



WILLS & TRUSTS

ASSET PROTECTION STRATEGY

A WORKBOOK TO EXPLAIN THE BEST WAY
OF PROTECTING YOUR ASSETS

PROTECTING YOUR WEALTH FOR MANY GENERATIONS, NOT JUST ONE LIFETIME.

Writing the Taxman out of your Will

www.trustalliance.co.uk

Do I have the right type of

WILL?



In 2005 there were **9000** Intestacy cases. In **4000** of these, the partner didn't fully inherit or inherited nothing at all!

If you don't have a Will:

Intestacy Rules

Married With Children

Spouse gets first £250,000 (from Feb '09) + personal possessions + income from ½ remaining assets. Children get ½ remaining assets at 18 (!) or on earlier marriage(!), + spouses ½ on his/her death.

Married – No Children

If no parents, full siblings, nieces or nephews - all to spouse. BUT – if any of the above, £450,000 + personal possessions to spouse. Rest to parents, then siblings, then nieces & nephews.

Single – With Children

(Single means anyone not married nor in a civil partnership). All to children at 18 or earlier marriage. Otherwise to grandchildren.

Single – Without Children

Parents, then siblings, then their children at 18, then half-siblings, then their children at 18, then grandparents, then to full uncles and aunts, then to their children at 18, then to half blood uncles and aunts, then to their children at 18, then to HM the Queen.

Issues with Intestacy Rules

- The spouse may not have full access to the capital.
- Someone has to care for the capital and the income, if there are children under the age of 18.
- The family home often has to be sold to pay off the children.
- Unmarried partners are totally excluded.
- Wouldn't you prefer to nominate your children's guardians yourself?
- Do you really want your children to get their inheritance at 18?
- Do you really want to give the children an incentive to marry young?
- If they have it at 18, will they still have it at 25?
- Would these legacies have been your natural choice?
- Maybe you'd prefer to nominate your own choice of charity.
- Delays of up to two years are not unusual.

If this isn't what you want, you need to make a Will.

What if you have the wrong type of Will?

Mirror Wills

Perhaps the most common type. This is where a couple simply leaves everything to each other, then on to the children.

Their dangers:

- No long-term care protection.
- No inheritance tax mitigation.
- No bloodline protection (e.g. From divorce settlements) for future generations.

Will Trusts

On the face of it, a great idea. Don't set up the trust now; just leave instructions in your will.

Their dangers:

- Government legislation could mean the Trust (because it's not yet in place) **may not** be available at the time of death.
- Even if available, they still need setting up at the time of death (expensive).
- In themselves, they can reduce the flexibility of planning for larger estates and lead to ongoing taxation.
- They usually reduce the bloodline protection to a limited amount of the total estate.

On my death, I leave you...

To my Family...

I hereby leave you all several months, possibly years of financial hardship and expense whilst you go to unnecessary efforts to sort out my affairs.

To Social Services...

I give you my authority to take from my spouse all of my assets including my family home.

To the Tax Man...

I hereby leave you all the tax that I could have avoided and given to my family.

To my Spouse...

I hereby leave you some (but not all) of everything that I own.

To my Bank and/or Solicitor...

I hereby authorise you to charge whatever you feel necessary to sort out the mess that I have left behind. I realise that this could make you one of the major beneficiaries of my estate.

To my Children...

I hereby leave you the remainder of my estate and give you the authority to enforce the sale of any part of it (including the family home) to realise your inheritance. If you then become divorced I give my authority for your spouse or future spouse to have the assets.

To everyone else... I leave you nothing!

The Solution to all your Will problems is:

ASSET PROTECTION STRATEGY

A comprehensive Will and Trust Package to suit your legal requirements and to protect against Inheritance Tax and Long-term Care Fees.

