AUTUMN/WINTER 2017

Independent Financial Advice

NEWS AND ADVICE FROM BIRKETT LONG

Welcome to the latest edition of the Birkett Long IFA newsletter.

As you will read in this newsletter, Birkett Long IFA and Birkett Long Solicitors (wills, trusts and probate team) have teamed up with local accountancy firm, Lambert Chapman, to present two seminars.

The seminars will take place on 14 November and will cover the topic of inheritance tax (IHT) planning. Claire Read from Birkett Long Solicitors will be presenting on IHT planning and making a will, Paul Chilver will be discussing discounted gift trusts and Lucy Orrow from Lambert Chapman will be talking about reliefs and allowances against inheritance tax.

In the article on the right, Paul Chilver provides an overview of discounted gift trusts and overleaf, Ben Parmenter has written an article about the use of trusts in your will.

I do hope we will see you at one of our seminars.

Nicola Ward

Discounted gift trusts

As Nicola has mentioned, I will be at our seminars presenting on discounted gift trusts, which I touched on at our annual investment seminars earlier this year.

“What is a discounted gift trust?” I hear you ask? Well, a discounted gift trust is an Investment Bond that can be held onshore or offshore, within a trust, and which will pay regular income. This type of investment allows you to gift a sum of money under a trust whilst receiving an income up to 5% per annum, taking advantage of the 5% tax deferred withdrawal facility under an investment bond.

Subject to the amount of income requested and your health and age, a discount will be offered by the investment company and this discount amount will be deemed to be immediately outside your estate for IHT purposes. Furthermore, after seven years the balance of the gift, together with any growth on the investment, is also outside your estate for IHT purposes. Withdrawals will continue beyond seven years but it should be noted that, once established, these cannot be stopped or amended.

Due to the immediate potential IHT benefit and the access to an income from the investment, discounted gift trusts have been a popular arrangement for many years to help with IHT planning without the individual(s) concerned losing complete access to their money. A discounted gift trust may not be suitable for everyone, but assuming you are in good health, likely to live seven years and require an income from your investments, they could be an excellent tool to aid IHT mitigation.

More details will be available at our seminar, when I will also be running through some case studies. However, should you wish to discuss this in advance of the seminar or you are unable to attend, please do not hesitate to contact me.

Paul Chilver
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The use of trusts in wills

We are all well aware of the need to have a professional will in place to make things easier for loved ones, but a well written will can also protect your estate from forces that may otherwise be beyond your control.

Trusts have been used for a number of years to ringfence assets, but many people see these as complicated or only suitable for the very wealthy. This is not correct. In simple terms, a trust is a gift with strings attached. For example, if you give your house to your husband or wife for their use during their lifetime, but thereafter it must pass to your children, a life interest trust will have been established. This not only provides for your husband or wife during their lifetime, but it ensures that the underlying asset passes to your children. These type of trusts can also be used to mitigate against care home fees in later life. It is a worrying thought that nursing home costs in this area can reach £1,000 per week! Clearly, it does not take many weeks for an inheritance to disappear!

Another type of trust that solicitors often use to protect a client's estate is a discretionary trust. These have a pool of potential beneficiaries, rather than just one or two. The trustees have discretion as to when and how the beneficiaries benefit from the trust and these are therefore very flexible. Discretionary trusts can be used in circumstances where parents wish to protect monies from passing to their children's spouses. For example, if a child's marriage breaks down shortly after receiving an inheritance, the inherited assets can pass to the estranged husband or wife. However, in a discretionary trust the trustees would be able to appoint trusts to potential beneficiaries at the correct time and in the most suitable manner.

Discretionary trusts are also used to provide an inheritance for a disabled or vulnerable beneficiary. It may be that the beneficiary is unable to manage their own finances or is vulnerable to the influence of others. In this scenario, the trustees can manage the beneficiary's money on their behalf and, if necessary, drip feed them a regular income.

When considering trusts within your will, it is important to choose trustees that you trust to carry out your wishes. To provide them with guidance, a suitably drafted side letter setting out your intentions should form part of the will making process.

We often advise business owners to use trusts within their wills in order to maintain flexibility, and enable their estate to be managed in the most tax efficient manner, without causing difficulties in the smooth running of the business. Please ask us for advice whether you wish to mitigate care fees, protect your business or simply ensure that your estate passes down intact.

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free seminar

14 NOVEMBER 2017

Inheritance tax planning and discounted gift trusts - morning seminar at 1 Amphora Place, Colchester, evening seminar at Chelmsford City Racecourse. To register your interest email seminars@birkettlong.co.uk

get in touch

We offer a free 15 minute phone call with no obligation to take any further action.

Call the team on 01206 217309

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