ELEVATION ESTATE PLANNING

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A GUIDE TO TAX & TRUSTS PLANNING

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BROCHURE CONTENTS

WELCOME TO ELEVATION ESTATE PLANNING

Elevation Estate Planning Ltd was set up to provide estate planning solutions for individuals.

Estate planning is the process of arranging your affairs in order for you to pass your assets on to your selected beneficiaries – usually your children and grandchildren. The methods used should ideally minimise the amount of Inheritance Tax payable and try to ensure that assets left to children or specified beneficiaries are not lost to future events such as divorce or becoming bankrupt.

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PROTECTING YOUR FAMILY'S ASSETS

"Protecting **your** money for **your** family"

Many people, often without realising it, will come into contact with a trust of some sort during their lifetime. Yet trusts are widely misunderstood and often seen as the preserve of only the very wealthy.

This guide aims to provide a quick overview of how trusts work, what they are most commonly used for, and to correct some of the misconceptions held about trusts.

Trusts are becoming a more widespread tool in the search to protect and preserve family assets. The exact technical details of trusts, and how they are set up and taxed vary from client to client, so this guide focuses on some of the broader principles.

This guide will help to outline the use and types of trusts available within the Elevation Trust planning portfolio, as well as their significant Asset Protection qualities.

Our bespoke planning service therefore gives you the peace of mind that the design and implementation of your new Family Trust structure is in the best possible hands.

IF YOU ANSWER YES TO ANY OF THE BELOW QUESTIONS, A FAMILY TRUST MAY BE APPROPRIATE FOR YOU:

- Do you wish to protect some or all of your estate for future generations - e.g. grandchildren?
- Are you worried about your children losing their inheritance from you via a marriage breakup or bankruptcy after you are gone?
- Do you wish to protect your assets for your children from a previous marriage?
- Could your estate receive funds from a life insurance or pension policy when you die? Do you wish to ensure they avoid unnecessary Inheritance Tax (IHT)?
- Do you have vulnerable beneficiaries that you wish to protect from creditors, financial abuse, divorce claims or future care fees?
- Would you like to ensure your money doesn't pay Inheritance Tax, possibly for the second time, when your children leave it to your grandchildren?
- If you are not married, do you want to reduce your partner's future Inheritance Tax liability?
- A probated Will is a public document. Do you wish to avoid disclosure of who gets what? A trust ensures this is not public knowledge.

FAMILY TRUST SPECIALISTS

The main reason to use a trust is to preserve, protect and provide longevity to the estates of individuals. Trusts help to achieve this through two main features:

- The effective use of a trust to assist reducing second generation, third generation, and beyond tax liabilities;
- The ability to reduce exposure of assets to social impacts such as divorce, separation and bankruptcy.

Trusts are extremely effective when planning how money and assets should pass from one generation to another, especially when family structures can be complicated by divorces and second marriages. This, coupled with the growing frequency of marriage breakdowns, the increase in personal assets used in long term care costs and the number of individuals now liable to Inheritance Tax on their estates helps illustrate the need for effective trust planning and their rise in popularity.

SOME EXAMPLES OF FAMILY SITUATIONS WHERE WE HAVE USED TRUSTS ARE:

- To protect death benefits on life cover policies from Inheritance Tax, probate delays or remarriage of a partner.
- To provide for a husband or wife after death while protecting the interests of any children.
- To reduce the liability on the matrimonial home from care fees after the death of a partner/spouse.
- To provide a protected Inheritance to children.
- To protect gifts to children when assisting them in buying a house.
- To help succession planning in family businesses.

Trusts have been used by families for centuries and are steeped in British history, dating back to Richard Whittington (the real life inspiration for the pantomime character Dick Whittington), who bequeathed his fortune to a trust which, nearly 600 years later, continues today.

Trusts are also commonplace in everyday life in the UK. For example, most company pension schemes are structured as trusts, as are many charitable organisations.

