Personal Injury Trusts: FAQ

In this eBook, we provide answers to some of the most asked questions surrounding Personal Injury Trusts.

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What is a Personal Injury Trust?

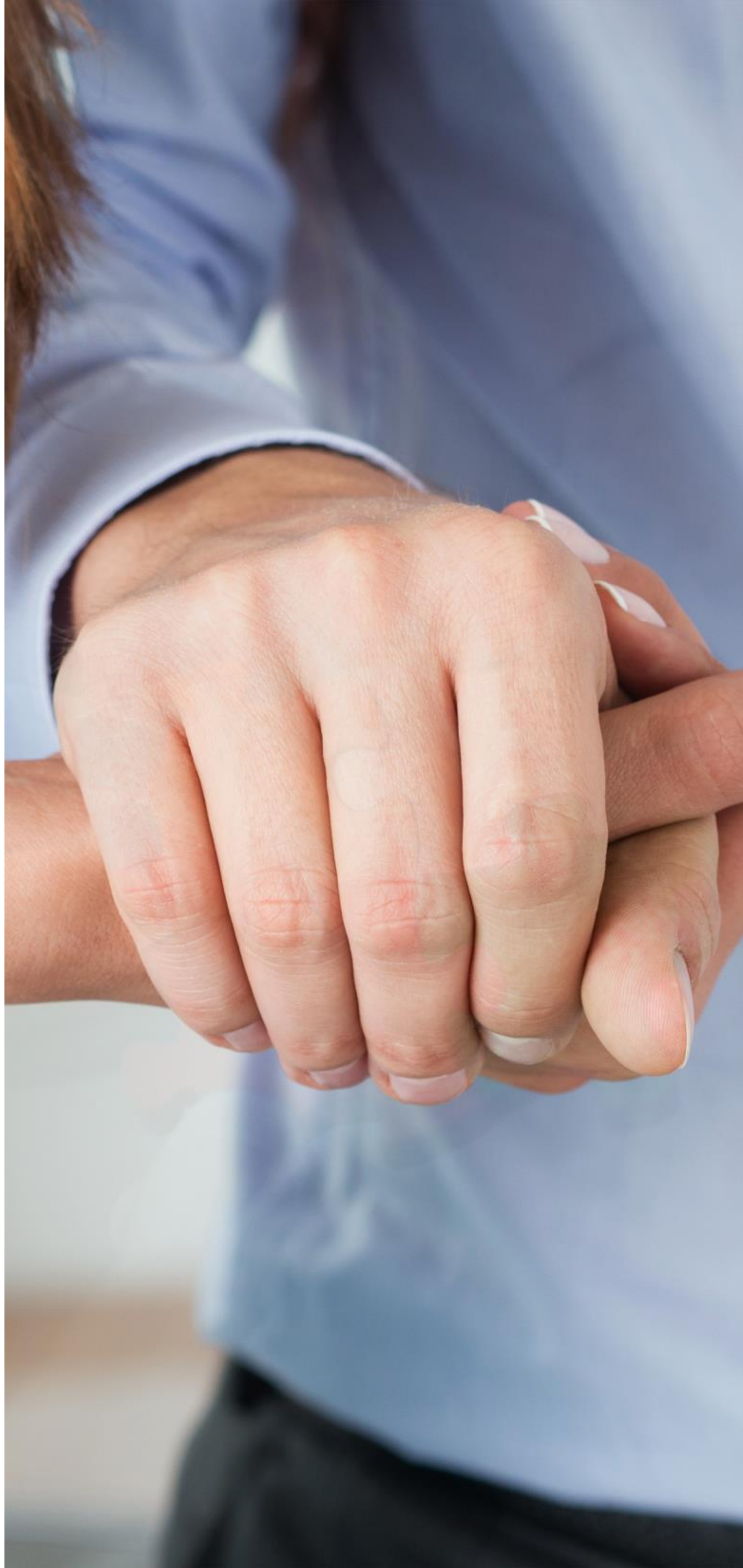
A Personal Injury Trust is a legal document (normally a “Bare Trust”), which transfers control of the money in respect of a personal injury from the person receiving it (“the Settlor”) to two or more people or a Trust Corporation (“the Trustees”) with instructions that they hold the Trust Fund for the person’s benefit (as “Beneficiary”).

Why do I need a Personal Injury Trust?

A Personal Injury Trust is a way for people who receive money in respect of a personal injury to preserve their entitlement to claim means-tested benefits and local authority funding both now and in the future.

When should I set-up a Personal Injury Trust?

A person has 52 weeks to set-up a Personal Injury Trust from the date of receipt of the first payment they receive in respect of a personal injury. During this time, the money is disregarded.



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Who can be a Trustee?

The Trustees will often be close family members and/or friends. They can also be professionals such as solicitors or accountants, but they will normally charge for their services. Trustees have a duty to act in the best interests of the Beneficiary and ensure that the Trust Fund is used for their benefit.

Can I be a Trustee?

Yes, but there must always be a minimum of two Trustees or a Trust Corporation.

What can go into a Personal Injury Trust?

Only money in respect of a personal injury can go into a Personal Injury Trust. However, the Trustees generally have wide powers of investment meaning they can purchase property and invest in any type of asset, anywhere in the world.

How is a Personal Injury Trust taxed?

