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Personal Injury Trusts

Client Information Guide



A close-up photograph of two hands, one darker-skinned and one lighter-skinned, reaching towards each other against a bright blue sky with soft clouds. The hands are positioned in the lower half of the frame, with the darker-skinned hand above the lighter-skinned hand. The lighting is bright and natural, highlighting the texture of the skin and the contrast between the two tones.

What is a PI Trust?

A PI Trust is a way to protect compensation you receive from a Personal Injury Claim from being included in an assessment of eligibility for means tested benefits.

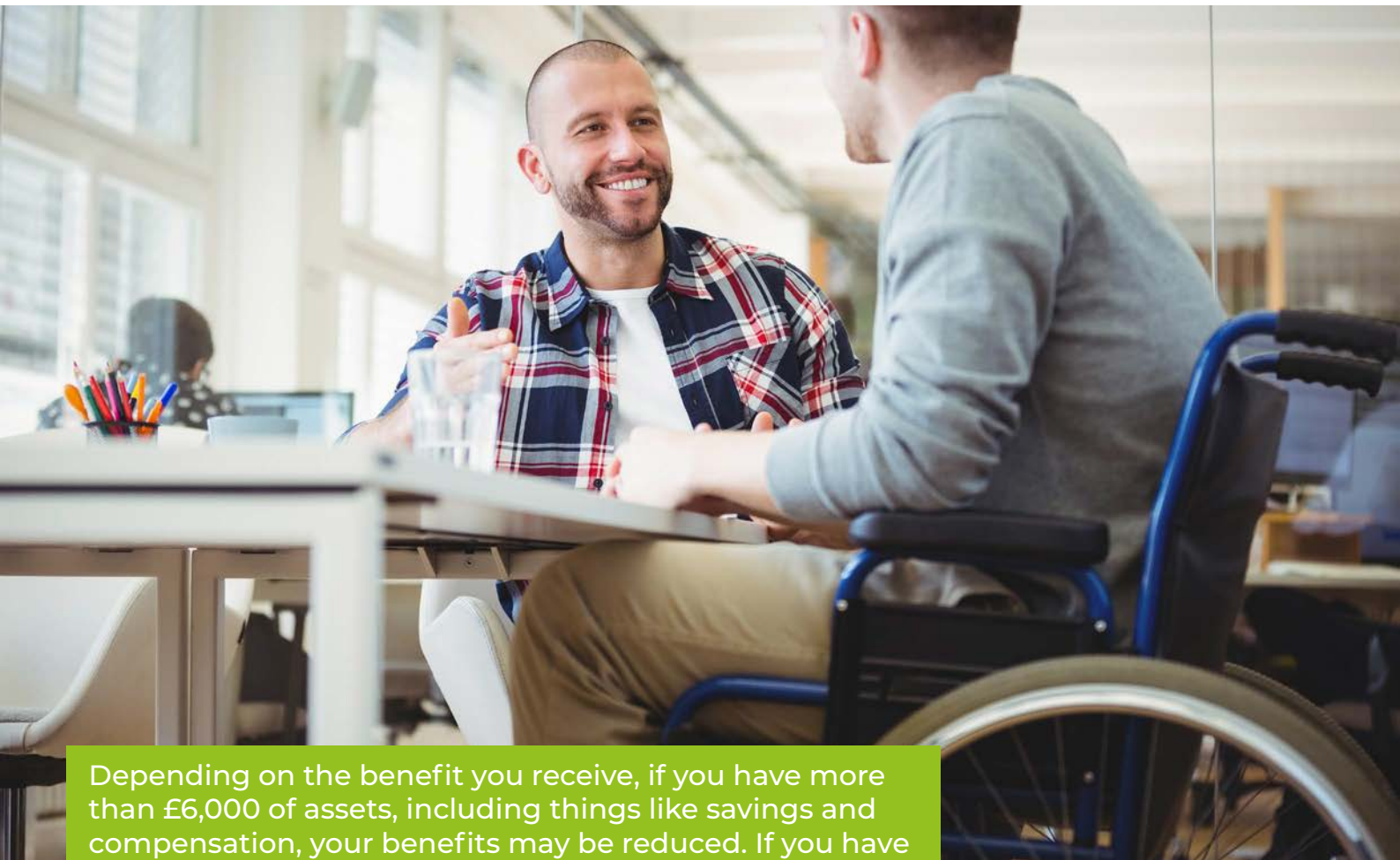
This means you can keep all of your compensation and still be eligible for your benefits.

