

The Importance of Children's Trusts in Wills

Fact Sheet



This fact sheet is designed to highlight the importance of Children's Trusts in Wills to create certainty, flexibility and protection for young beneficiaries.

When clients with young families write their wills, one of the most important considerations is how to protect their children should the worst happen. A simple gift "to my children" may seem straightforward—but without careful planning, it could result in complications, delays, or unintended outcomes. That's where **children's trusts** within a will provide a vital layer of protection

Why Include a Children's Trust?

Age of inheritance

Without a trust, children inherit outright at 18. While legally possible, many parents feel this is too young for children to handle substantial sums responsibly. A trust allows funds to be held until a more suitable age (e.g. 21 or 25), while still enabling trustees to use the money earlier for education, welfare, or other needs.

Control and protection

A trust ensures that assets are managed prudently and in the child's best interests. This prevents misuse, protects against external risks (such as creditors or relationship breakdowns), and ensures long-term security.

Flexibility

Trustees can adapt to changing circumstances - for example, allocating funds for school fees, university costs or other essentials without releasing the full inheritance prematurely.

The **Trustee Act 2000** sets out the modern framework for trustees' powers and duties. Under this legislation:

- Trustees must act with **reasonable care and skill**, always in the best interests of the beneficiaries.
- They are empowered to make a broad range of investments, subject to a duty to review and diversify holdings appropriately.
- They can delegate certain functions but must continue to supervise and ensure decisions meet statutory standards.

By appointing trustees in a will, parents can ensure their children's inheritance is managed not only responsibly, but also in line with established legal safeguards. This reassures families that their chosen trustees will be guided by clear duties and accountability.

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Why Advisers Should Raise the Topic

As a financial or estate planning professional, highlighting children's trusts is an excellent way to add value. Clients often overlook this detail when writing a will, yet it's a simple step that ensures:

- Funds are available for children when needed.
- Assets are protected until children are mature enough to inherit.
- Trustees act within a clear legal framework under the Trustee Act 2000.

The Scenario: James and Sarah

James (38) and Sarah (36) are married with two children, aged 7 and 10. Their combined estate includes:

- A family home worth £350,000
- Savings and investments totalling £120,000
- Life insurance that would pay out £300,000 on first death

Without any planning, if both James and Sarah were to die, the children would automatically inherit their estate at the age of **18**. While legally valid, James and Sarah were uncomfortable with the idea of their children inheriting such a substantial sum at such a young age. They wanted reassurance that:

- Funds would be available for education, living costs, or emergencies as the children grew.
- The inheritance would be managed responsibly until their children were more mature—ideally 25.
- Trusted family members would oversee the process, guided by clear legal duties.

The Solution: A Children's Trust in Their Wills

Working with their adviser, James and Sarah included a **children's trust** in their wills. The structure meant that:

- The estate passes into trust on second death.
- Trustees (James's brother and Sarah's cousin) are appointed to manage funds.
- The trustees have discretion to release funds for education, maintenance, or welfare.
- The children receive their inheritance outright at age 25, not 18.

In this arrangement:

If James and Sarah both pass away early, the trustees can release funds to pay for school fees or university costs. In addition, the children are not left with large lump sums at 18, reducing risks of poor financial decisions. Importantly, the estate is protected until the children are old enough to handle their inheritance responsibly.

For advisers, this case study illustrates the importance of going beyond a “basic will.” Clients with young families often assume leaving everything “to the children” is sufficient—but without a trust, that decision may expose them to risks they never intended.

By recommending children's trusts, advisers ensure:

- **Flexibility** – funds are available when genuinely needed.
- **Protection** – inheritance is safeguarded until maturity.
- **Security** – trustees operate under the Trustee Act 2000 framework.

Final Thoughts

As advisers, raising this conversation with clients is an opportunity to provide real peace of mind. At **Beneficial Trust & Will Co**, we can support you by drafting wills with children's trusts that not only meet your clients' wishes but also comply fully with the relevant legislation.

James and Sarah's story is one many families can relate to. By including a children's trust in their wills, they created certainty, flexibility, and protection for their young family. Because protecting the next generation isn't just about inheritance—it's about responsibility.

Useful Contacts

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