



Property Trust

What is it?

A 'Trust' that is set up when you die. A provision for it is made now in your Will.

What does it do?

A 'PT' specifically deals with a house that is owned solely, i.e. by one person. It protects the interest of any nominated Beneficiaries while at the same time protecting the residential interest of any long-term partners, new spouses etc.

An example

Mr Jones owns his house entirely. He decides that he would like his children to inherit it, but would like his new partner, Miss Smith - to live in the house after he dies. If he leaves it directly to the children immediately, they can - and tend to - evict Miss Smith. If he leaves it directly to Miss Smith, the children are disinherited.

So, instead Mr Jones leaves the house in trust with the children as Beneficiaries. Miss Smith is set up as the Life Tenant of the trust, so that she

can reside there until her death, or an alternatively specified provision (a term of years, cohabitation, marriage etc). At that point, the trust passes the full ownership of the property to the children or their heirs. This way, both the children and Miss Smith win.

How does it work?

Provisions are added to your Will setting out the terms of the trust and the Lifetime Interest. These can be as flexible or inflexible as desired. Upon the death of the Testator, the Trustees (typically the Executors) have the responsibility of transferring the ownership to the trust, managing the trust and managing the property for the benefit of both the Life Tenant (surviving partner) and the beneficiaries. Once the end conditions have been reached, or in some cases the Life Tenant decides to give up that interest, then the Trustees bring the trust to an end and transfer the ownership of the property to the beneficiaries.

Property Trusts only work if they are unencumbered at the time of death, i.e. there's no mortgage. If there is a mortgage, then a suitable life insurance policy shall need to be put in place to pay it off.

Speak to us today

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