Set-up now under today's legislation



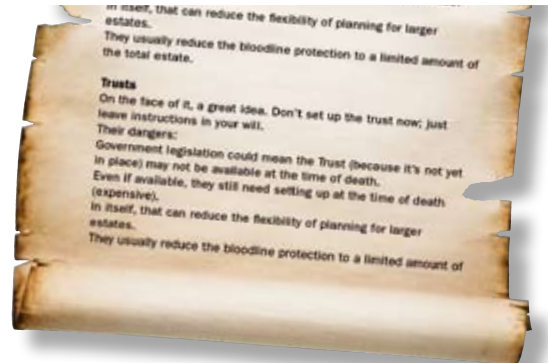
The usual story



Home owned jointly



Each to the other, then to the children



Why do this? So that home and assets easily pass to the survivor.

DANGERS ↓	Long-term Care	No Bloodline Protection	Inheritance Tax
	The house may be taken to pay for the cost if the survivor needs care.	After you've gone, your children's and grandchildren's inheritance may be lost to the Divorce or Bankruptcy Courts.	Possibly paid unnecessarily, without your knowledge.

The secret is to set up a trust today! Act on our advice.



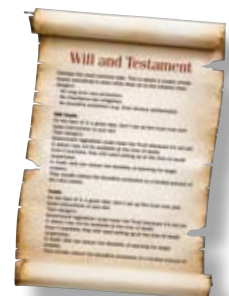
50% | 50%

Ownership changed to Tenancy in common.
Each spouse owns 50% of other assets such as cash.



Trust

Trust set up now with nominal £10.00



Will & Testament

Wills leave each 50% share of the house and other assets to Family Trusts.

Severance of tenancy

What is it? Why do it?

Most couples own their homes as **Joint Tenants**. This means they hold the property between them. On the death of the first spouse or partner, the survivor automatically becomes the owner of the full value.

This seems to make sense as that person now retains both “access” and “control”; both of which are vital.

But it also releases some dangers:

- **Long-term Care** – the house can be confiscated if the survivor needs care.
- **Inheritance Tax** – planning is inflexible.
- **Marriage After Death (M.A.D.)** – if the survivor remarries, the value of the whole house can move away from our heirs, simply by a lack of planning.
- **Bloodline Protection** – on the death of the survivor the value of the family home, often the biggest asset, is not protected for our heirs (e.g. against their divorce settlements).

By severing the tenancy, the couple now owns distinct portions of the value (usually 50/50) in individual names. This is the starting point for good estate planning, and resolving the dangers above.

But it is only the starting point.

Please note, where a property is owned in just one person’s name, it cannot be severed into a tenancy in common. In these circumstances we would need to use a conveyance.

Joint Tenants



Severance of Tenancy

Tenants in Common

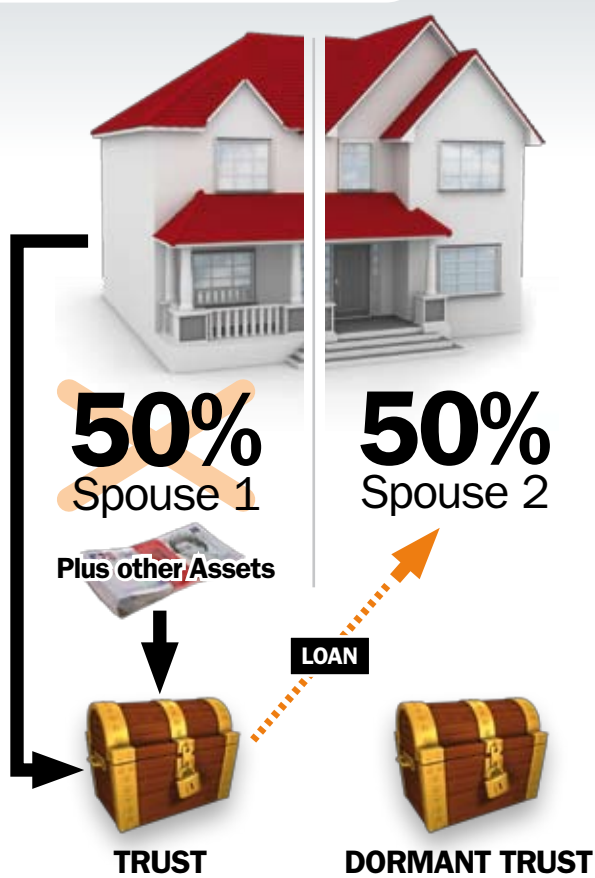


Each person owns part of property to pass to chosen beneficiary on death.