The type of trust most relevant to you will be a trust established to arrange your family's financial affairs. This will give you confidence in knowing how assets will be used in the future as well as maintaining control in the interim. Essentially, trusts provide a means of ring-fencing and looking after money, or property, for people who may not be ready or able to manage it for themselves. Trusts can even be created to assist people who are not even born yet i.e. future children, grandchildren or great-grandchildren.

In the 2016/2017 tax year, HMRC collected £5.1 billion in revenue from estates paying Inheritance Tax, a figure which is predicted to steadily rise over the coming years.

PROFESSIONAL TRUST PLANNING

Until recently, professional Trust Planning was the preserve of the very wealthy. This was due mainly to the lack of experts able to construct the intricate legal documentation required. There was a lack of expertise and knowledge required in advising the appropriate structures, and the associated high costs that go hand in hand with rarity. But why do these wealthy people spend so much to create Trust structures? Quite simply, it is for efficient preservation of family wealth, from all manner of deteriorating factors such as taxation, divorce, or simply bad relationships.

At Elevation Estate Planning we are now able to bring this level of planning to a much wider population, through consolidation of in-depth expertise and knowledge in trust planning, aggregating the legal paperwork to specialists in a centralised location, thus allowing us economies of scale to bring the costs right down to affordable levels. We can therefore offer access to the establishment of personalised Family Trust Structures without the premium price.

OUR TRUST PORTFOLIO INCLUDES

- The Beneficiary Protection Plan
- The Education Trust
- The Protective Gifting Trust
- The Legacy Plan
- The Pension Trust
- The Guardianship Trust Fund
- The Protective Property Trust
- The Business Preservation Trust
- The Inheritance Tax Trust

70,000

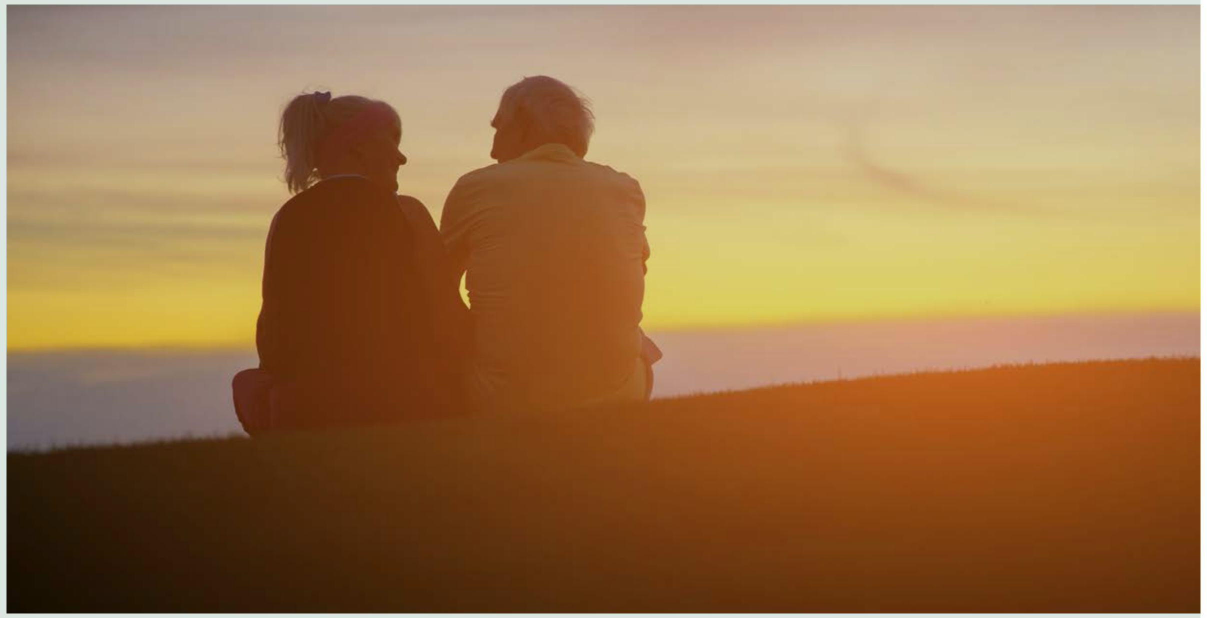
The number of homes recently estimated taken by local authorities to recover Long Term Care costs in a year.

