STRATEGIC ASSET PROTECTION
WEALTH & ESTATE PLANNING

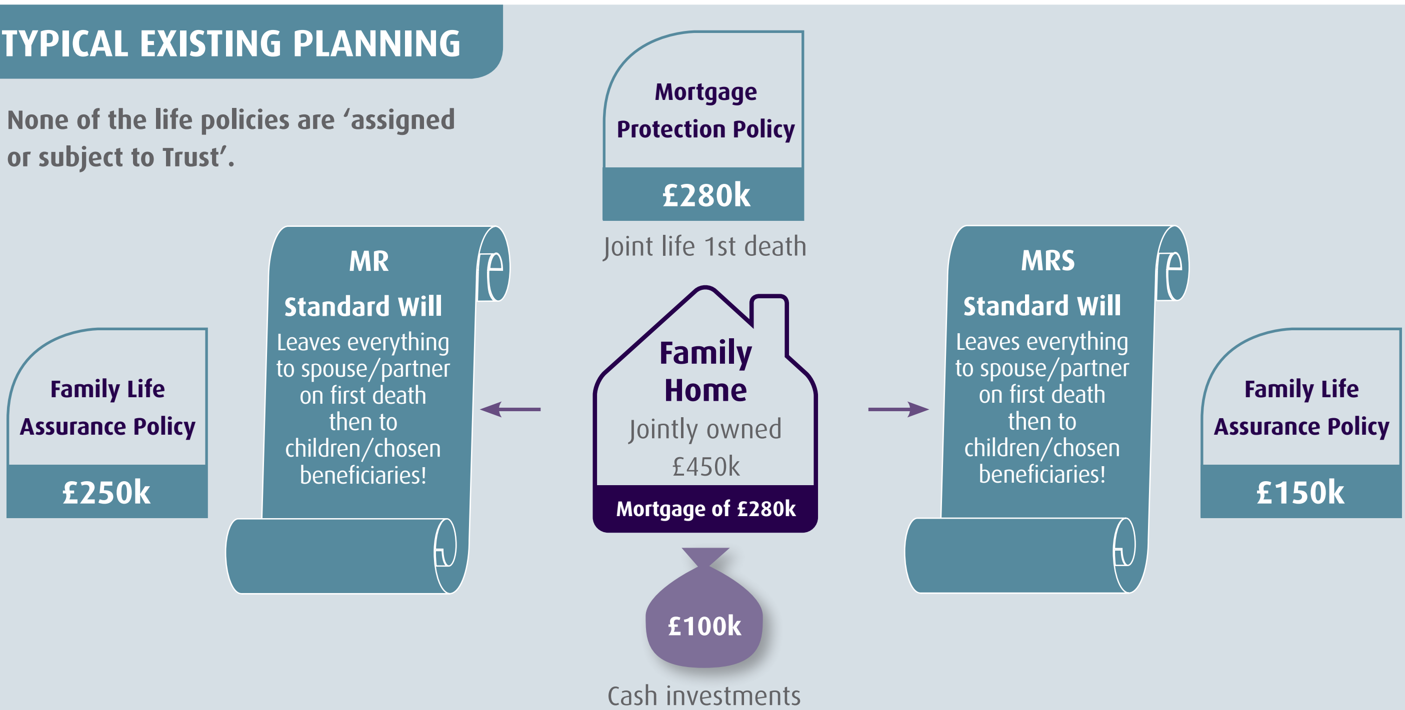
KEY FEATURES AND BENEFITS 8

Additional Planning Solution for:

✔ FAMILY LIFE ASSURANCE TRUSTS

TYPICAL EXISTING PLANNING

None of the life policies are 'assigned or subject to Trust'.



Firstly if Mr suffers a terminal illness (and/or critical illness if applicable), this could result in a payout of up to £530,000.

Such benefits very often are 'retained benefits' of the policyholder, and hence the policy proceeds are paid directly to the policyholder. As such, the proceeds would then be at risk from the policyholder's own:

- **Divorce**
- **Creditor/ bankruptcy claims**
- **Care fees**
- **IHT on his death**

Note that even if such policies were 'assigned to Trust', very often terminal illness/critical Illness cover will **default back to the policyholder** as a standard condition of the Trust and still be at risk from their divorce, creditor claims, care fees and IHT (often even policy placed in Trust to pay the IHT bill). It is therefore recommended to review existing Life Assurance Trust(s).

All assets are passed to the spouse as follows:

*Total Estate	£550,000
Less Mortgage of	**£280,000**
Value of Home & Savings	£270,000
Plus Mortgage Protection of	£280,000
Plus Family Life Assurance of	£250,000
Total Estate =	**£800,000**

First death occurs. **(See table*)** All sole assets pass to the surviving spouse in accordance with deceased's Will. The joint assets including the proceeds of the Joint Life, first death policy become sole assets of the surviving owner i.e. the spouse. **Spouse exemption applies. No IHT due.** (Note if Mr. was **not married,** IHT would be due on his estate that exceeds the IHT thresholds. The life assurance policy proceeds would be included in that calculation if **not assigned** to Trust). The surviving spouse now has an estate of £800,000 and she is now at risk from:

Marriage after Death (MAD)
What if the surviving spouse remarries? The whole estate could be directed to the new spouse, **disinheriting the children.**

Care
The whole estate could be subject to financial assessment of the **survivors care fees.**

Creditors/Bankruptcy
Fully attackable from the survivors creditor/bankruptcy claims.

Inheritance Tax (IHT) on their death
The full estate value will be accountable to the spouse's estate for IHT on her death.

