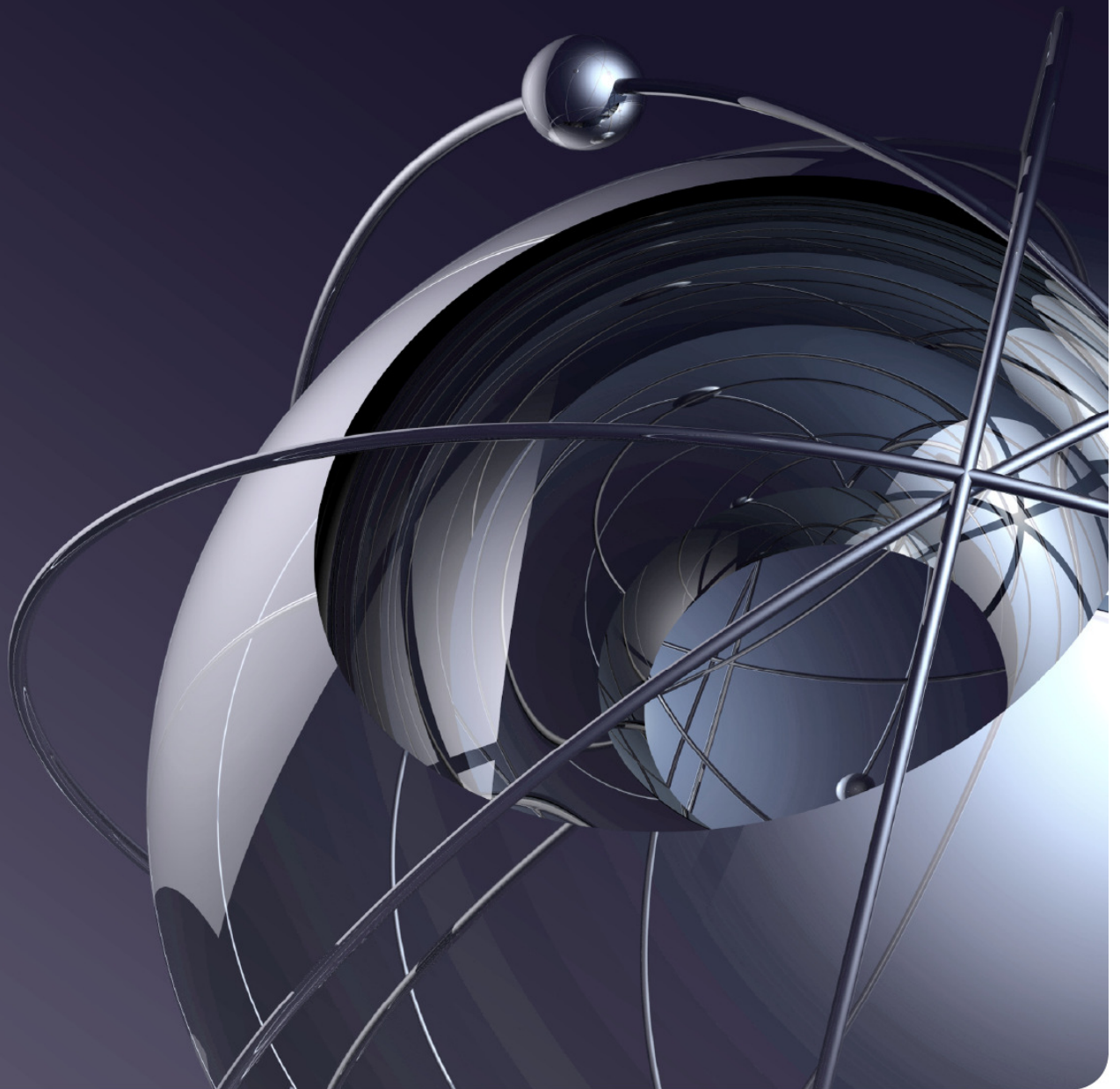


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# Supporting structures

Reserved Power Trusts (or RPTs)



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## RESERVED POWER TRUSTS (OR RPTS)

### How much control can the settlor have over the trust?

Trusts have been used for many years in many jurisdictions; they are well known structures in the wealth planning world. The trustee will generally have a high level of control over the trust fund. However many settlors are concerned about giving property away and having no further control over it. This is often the case with settlor who come from jurisdictions where trusts are not common or where they wish to place family businesses into trust and continue to be involved in their management.

Using modern trusts it is often possible to leave some control with the settlor or to give it to a third party (often referred to as the protector). This is discussed in more detail below.

### What are RPTs?

Various jurisdictions (notably the Channel Islands) have formalised what are often referred to as reserved power trusts (or RPTs). They have introduced specific legislation to ensure that these arrangements can be put in place without prejudicing the validity of the trusts themselves. (See Appendix for extracts.)



*„Trusts have been used for many years in many jurisdictions; they are well known structures in the wealth planning world.“*

## RESERVED POWER TRUSTS (OR RPTS)

### How do RPTs work?

When a settlor creates an RPT he can keep (or “reserve”) the power to do certain things, or grant that power to a trusted third party (the protector).

The powers in question include the ability to:

- appoint or remove investment managers
- take decisions regarding investments
- manage companies owned by the trust
- appoint or remove trustees
- add or remove beneficiaries

As well as enabling the settlor to continue to manage the family company the arrangements could enable the settlor and investment manager to continue to manage the portfolio as before. This would reduce the extent to which the trustee had to be involved with the investments. While reserving these powers will not prejudice the validity of the trust as a matter of the governing law, care must be taken to ensure that the arrangements do not compromise any other elements of the planning, such as the tax position of the settlor.

### How can I create an RPT?

For further details please contact either Glenn Mellor or Fred Milner on +41 22 718 75 80 or email [info@careygroup.gg](mailto:info@careygroup.gg)



*„When a settlor creates an RPT he can keep (or “reserve”) the power to do certain things, or grant that power to a trusted third party (the protector).“*



## APPENDIX

### EXTRACT FROM THE TRUSTS (JERSEY) LAW 1984

#### 9A Powers reserved by settlor

1 The reservation or grant by a settlor of a trust of –

- a. any beneficial interest in the trust property; or
- b. any of the powers mentioned in paragraph (2),

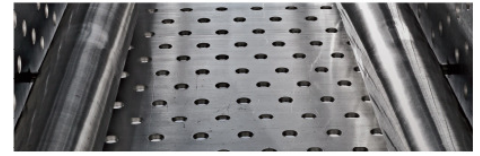
shall not affect the validity of the trust nor delay the trust taking effect.

2 The powers are





















- a. to revoke, vary or amend the terms of a trust or any trusts or powers arising wholly or partly under it;
- b. to advance, appoint, pay or apply income or capital of the trust property or to give directions for the making of such advancement, appointment, payment or application;
- c. to act as, or give binding directions as to the appointment or removal of, a director or officer of any corporation wholly or partly owned by the trust;
- d. to give binding directions to the trustee in connection with the purchase, retention, sale, management, lending, pledging or charging of the trust property or the exercise of any powers or rights arising from such property;
- e. to appoint or remove any trustee, enforcer, protector or beneficiary;
- f. to appoint or remove an investment manager or investment adviser;
- g. to change the proper law of the trust;
- h. to restrict the exercise of any powers or discretions of a trustee by requiring that they shall only be exercisable with the consent of the settlor or any other person specified in the terms of the trust.

3 Where a power mentioned in paragraph (2) has been reserved or granted by the settlor, a trustee who acts in accordance with the exercise of the power is not acting in breach of trust.

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