Providing bespoke estate planning and legacy protection for your families future and generations to come.

WHY CHOOSE ELEVATION ESTATE PLANNING?

Elevation have substantial knowledge and experience in Trust Planning, combined with:

- Significant experience dealing with complex and diverse family situations and estates
- A co-ordinated point of contact for all your estate planning needs, from Personal Wills, Trusts and Lasting Powers of Attorney to Business Trusts and Cross Option Agreements
- Peace of mind through the use of professionally drafted documentation
- Ongoing trustee/estate advice & guidance packages
- Ability to store all documents safely and securely
- Offer a confidential, professional and simple trust planning process
- Complex Family Trust Structures at competitive prices



"We work closely with our clients, spending time to understand your personal situation."

PROTECTING YOUR MONEY

One of the rewarding things about accumulating your wealth for the future is knowing that one day it can be passed onto others.

FINDING THE RIGHT TRUST STRUCTURE

Your wealth might be built up from 40 years of work to clear the mortgage on your home, family businesses, property portfolios, savings and investments, or even assets abroad, all of which will require individual considerations for it to pass intact to your loved ones.

At Elevation Estate Planning we work closely with our clients, spending time to understand your personal situation, motives and goals for your family in the future. This time and attention to detail ensures that each Family Trust has YOUR Family at its heart! It is set up by YOU for YOUR Family, and it is run by YOUR Family, for the sole benefit of YOUR Family.

We offer a wide variety of different trust structures, from helping to reduce your family's potential Inheritance Tax liability, or the likelihood of the family home being used to pay for care home costs, to removing delays to life cover proceeds being released.

One of the most popular reasons for many of our Family Trust structures being implemented at present is for the protection of assets and legacies from social and domestic risks. With divorce rates projected to reach 50%, and the rates of remarriage following the death of a partner sitting at more than 60%, this presents a clear threat to any unprotected legacies that you may leave.

CASE STUDY

Consider the following situation where a legacy is left to a child totalling £400,000; the child subsequently marries and later on divorces. The legacy could be successfully challenged as part of a 50% divorce settlement resulting in a loss to your legacy of £200,000.

1. SON INHERITS £400,000

2. SON GETS MARRIED

3. SON GETS DIVORCED

4. LEGACY GETS SPLIT

50/50

£200,000

£200,000

As you can see, social risks can pose even more of a threat than the traditional tax issues and hence the increase in interest in such planning. Through the use of a Family Trust structure, the legacy would come back into the Family Trust intact, with the £400,000 available for payment to the son after the divorce was finalised.

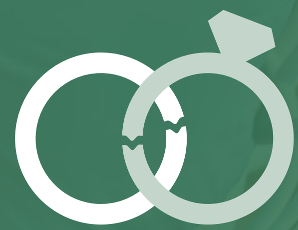
1B. LEGACY PROTECTION TRUST

Legacy is loaned to son by way of written loan agreement held by the Family Trust

2B. SON GETS MARRIED

3B. SON GETS DIVORED

£400,000 doesn't form part of the Divorce Settlement



4B. LEGACY PROTECTED

Legacy Protected from Divorce Settlement

5B. LOAN RECALLED

£400,000 loan recalled Divorce Settlement

£400,000

CASE STUDY - MR & MRS JONES

Consider the following situation where a legacy is left to Mrs Jones with 2 children following the death of Mr Jones, with a total value of £800,000. Mrs Jones subsequently remarries but then dies, leaving everything to the new husband. Potentially the new husband could walk away with the whole £800,000 and the 2 children could be left with NOTHING!

MR & MRS JONES' SOLUTION

With the benefit of a Family Trust Structure the legacy becomes protected against the social risks and potential disinheritance of the children. Whether it be through death or subsequent divorce of Mrs Jones, under this example the Family Trust would look to recall the legacy. This would help to ensure its bloodline protection, passing it on to support the children, which no doubt would have been Mr Jones' dying wish.

