	18	18	You decide – between 18 and 25	You decide (or, the child gets the income only).	No actual right to the assets – discretion of Trustees
INCOME BEFORE CHILD IS OLD ENOUGH TO GET THE ASSETS:	Child has a right to the income. The child's own income tax rates/ allowances apply.	You decide in your Will. Income is taxed at Trustee rates.* If it is paid to the child, they may be able to reclaim tax.	You decide in your Will. Income is taxed at Trustee rates.* However, if it is paid to the child, they may be able to reclaim tax.	Child has a right to the income. The child's own income tax rates/allowances apply.	No actual right to income (although the Trustees can create one). Income is taxed at Trustee rates.* However, if it is paid to the child, they may be able to reclaim tax.
IF THE CHILD DIES BEFORE THEY GET THE ASSETS, WHAT HAPPENS?	Assets fall into child's estate & pass according to the rules of intestacy.	You decide what happens in your Will	You decide what happens to the assets in your Will. If the child dies between 18 and 25, exit charges would be payable if the assets were not then held on 18-25 trusts.	You decide what happens in your Will BUT they will be included in the value of the child's estate for IHT.	You decide what happens in your Will
INHERITANCE TAX (IHT)	Falls into child's estate if child dies before reaching 18, so IHT might be payable (normal allowances apply).		'Exit charges' payable when assets leave the trust, after the child reaches 18.	If the child dies, the assets are included in the value of the child's estate for calculating IHT.	Exit and 10 year charges apply
CAPITAL GAINS TAX (CGT)	If the Trustees sell assets and they have increased in value, CGT is payable. The child's own rate/annual exemption applies. No CGT is payable on gains in the asset value when the child takes the assets at 18. If the child dies before taking the assets, no CGT is payable on gains, and there is a tax-free uplift.**	If the Trustees sell assets and they have increased in value, CGT is payable.* This is charged at the Trustee rate and the Trustee annual exemption applies. CGT is payable on gains in the asset value when the child takes the assets at 18 but hold-over relief is available. If the child dies before taking the asset, the CGT position depends.***	If the Trustees sell assets and they have increased in value, CGT is payable. This is charged at the Trustee rate and the Trustee annual exemption applies. CGT is payable on gains in the asset value when the child takes the assets at 18 but hold-over relief is available. If the child dies before taking the asset, the CGT position depends on whether they had an interest in possession or not.	If the Trustees sell assets and they have increased in value, CGT is payable. This is charged at the Trustee rate and the Trustee annual exemption applies. CGT is payable on gains in the asset value when the child takes the assets at 18 and NO hold-over relief is available. If the child dies before taking the asset, no CGT is payable on any gains, and there is a tax-free uplift.**	If the Trustees sell assets and they have increased in value, CGT is payable.* This is charged at the Trustee rate and the Trustee annual exemption applies. CGT is payable on gains in the asset value when the child takes the assets at 18 but hold-over relief is available. Contact me: jenniferlwiss@gmail.com

*Unless the trust is a trust for a vulnerable person and the Trustees make a 'vulnerable person election'.
**A tax free uplift means that the value of the asset will be considered to be what it is worth at the time of the child's death.
*** It depends on if the child has an 'Interest in Possession' in the assets – such as an IPDI.

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