It is assumed Mrs. £150,000 Family Life Assurance Policy had been retained. **Second death now occurs.** There are further risks to the estate:

Inheritance Tax

Assuming the successful application of the Residence Nil Rate Bands (tax year 2017/18) and Nil Rate Bands (NRB) then the additional life cover paying into the estate of the spouse now creates an IHT liability. **£950,000 - £850,000 = £100,000 x 40% IHT = £40,000 IHT.**

Creditors/ Bankruptcy claims

The inheritance would be fully attackable from the children's/chosen beneficiaries creditor/bankruptcy claims.

Divorce

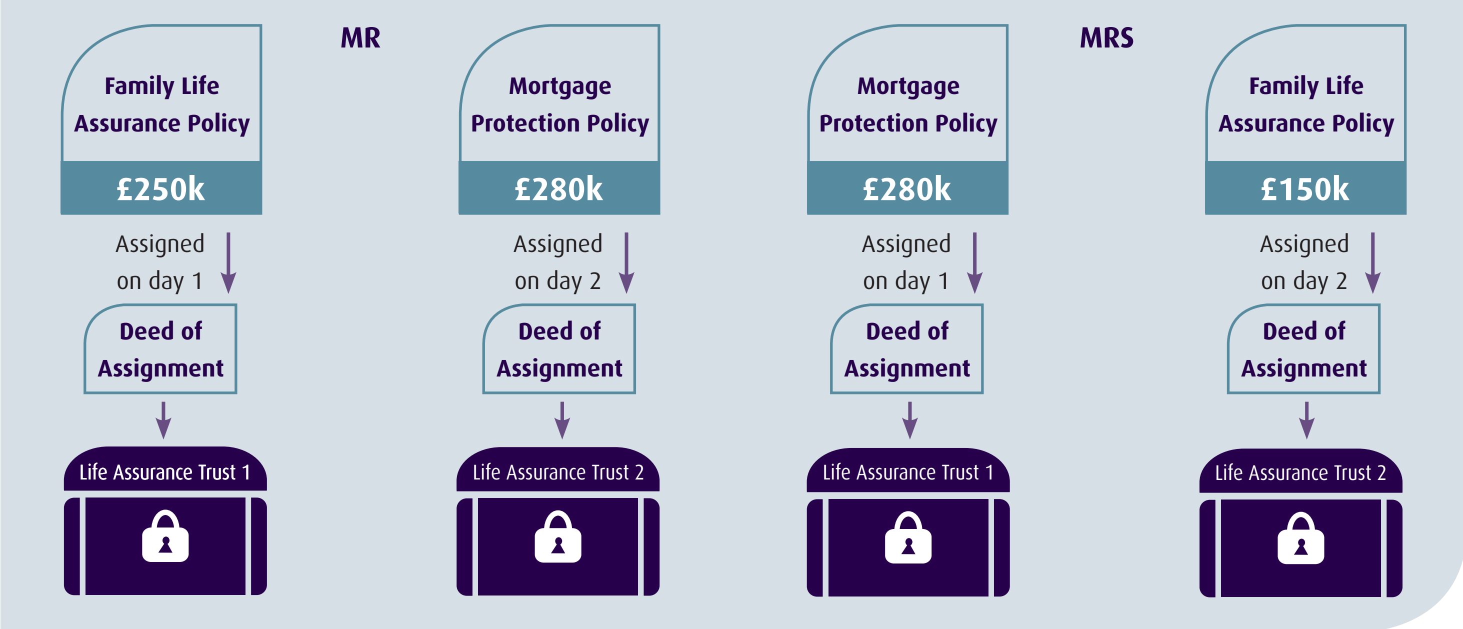
The net estate inherited by the children/chosen beneficiaries would now be at risk from their divorces. Arguably up to **half of their inheritance could be lost to sons/daughter in law.**

Care fees

Would be fully assessable to their care fees.

SO HOW CAN WE PROTECT AS MUCH AS POSSIBLE THE LIFE ASSURANCE POLICY PROCEEDS FROM ALL THE RISKS IDENTIFIED?

OUR SOLUTION



See also Key Features & Benefits Sheets 1, 2, 3 and 4 for the Wills and associated Trust recommendations for married, unmarried and single clients of all estate values.

- Ideally **rebroke** Joint Life First Death Policies to Single Life Policy's.
- Then assign each single life policy by 'Deed of Assignment' per policy, to separate our Family Life Assurance Trusts. Being a 'Discretionary Trust' then this removes the sum assured from the policyholders estate and wouldn't be in the estate of any potential beneficiary of the Trust either. The potential beneficiaries inevitably can include the spouse, children and other intended beneficiaries.
- If the life assurance need per individual **exceeds the NRB** then establish **multiple policies** all with sums assured **under the NRB**. (See also Key Features and Benefits Sheet 8A).
- Critically assign policies to individuals Family Life Assurance Trusts on 'different days' to avoid the sums assured in different Trusts being amalgamated for Periodic & Exit charges.
- Our Family Life Assurance Trust provides the option for the settlor to decide to either 'retain' or 'gift' any terminal illness and/or critical illness benefit. Strongly consider 'gifting' such benefit.

Now rather than the benefits of each policy passing to the surviving spouse/children/other beneficiaries then by being assigned to Trust(s) the policy proceeds gain the maximum protection from the beneficiaries:

- Marriage after death (MAD)
- Divorce
- Care fees
- Creditors/bankruptcy
- Inheritance Tax of a surviving spouse/partner and generationally. (See also Key Features and Benefits Sheet 6).

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.