CONSIDER... THE DOUBLE INHERITANCE TAX TRAP

A single mother leaves a legacy to her daughter of £800,000 (assuming she has a nil rate band and full residence nil rate band by 2020/21). Following the deduction of Inheritance Tax, the daughter benefits from a £680,000 legacy.

LEGACY

- Daughter inherits £800,000
- Inheritance Tax due at 40%

TAX DUE

- £800,000 – £500,000 = £300,000
- £300,000 x 40% = £120,000 IHT Bill

NET

- Daughter receives:
- £800,000 - £120,000 = £680,000

In the unfortunate event that the daughter subsequently dies and is single with assets in her own right totalling £200,000, then the above legacy is subject to Inheritance Tax for a second time, depleting the estate by a further £222,000.

LEGACY

- Daughter dies with own assets
- Assets of £200,000 + £680,000 Legacy

TAX DUE

- £880,000 – £325,000 = £555,000
- £555,000 x 40% = £222,000 IHT Bill

NET

- Beneficiaries receive £658,000
- Total Tax £120k + £222k = £342,000

Without the benefit of effective Legacy Planning the original £800,000 inheritance has seen a reduction of £342,000 in tax. That's nearly 50% after only having passed down one additional generation.

RESIDENCE NIL RATE BAND

£100,000 in 2017 to 2018
£125,000 in 2018 to 2019
£150,000 in 2019 to 2020
£175,000 in 2020 to 2021

SOLUTION

As you will see below, the potential benefits in effective Will writing combined with a Family Trust structure can provide significant future generational tax planning. Considering the same example opposite, following the deduction of Inheritance Tax, whereby the daughter benefits from a £680,000 Legacy.

LEGACY

- Daughter inherits £800,000
- Inheritance Tax due at 40%

TAX DUE

- £800,000 – £500,000 = £300,000
- £300,000 x 40% = £120,000 IHT Bill

NET

- Daughter receives:
- £800,000 - £120,000 = £680,000

Through the use of a Family Trust structure, the trust has the potential to recall the £680,000 legacy back into the trust on the death of the daughter. This helps to avoid the second incidence of Inheritance Tax, thus saving up to £222,000. 'This significantly increases the residual estate to the beneficiaries.

A Family Trust Plan is implemented, protecting the £680,000 Residual Estate

TRUST

- Legacy passes through Family Trust structure to daughter

Family Trust recalls £680,000 into Estate

LEGACY

- Daughter dies with own assets
- Assets of £200,000, legacy recalled

Trust makes £680,000 available to daughter's beneficiaries

TAX DUE

- £200,000 is within Nil Rate Band of £325,000
- No IHT bill

NET

- Beneficiaries receive £200,000 + £680,000 = £880,000 (Total Tax saving £222,000)

WILLS DIRECT, TRUSTS PROTECT

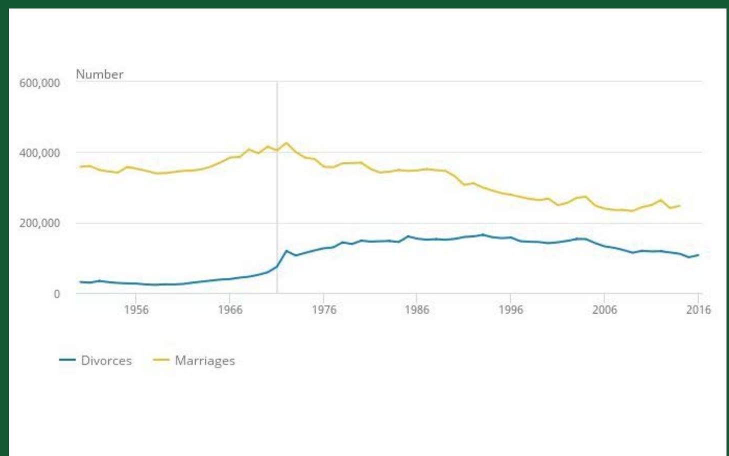
Don't leave your loved ones with additional complications.

