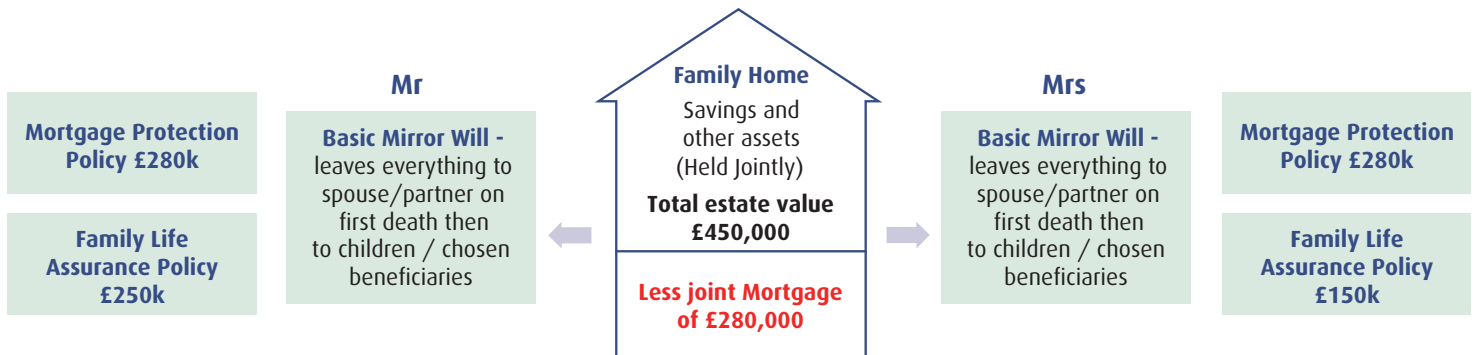


Typical Existing Planning



Let's assume that Mr dies and all life assurance policies now pay out. Here is what happens to the estate:

All assets are passed to the spouse "absolutely" as follows:

Total estate	£450,000
Less Mortgage of	£280,000
Value of home & savings	£170,000
Plus Mortgage Protection of	£280,000
Plus Family Life Assurance of	£250,000
Total net estate =	£700,000

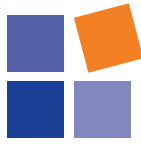
Whilst there is no Inheritance Tax liability on first death, owing to spousal exemption, the estate is now exposed to the following risks!

- ! Care Costs**
 Following first death, should the surviving spouse need nursing care then the **whole estate** including the **family home** would be **assessed to pay for the cost of that care**.
- ! Marriage After Death – Often referred to as MAD**
 On first death all the assets are then **solely owned** by the surviving spouse. What if the surviving spouse remarries? The inherited estate could be lost to the new spouse, **disinheriting your children**.
- ! Creditors or bankruptcy**
 If the surviving spouse is subject to **creditor claims / bankruptcy** then the inherited estate is **fully at risk**.

On second death there are further risks to the estate you wished your loved ones to benefit from.

Firstly a further £150,000 could be added to the £700,000 estate from the life assurance policy held by the surviving spouse / partner making a total estate value of £850,000 exposed to attack by the following:

- ! Inheritance tax**
 Inheritance tax would be payable and in the example above, the IHT bill has been increased by **£60,000!**
- ! Creditors or bankruptcy**
 Similarly, if any of your beneficiaries are subject to **creditor claims / bankruptcy** then the inherited estate is fully at risk.
- ! Divorce**
 If your children / chosen beneficiaries are subject to divorce proceedings then **half** of what you intended them to receive is **at risk to any future Divorce settlements**.
- ! Care**
 The inherited estate is now at risk of being assessed for the beneficiaries' **own** care costs.

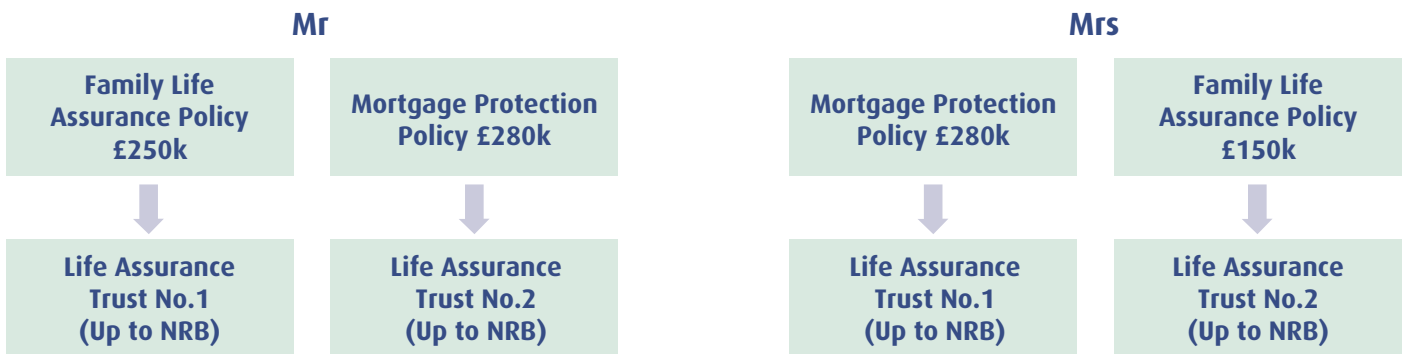


Any Life Assurance policies will be **paid out absolutely to the surviving spouse / partner** and her estate will increase by a massive **£530,000** all of which is exposed to attack from any Remarriage (MAD), Care, Creditors or Bankruptcy in her lifetime.

On second death her estate would increase by a **further £150,000** (from her own life policy, if not in trust) and her total estate would now be a **whopping £850,000!** This is now vulnerable to attack by Inheritance Tax (IHT) and as the assets would be passed to the beneficiaries absolutely, exposed to further risks such as Care, Creditors and further taxation.

So how can we protect Life Assurance Policies against attack?

The Solution



Life Assurance Policies are assigned to a Trust, with each Trust receiving life policy assets up to the available Nil Rate Band so as to avoid any periodic and exit charges. The Trusts must be “settled” (dated) on different dates.

As the Settlor of the Trust (policy holder) is not a beneficiary of the Trust(s) the assets are deemed as being outside of the Settlor’s estate.

Where multiple policies are held whose combined values exceed the Nil Rate Band, a series of Trusts is established, (settled on different dates – re Rysaffe) with each Trust receiving policy assets up to the available Nil Rate Band.

Now rather than the benefits of each policy passing absolutely to the surviving spouse and being exposed to risk, they pass into the nominated Life Assurance Trust and are protected from attack from:

- ✓ **Marriage After Death (MAD)**
- ✓ **Inheritance Tax and further taxation (Generational Tax)**
- ✓ **Creditors / Bankruptcy**
- ✓ **Care Costs**
- ✓ **Divorce / Separation**

Not having your life assurance in Trust means you potentially donate 40% of benefits to the TAX MAN!

To find out how we can help call free on 0800 093 2697 or e-mail: enquiries@trustalliance.co.uk

Visit our website for more information: www.trustalliance.co.uk

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