Trustees

Unit Trust Schemes

This is a type trust where the beneficiaries (called unit holders) each possess a certain share (called units) and can direct the trustee to pay money to them out of the trust property according to the number of units they possess. A unit trust is a vehicle for collective investment

According to Cambridge dictionary, Unit Trust is defined as "a service where financial experts invest the money of many people in many different companies"

In a more simple term, Unit Trust is a form of mutual investment which allows investors with similar investment aims to put their funds together and afterwards invest in a portfolio of securities or other assets that would be of beneficial interest to the investors.

A seasoned Fund Manager then invests the funds into any of the asset classes that are allowed by the governing document of the scheme. The governing document is known as the trust deed. Asset classes may be properties, stocks Bonds, money market and deposits etc.

UNIT TRUST HOLDERS are individuals or investors that invests in the unit trust scheme. They are usually investors that do not have time or lack the requisite professional skills to manage their funds.

Unit Trust Scheme gives investors exposure to a wide array of investment in variety of asset classes which they would not have had access to if they are not part of the scheme.

ADVANTAGES OF UNIT TRUST INVESTMENT

Affordable: most unit trust schemes are low priced and within the reach of not only high income earners but also low income earners. Most unit trust schemes in Nigeria are priced as low as =N=100per unit.

Ease And Convenience: by investing in a unit trust scheme an investor is removing a huge burden from himself and he will be handing over the management of his investment to professionals, he does not have to be up to date on market trends and happenings which means having superior knowledge of the dealings of the complicated financial markets of today.

Diversification: by investing in a unit trust scheme an investor is not putting all his 'eggs in one basket'. The funds under a unit trust scheme are invested in various asset classes as permitted by the trust deed in specified ratios. This means that unit trust schemes are safe from volatility in the market i.e., fluctuation in stock prices.

Professional Fund Managers: unit trust schemes are administered by well-seasoned professionals with the requisite technical knowhow. This ensures that decisions are made based on sound investment principles which ensures that higher returns are generated for investors in the long run.

Reduced Overhead And Exposure To Other Asset Classes: when investing directly, investors may incur higher cost in terms of transaction charges whereas a unit trust scheme manager will able to negotiate lower transaction fees and also gain access to wholesale yields and variety of asset classes. These options are not available to an individual investor.

Highly Regulated: Unit Trust Schemes are regulated by the Securities and Exchange Commission (SEC) in Nigeria, before any fund Manager can initiate the scheme, it needs to get the approval of the

SEC which will not be granted if the fund manager does not meet all stipulated terms and conditions as contained in the Investment and Securities Act (2007). Also the Fund Manager submits to the SEC (and investors) periodic reports on the performance of the Scheme so there is no avenue through which the fund manager can "cheat" investors. Regulation gives investors comfort to the extent that they can go to sleep with their "eyes closed".

TYPES OF UNIT TRUSTS

There are two types of unit trusts as contained in the Investment and Securities Act (2007) namely:

Open Ended Fund according to the ISA (2007) an open ended fund is a Fund that on a continuous basis creates new issues and redemption of units after the initial public offering. The price is based on the Net Asset Value (NAV) that is total asset of the fund less liabilities as at date of purchase or redemption

Close Ended Fund: for this type of Fund, the issued units are fixed and normally traded on the exchange. Like Stocks, the price of the units are determined by the forces of demand and supply. A unit holder that wants to redeem his unit has to go through his stockbroker.

Key Parties to a Unit Trust Scheme

- Fund Manager
- Trustee
- Custodian
- Registrar

OTHER TYPES OF TRUST I CAN SET UP

There are a number of different types of trusts, however, trust can be broadly classified into revocable and irrevocable trust.

Revocable Trusts

Revocable trusts are created during the lifetime of the Settlor and can be altered, changed, modified or revoked entirely. Often called a living trust, these are trusts in which the Settlor transfers the title of a property to a trust, serves as the initial trustee, and has the ability to remove the property from the trust during his or her lifetime. Revocable trusts are extremely helpful in avoiding probate. If ownership of assets is transferred to a revocable trust during the lifetime of the Settlor so that it is owned by the trust at the time of the Settlor's death, the assets will not be subject to probate.

Irrevocable Trust

An irrevocable trust is one which cannot be altered, changed, modified or revoked after its creation. Once a property is transferred to an irrevocable trust, no one, including the Settlor, can take the property out of the trust. It is possible to purchase survivorship life insurance, the benefits of which can be held by an irrevocable trust. This type of survivorship life insurance can be used for estate tax planning purposes in large estates, however, survivorship life insurance held in an irrevocable trust can have serious negative consequences.

Inter Vivos or Living Trust

Inter Vivos or Living Trust is a type of trust established during the lifetime of the Settlor. Here, Trustees manage and administer the Settlor's assets or estate(s) during his lifetime and will continue to manage same upon his death until it is passed on to the beneficiary.

Testamentary Trust

Testamentary/Will Trust is a trust created in an individual's will is called a testamentary trust. A testamentary trust is a trust that is created before the date of effect, which is the death of the person who creates it. It is often established through a last will and testament. Because a will can become effective only upon death, a testamentary trust is generally created at or following the date of the settlor's death.

For testamentary trusts, the person who creates the trust is not called a settlor, but a "testator." Other types of trust are:

Private and Public (Charitable) Trusts

A private trust has one or more particular individuals as its beneficiary. In contrast, a public trust (also called a charitable trust) has some charitable end as its beneficiary. In order to qualify as a charitable trust, the trust must have as its object certain purposes such as alleviating poverty, providing education, carrying out some religious purpose, etc.

Charitable trusts are usually for the benefit a particular charity or the public in general. Typically charitable trusts are established as part of an estate plan to lower or avoid imposition of estate and gift tax.

Blind Trust

In a blind trust, the trustees have full discretion over the assets, and the trust beneficiaries theoretically have no knowledge of the holdings of the trust. The trustor/settlor initiates the trust and maintains the ability to terminate the trust, but otherwise exercises no control over the actions taken within the trust and receives no reports from the trustees while the blind trust is in force.

Estate Planning

In estate planning, trustees hold assets and manage same for the benefit of third parties. Trustees also act as executors either alone or jointly with others to administer the estate of the testator (where the deceased made a will) or act as Administrators of the Estate where the deceased died intestate.

Real Estate Trust/ Project Finance

In Real Estate/Construction/Project Finance, trustees also act as intermediaries to ensure that the terms of the necessary agreements are kept while they hold title to the property on behalf of the all stakeholders to ensure that there is a seamless transfer of the asset to the ultimate off-takers. Trustees also provide comfort to Financiers of real estate transactions.

Trusts and your needs: why you should consider expert advice?

Trust could be dynamic and tailor made and when combined with its complex nature and the eccentricity of your needs, it becomes imperative that there's need for expert advice when creating a trust. At SAMTL, we have a robust understanding of Trust and we also keep track of the ever-changing trust-related legal implications and obligations.

SOURCES

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A presentation on "Business Development and Marketing of Trust Services" by Yinka Adegbola, CEO of Apel Capital & Trust Limited at a Seminar organized by the Association of Investment Advisers and Portfolio Managers on Real Estate Finance and Investment Mechanics on the 19th and 20th of September, 2017.

WHAT CAN SAMTL OFFER?

SAMTL is a one stop shop for both Trusteeship and Asset/Portfolio Management Services market wide. We are reliable and we are focused on our customers.

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