At Elevation Estate Planning we recommend that you update your will every two years or so and whenever your circumstances are changed by a significant life event, such as marriage, divorce or a birth or death in the immediate family. Another example would be after a house purchase or move.

People who die without a valid Will, or intestate, leave costs and complications to their loved ones and often lose thousands of pounds to the State in what may be avoidable Inheritance Tax (IHT). The Law Society says that anyone with assets and family or friends should make a Will, regardless of their age. It is especially important if you are not married to your partner, because the law does not accord partners the same automatic rights of inheritance as spouses. Under the current intestacy rules, an unmarried partner has no rights to any assets that were not jointly owned. Making a Will is also vital if you have children, as you can nominate guardians to care for them.

Many people may be tempted to take the DIY approach, with many high-street shops selling "write your own Will" packs for about £10. Yet a badly-made Will could land relatives with huge legal fees, dwarfing those charged to draw up a Will correctly by a professional. You also miss the opportunity to implement some of the significant estate protection measures that we specialise in.

We can look to protect your residual legacy against the remarriage of your surviving spouse. The value of this legacy could be used towards Long Term Care costs, or protecting your legacy against the divorce, separation or unfortunate death of your children. We can assist in removing the likelihood of your estate being liable to Inheritance Tax twice. All through the effective use of our Trusts.



In 2016, the number of divorces among opposite-sex couples in England and Wales increased by 5.8% compared with 2015 to 106,959.

Divorce rates for both men and women in 2015 and 2016 still remain well below the most recent peaks in 2003 and 2004.

MAKING A WILL

How to leave the maximum amount to your family and not the tax man or even someone else's family.
Making a Will is integral to any estate planning process...

WHY DO I NEED A WILL?

The vast majority of people put off making a Will for a variety of reasons, either believing that the people they would wish to inherit will automatically do so, or because they don't think it is relevant to them at this particular time. The reality is that you can put off making a Will until it is too late and this poses all sorts of problems for the people left behind and could mean that some or all of your inheritance either goes to the wrong person or to the state.

AFFORDING YOU PEACE OF MIND

Firstly and most importantly is the peace of mind making a Will provides. Making a Will enables you to plan exactly what will happen to your property (estate) following your demise. This ensures that those you would like to benefit actually do so in accordance with your wishes, and at the same time avoiding any possible disputes between relatives.

WHO NEEDS TO MAKE A WILL?

The answer is everyone. In particular, anyone with dependant relatives (children under the age of 18, elderly relatives or relatives with a disability who have special needs) and anyone who owns property or has any type of asset which they would wish relatives, friends or charities to benefit from.

BUT WON'T EVERYTHING GO TO MY...

...husband/wife/civil-partner/parents/children automatically? This is a common misconception and dependent upon the size of your estate, there are set rules which will be applied to determine who inherits and how much they inherit if you do not make a Will.

SO WHAT HAPPENS IF I DON'T MAKE A WILL?

This is called having died intestate. There are specific rules of intestacy which set out who will inherit and by how much if you do not leave a valid Will. This may not be what you would have wished, and in the worst case scenarios where relatives cannot be traced, your assets will be taken by the Crown.

