

Delivering your future

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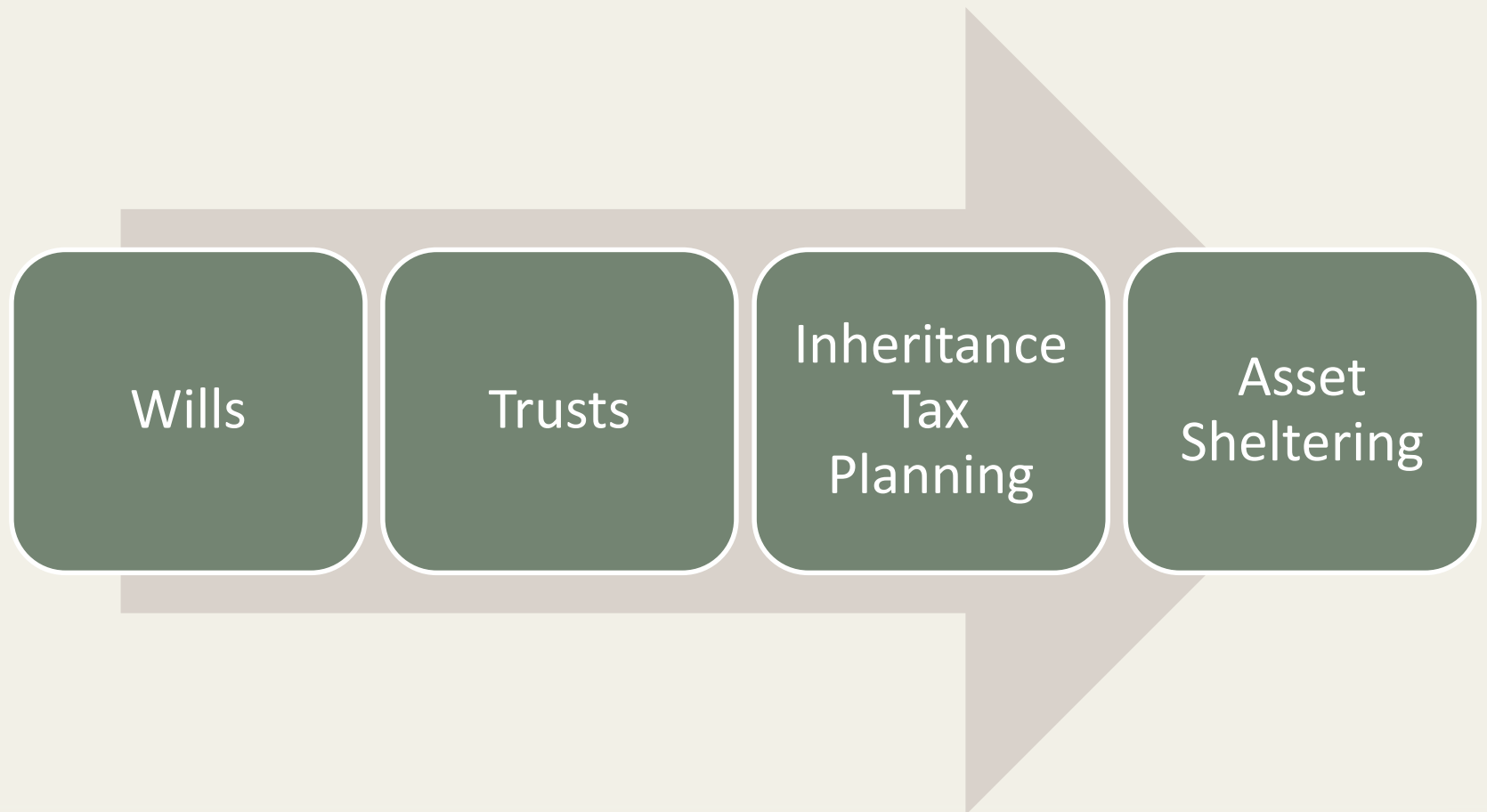
Francis Durrant

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Barr Ellison, 39 Parkside
Parker's Piece, Cambridge

Worked Example | Case Study



Married couple, Winifred (65) & Henry (66)

Recently retired

Both in receipt of
significant private
pension income

Two children: Christopher (35) & Charlotte (30)

Christopher is married
with two children in
private education

Charlotte is engaged to
Fabian. Winifred & Henry
have concerns about their
future son-in-law

Existing Wills 2006

1st death

- £325,000 to NRB Discretionary Trust
- Residue to Surviving Spouse

2nd death

- Residue equally between Charlotte and Christopher

Assets

Property in Cambridge = £1 million

Rathbones Portfolio = £1 million

Other Savings = £500,000

Total = £2.5 million

Retain Discretionary Trusts?

Transferable Nil-
Rate Band

Asset sheltering

Reduce estate of
survivor for
purposes of
Residence NRB:
£2 million
threshold

Trust for Charlotte?

Mitigate against potential divorce

Life Interest
Trust

Fully
Discretionary
Trust

Amended Wills

1st death

- Entire estate to surviving spouse

2nd death

- Half share outright to Christopher
- Half share on Life Interest Trust for Charlotte

Inheritance Tax on Second Death

Gross Estate = £2.5 million

Less Nil-Rate Band = £325,000

Less Transferable Nil-Rate Band = £325,000

Residence NRB = £0 due to taper on estates exceeding £2 million

Net Estate = £1,850,000

IHT @ 40% = £740,000

Inheritance Tax Planning

Annual Exemption of £3,000 each

Gifts exceeding Annual Exemption subject to 7 year clock

- However, gifts immediately effective for purposes of £2 million threshold for Residence Nil-Rate Band
- Capital Gains Tax potentially payable on non-cash gifts
- Must avoid Reservation of Benefit

Normal expenditure out of income

- Detailed records
- Declaration

Asset Sheltering | Wealth Protection

Lifetime creation of a Trust

- Limit of £325,000 per individual without triggering immediate IHT charge
- Subject to IHT charges on 10 year anniversary and exit of funds from Trust

Effective at shielding assets from divorce proceedings?

Pre-nuptial and post-nuptial agreements

Planning by Winifred & Henry

Cash gift of
£250,000 to
Christopher

Cash gift of
£250,000 to
Charlotte with
prenuptial
agreement

Excess pension
income used to
pay for
grandchildren's
education

Impact on IHT after 7 years

Gross Estate = £2 million

Less Nil-Rate Band = £325,000

Less Transferable Nil-Rate Band = £325,000

Less Combined Residence Nil-Rate Band* = £350,000

Net Estate = £1 million

IHT @40% = £400,000

Saving = £340,000

* By April 2020



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