

Nil-Rate Band Discretionary Trust: Example for Blended Families

Married couples or civil partners with children from former relationships may want to use an NRBDT in their wills to protect part of their estate for their own children and without creating an inheritance tax problem for their spouse.

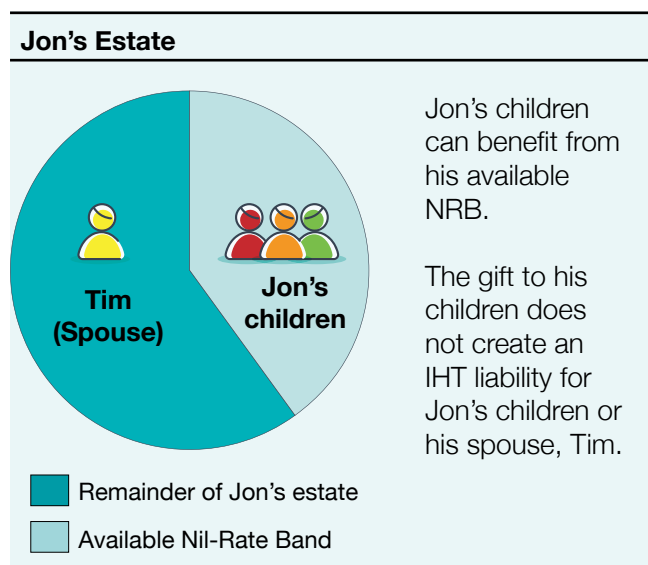
Example: Jon and Tim are married. Jon has children from his first marriage. Jon wants to be certain that his children do inherit some of his estate but does not want to create an inheritance tax liability for Tim.

Option 1: NRBDT for children

Jon makes a will that includes an NRBDT and leaves the rest of his estate to Tim. He believes the remainder of his estate will be sufficient to meet Tim's needs.

Jon names his children as beneficiaries of the trust.

By including an NRBDT in his will, Jon has peace of mind that his children can benefit from what is left of his available NRB on death without triggering inheritance tax. His children do not need to wait until Tim dies to receive cash or assets from the trust fund.



Option 2: Spouse / civil partner and children named as beneficiaries of NRBDT

If Jon is unsure whether Tim may need access to the assets held on trust in future, he can name Tim as a beneficiary of the NRBDT in his will. The trustees can consider the needs of Tim and his children at the time and have flexibility over how they use the assets held in trust. The trustees can be guided by a letter of wishes that Jon prepares.