PROTECTING YOUR BUSINESS

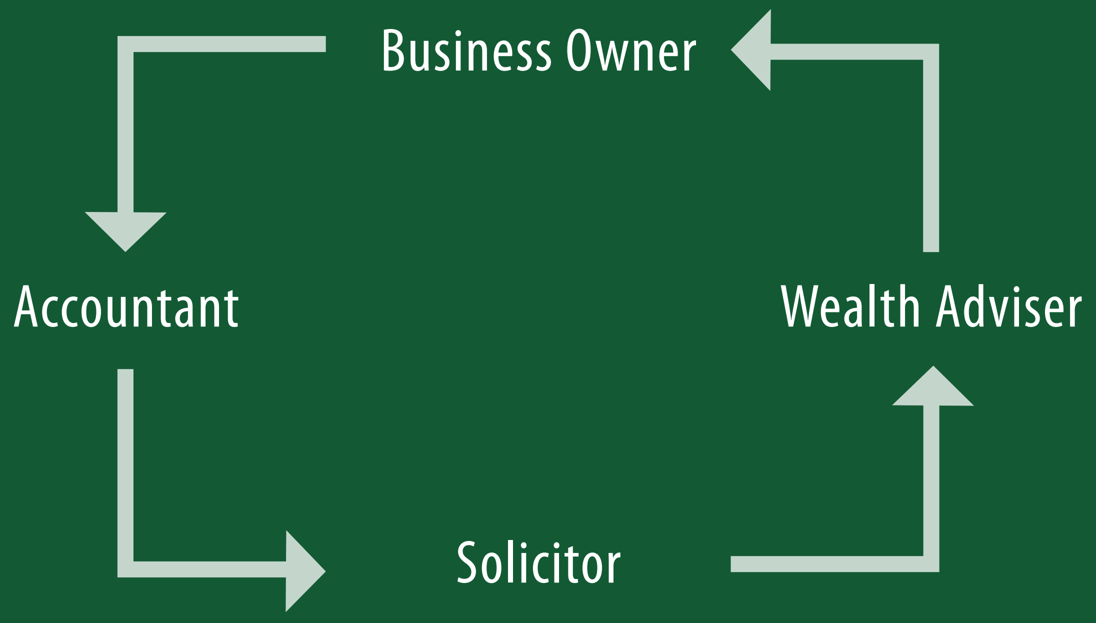
The establishment of Business Trusts as part of your overall estate planning framework is key to protecting YOUR business for YOUR family.

Business planning for clients requires a combination of specialist legal advice, accountancy advice and financial planning advice.

The estates of the majority of small and medium sized business owners are quite often neglected. What was once an Inheritance Tax exempt asset via Business Property Relief can suddenly attract 40% tax as it passes down the generations. Worse still, half the business could suddenly belong to a future spouse, or to your children's future spouses!

Common shortfalls include a total lack of bloodline protection planning, no controlled succession planning and the omission of additional legitimate tax planning.

A good accountant will advise you on the best way to set up your business (e.g. sole trader, partnership, limited company) to meet your needs. A good accountant will also help you build the business value up and maximise profit.



The Accountant and Financial Planner together will identify shortfalls in your business.

THE "WHAT HAPPENS IF?" QUESTION:

- What does your family need if something happens to you?
- How do you ensure that your family inherit your share of the business?
- What if your partner closes things down, or devalues your share of the business?
- What if your children come into the business after you are gone and then go through a divorce?
- How will your business partner/s cope financially if you pass away?

The Financial Planner will crunch the numbers and recommend the appropriate insurances, e.g. shareholder protection, keyman cover.

He will also recommend the appropriate Trusts. The solicitor will arrange the cross-option agreements and ensure that they tie in with your company Articles of Association.

With the three working in tandem, you can rest assured that your family and business partner/s will be protected as best they can be.

CONSIDER

Mr Bloggs owns Widget & Son Ltd, and dies unexpectedly. Mrs Bloggs decides to sell the business for £500,000. Mrs Bloggs then passes away 2 years later. The children may lose 40% to Inheritance Tax - that is £200,000 in tax.

