

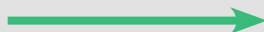


KEY FEATURES AND BENEFITS SHEET 109

Additional Planning Solution for:

✓ BUSINESS/AGRICULTURAL ASSETS

TYPICAL EXISTING PLANNING



Note: This sheet only applies to Business and Agricultural Assets that attract Business and Agricultural Relief (BR / AR).

WHERE THERE IS NO WILL, OR ONLY A BASIC WILL IN PLACE, YOUR BUSINESS ASSETS ARE EXPOSED TO THE FOLLOWING RISKS:

! Inheritance Tax (IHT)

Business Relief may be available on Business Assets. But if spouse/partner/children decide to sell the business the proceeds will enter their estates creating a potential IHT liability on their death. 40% of the value of the business could be lost to future generations.

! Example of potential Inheritance Tax Liability

Example of potential Inheritance Tax Liability Mr owns 100% of ABC Ltd which is valued at £1,800,000. Mr dies leaving the business to his spouse/partner/children. No IHT payable on Mr's death assuming the availability of Business Relief (BR). Subsequently, the spouse/partner/children decide to sell the business resulting in £1,800,000 entering their estate.

When the spouse/partner/children die they leave a potential IHT bill of $£1,800,000 \times 40\% = £720,000$

! 3rd Party Claims

Share of company is now part of spouse/partner's/children's estates and therefore is at risk from any future Divorce settlements, Creditors and Bankruptcy.

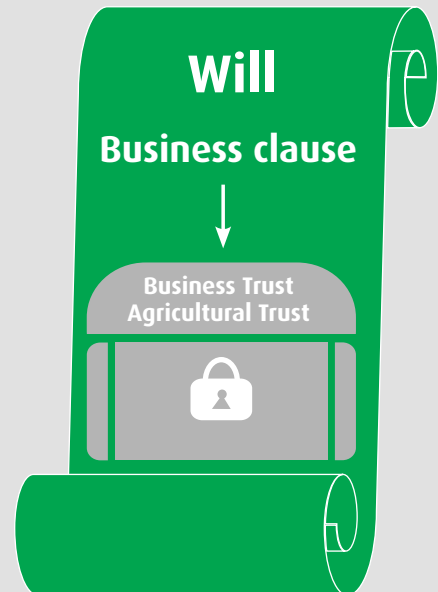
! 3rd Party Claims

If rules on BR and AR change between first and second death, when spouse/partner/children dies these reliefs may not be available. Opportunity to take assets out of estate will have been missed.

USING A DISCRETIONARY TRUST



Client's Beneficiaries are Trustees and Beneficiaries of the Trusts.



! Periodic and Exit Charges

If the business/farm is sold then this may give rise to periodic and exit charges if value of assets exceeds the Nil Rate Band.

✓ Inheritance Tax Example

Mr owns 100% of ABC Ltd which is valued at £1,800,000. Mr dies leaving the business to Family Business Trusts. No IHT payable on Mr's death due to BR/AR.

Subsequently, the spouse/partner/children decides to sell the business resulting in £1,800,000 entering the Trusts.

When the Spouse/Partner/Children die, IHT payable on the proceeds of the sale of the business = £0 a saving of £720,000 compared with if Trusts are not used

✓ Solves the above problems of Inheritance Tax, 3rd party claims and potential changes in reliefs.

✓ Third Party Claims

The proceeds from any future sale of the business could be protected from Divorce, Remarriage, Bankruptcy and Long Term Care.

In some cases it may be beneficial to use multiple pilot trusts, as there are various options open to trustees following the death of a settlor to try and reduce the occurrence of periodic and exit charges in some cases. Multiple pilot trusts can also increase flexibility and autonomy, as it enables the beneficiaries to have and be in control of their 'own trust'. See also Key Features and Benefits sheet 22.

THIS KEY FEATURES AND BENEFITS SHEET CONCERNS BUSINESS SUCCESSION PLANNING ONLY. FOR PERSONAL PLANNING SEE KEY FEATURES AND BENEFITS SHEETS 1-8. FOR BUSINESSES WHERE THERE ARE MORE THAN ONE OWNER SEE ALSO KEY FEATURES AND BENEFITS SHEET 10 ON THE USE OF CROSS OPTIONS.

This sheet contains only general planning and is not to be construed as advice for any personal planning. Each strategy recommended is based on individual circumstances.