Case Study

Peter, who was resident and domiciled in the UK, set up a discretionary trust for his 4 children, Alan, Ben, Charlotte and David. There are no grandchildren. Peter died in January 2002. He was a director and majority shareholder in XYZ plc. The trust had been set up with a minority shareholding of these shares and on his death the remainder of his shareholding was transferred into the trust.

The trust has been set up under Guernsey law.

The trustees have "complete discretion to distribute income or advance capital as they in their absolute discretion consider appropriate".

Alan is 24 and has recently qualified as an accountant. He needs £10,000 to help him set up his new business. Ben wants to take a year out travelling before going to university. Charlotte who is 15, is in full time private education and needs money to pay her school fees and a forthcoming geography field trip. David is 27 and wants £150,000 to buy himself a house to live in.

Peter sent a letter of wishes to the trustees before he died requesting that the trustees distribute income to the beneficiaries for their maintenance and education up until 25 years and thereafter capital at their discretion, so that each beneficiary benefited equally.

Advise the trustees on the requests from the beneficiaries.