SOLUTION

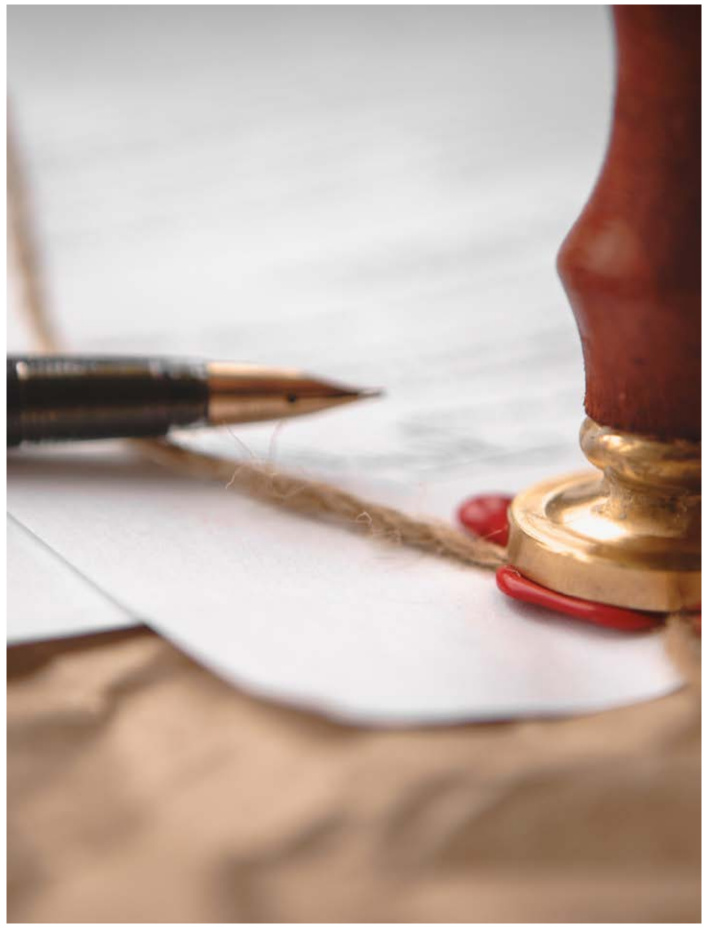
Mr Bloggs creates a Business Trust during his lifetime. On his demise the business shares pass to the trust. As the shares qualified for Business Property Relief at the time of his death there is no Inheritance Tax to pay.

Mrs Bloggs sells the business for £500,000, and the £500,000 passes to the Trust.

Mrs Bloggs receives the £500,000 from the Business Trust, but signs a loan agreement to show she is "borrowing" the money. On Mrs Bloggs' demise the £500,000 loan is recalled by the Business Trust, saving £200,000 Inheritance Tax.

If Mrs Bloggs remarries, her new husband would have no claim on Mr Bloggs' business value. When the children inherit they will also receive a loan from the Trust. Should they divorce or go bankrupt themselves, their share of the £500,000 will not end up in a future ex-partner's hands.

GREAT FAMILY PLANNING!



CASE STUDY – MR & MRS DAVIES

Consider the following situation where a business is left to Mrs Davies with 2 children following the death of Mr Davies, with a total value of £500,000. Mrs Davies subsequently remarries but then dies, leaving everything to the new husband, who could walk away with the whole £500,000 and the 2 children could be left with NOTHING!!

MR & MRS DAVIES' SOLUTION

With the benefit of a Family Trust structure the business becomes protected against the social risks and potential disinheritance of the children. Whether it be through death or subsequent divorce of Mrs Davies, under this example the Family Trust would look to recall the business value. This would help to ensure its bloodline protection, passing it on to support the children, which no doubt would have been Mr Davies' dying wish.

A TYPICAL SOLUTION

Mr Bloggs' Will

50%

FAMILY TRUST PROTECTING 50% OF FAMILY HOME

ASSETS

LEGACY TRUSTS PROTECTING RESIDUAL ESTATE

GIFTING TRUSTS PROTECTING LIFETIME GIFTS & CHILDREN'S INHERITANCE

Pension Policies & Death in Service Benefits Policies

Life Cover Policies

Business Assets

MARRIED CLIENTS

Mrs Bloggs' Will

50%

FAMILY TRUST PROTECTING
50% OF FAMILY HOME

ASSETS

LEGACY TRUSTS
PROTECTING RESIDUAL ESTATE

GIFTING TRUSTS PROTECTING
LIFETIME GIFTS & CHILDREN'S
INHERITANCE

Pension Policies &
Death in Service
Benefits Policies

Life Cover
Policies

Business Assets

All statements concerning the tax treatment of trusts, their benefits and protective qualities are based on our understanding of the current law and Inland Revenue practice as at the date of publication and does not form personal advice and is for general guidance only.

Whilst every effort is made to ensure accuracy, no liability can be accepted for any errors or omissions. Levels and bases of, and reliefs from taxation are subject to change.

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