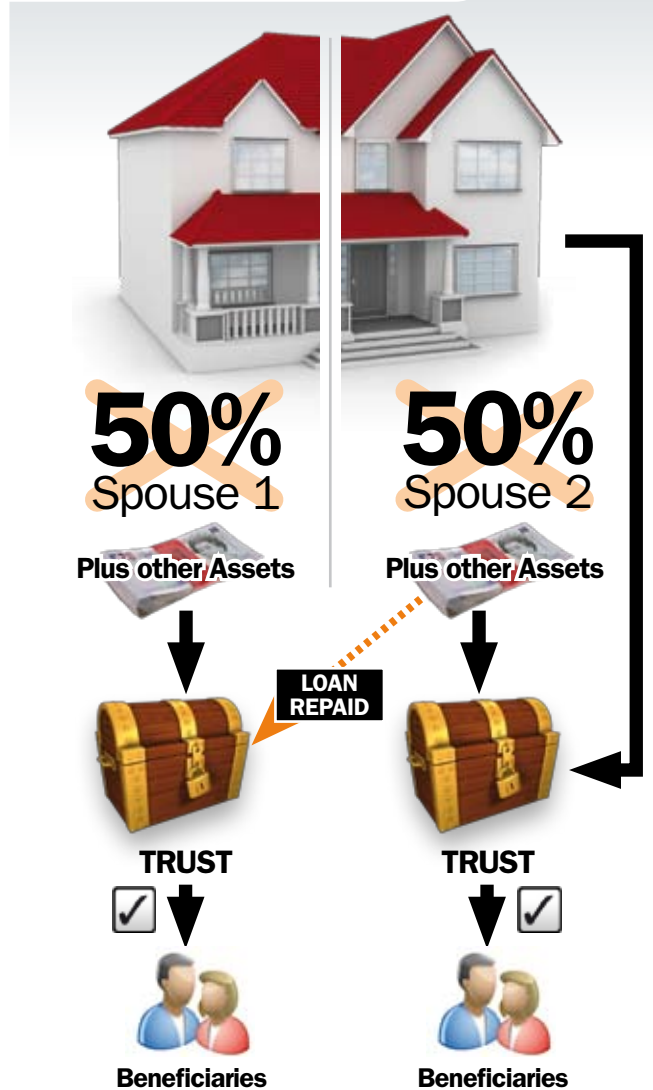
How it all

works

On the First Death



On the Second Death



THE RESULTS

Long-term Care Costs

House owned jointly by survivor and Trust. Cannot be sold without trustees' consent.
Value of 1/2 house deemed to be nil, therefore no charge can be placed against it.

Bloodline Protection

So long as assets remain within Trusts, they are not legally the property of the beneficiaries. Therefore they cannot be taken as part of a Divorce or Bankruptcy settlement. Of course, your beneficiaries can still use the funds, via the loan from the Trusts.

Inheritance Tax

Full allowance used, potentially increasing net estates.

ASSET PROTECTION STRATEGY



1 Discovery Meeting
Establishing our working relationship and analysing your current financial situation including your dangers, opportunities and strengths.

2 Presentation
Providing the solutions to help solve the issues outlined in the discovery meeting.

3 Implementation
Signing and completing all relevant documentation.

4 Review
Setting a blueprint for future reviews.



Notes:

A series of horizontal dotted lines for writing notes.

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