A PI Trust gives control of your compensation to the Trustees who manage the money for you. You need at least 2 Trustees of which you can be one.

Why do I need a PI Trust?

A Personal Injury Trust can help protect any current or future means tested benefits after you get a compensation payment because of a Personal Injury or Medical Negligence claim. Some examples of means tested benefits include:

- ▶ Income Support
- ▶ Job Seekers Allowance
- ▶ Housing Benefit
- ▶ Employment and Support Allowance
- ▶ Council Tax Benefit
- ▶ Pension Credit
- ▶ Working Families Tax Credits
- ▶ Child Tax Credit
- ▶ Disabled Persons Tax Credit
- ▶ Universal Credit



Depending on the benefit you receive, if you have more than £6,000 of assets, including things like savings and compensation, your benefits may be reduced. If you have more than £16,000 it may mean your benefits are withdrawn entirely, so you can see why a PI Trust is so important.

Setting up a PI Trust

When Do I Need to Set Up a PI Trust?

The rules state any payment you receive as a consequence of a Personal Injury is disregarded for any financial assessment for a period of only 52 weeks. This “first payment” rule includes any payments (called interim payments) you may receive during the course of your claim. These payments will act as the trigger to start the 52 week period running.

We believe that as soon as you get any payment you should consider setting up the trust.

It is always best to have the PI Trust set up in advance and before any payments are received so that money is disregarded from any eligibility assessment right from the start.

1. How to set up a PI Trust

Our specialist PI Trusts Team can help you to set up your Personal Injury Trust. You'll need to choose your Trustees. These are the people who will manage the Trust for you and it's really important that you trust them completely.

You can have a minimum of 2 Trustees and a maximum of 4, of which you may be one. The Trustees must accept the terms of the Trust Document and their statutory duties and carry out their duties within the law, for your overall benefit.



2. Creating a Trust Document



Once you've confirmed your Trustees details, a PI Trust Solicitor will discuss with you your needs and requirements and will then draft the trust to meet those requirements. We can usually discuss your instructions over the telephone. We can arrange a home visit, but there is a charge which we will confirm in advance if required.

Once you have instructed us, we will provide you with a draft copy for approval. You will be able to review and discuss this with your PI Trust Lawyer. Once approved, we will send you a final document in the post to be signed and dated by you and your Trustees.

3. Setting up an Account

The Trustees will need to open a Bank Account for your Trust.

Once the Trust Document has been signed and dated, we will tell the DWP on behalf of the Trust.

You'll need to give us your National Insurance Number and the address of your Benefits Agency for us to confirm the trust.



Managing Your Money



If you don't spend the money, it simply stays in the Trust's Bank Account. You may want to talk to a Financial Advisor about any investments and how to manage it in the most tax efficient way.

Typically, you can spend the money as you choose as long as the Trustees agree to sign the withdrawal form or the cheque.

Remember, if you have over £6,000 in assets including investments or your personal bank accounts, it could affect your benefits.



Tax Information

All of the money, and any interest belongs to you. You don't have to formally register the Trust with HM Revenue and Customs, but you should contact them at the end of each tax year to see if you need to submit a self-assessment tax form.

A Personal Injury Trust is typically known as a 'Bare Trust'. This means that the Trustees do not need to complete an Income Tax Return. Any interest earned by the Trust will be taxed under the Beneficiaries (your) Personal Tax Return.

If your Trust is not a Bare Trust, we will tell you as there may be tax implications.



Your Trust



You have the power to remove Trustees if you feel that they are not using the money for your benefit or acting in your best interests.

A common disagreement is not being given permission to have money at a certain time, but there may be a good reason for this. It's always worth talking things through with the Trustees to see if you can resolve the issues rather than removing them.

You can also end the Trust if your circumstances change and you don't need it any more.



How Much Does It Cost to Set up a Trust?

It will cost from £900 (VAT Included) depending on how complex the Trust is and whether you need a home visit. Your Solicitor will take time to understand your needs and will let you know how much it will cost to set up your Trust. We offer a Fixed Fee Price which means we will never charge you more than the agreed amount.



If you have any questions or would like to enquire about setting up a PI Trust, call:

0808 239 7669 or visit www.simpsonmillar.co.uk



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