With a Bare Trust, income and capital gains are treated as the Beneficiary's for tax purposes. There is no requirement to separately register the Personal Injury Trust with HMRC. An annual tax return might need to be filed however, if the Beneficiary's usual personal allowances have been utilised.

How much can I have from my Personal Injury Trust?

The law generally allows a person to have up to £6,000 in savings at any one time, before their means-tested benefits are affected. Therefore, if a person has £4,000 in savings, they can receive another £1,999 to ensure they remain below the limit. When the £6,000 is exhausted it can be replaced by another £6,000 and so on.

Can I spend money from my Personal Injury Trust on what I want?

Yes. The money in your Personal Injury Trust fund is your money. There is no restriction on how the money is spent, providing it is for the benefit of the Beneficiary.

It is recommended that your benefits income should continue to be used to meet ordinary day-to-day expenditures, such as shopping, utilities, etc.

Your Personal Injury Trust fund can then be used for larger purchases that your benefits income would not typically cover.

Is there a limit on how often I can receive money from my Personal Injury Trust?

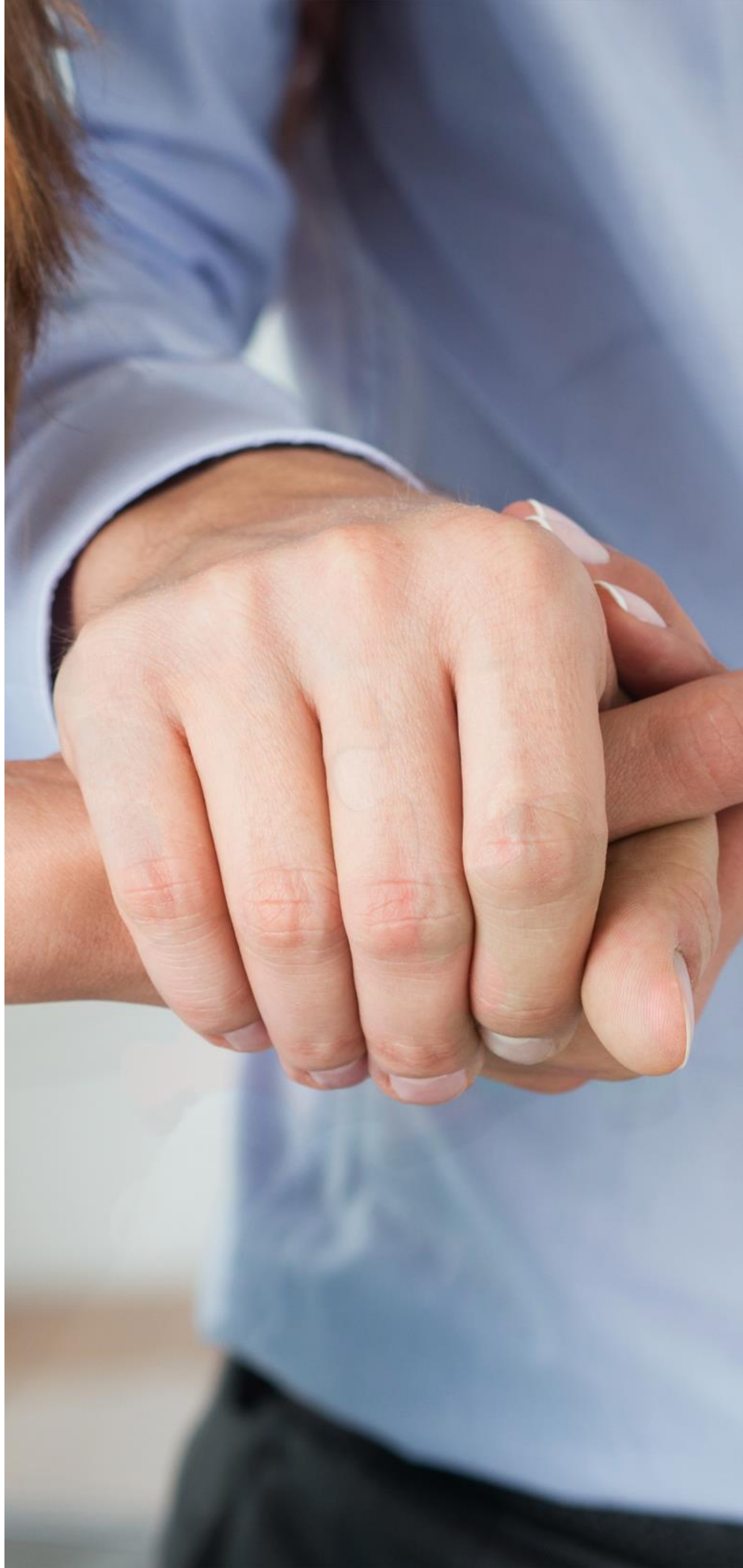
No. There is no limit on the number of withdrawals that can be made, but you should avoid setting-up regular payments of the same amount. Anything in excess of the capital limits for means-tested benefits and local authority funding should be paid for directly from the Trust Fund.

Can I change my Trustee?

Yes. A Beneficiary usually has the right to remove or appoint new Trustees, as well as the power to bring the Personal Injury Trust to an end at any time.

What happens to my Trust Fund when I die?

The Trust Fund forms part of a Beneficiary's estate for Inheritance Tax purposes.



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