

PARAPLANNERS ASSEMBLY

CSI: IHT & TRUSTS

Learning objectives

- Understand the key building blocks of an IHT strategy
- Planning considerations when using standard insurance company trusts

The building blocks of IHT

Gifts not exempt or potentially exempt are

CLTs

Successful

PETs

can be ignored

Exempt Gifts

are IHT free

The value of gifts can be reduced by certain

IHT Reliefs

Chargeable gifts taxable at zero IHT within

Nil Rate Bands



The building blocks of IHT

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GIFTING

CLTs

PETs

Exempt Gifts

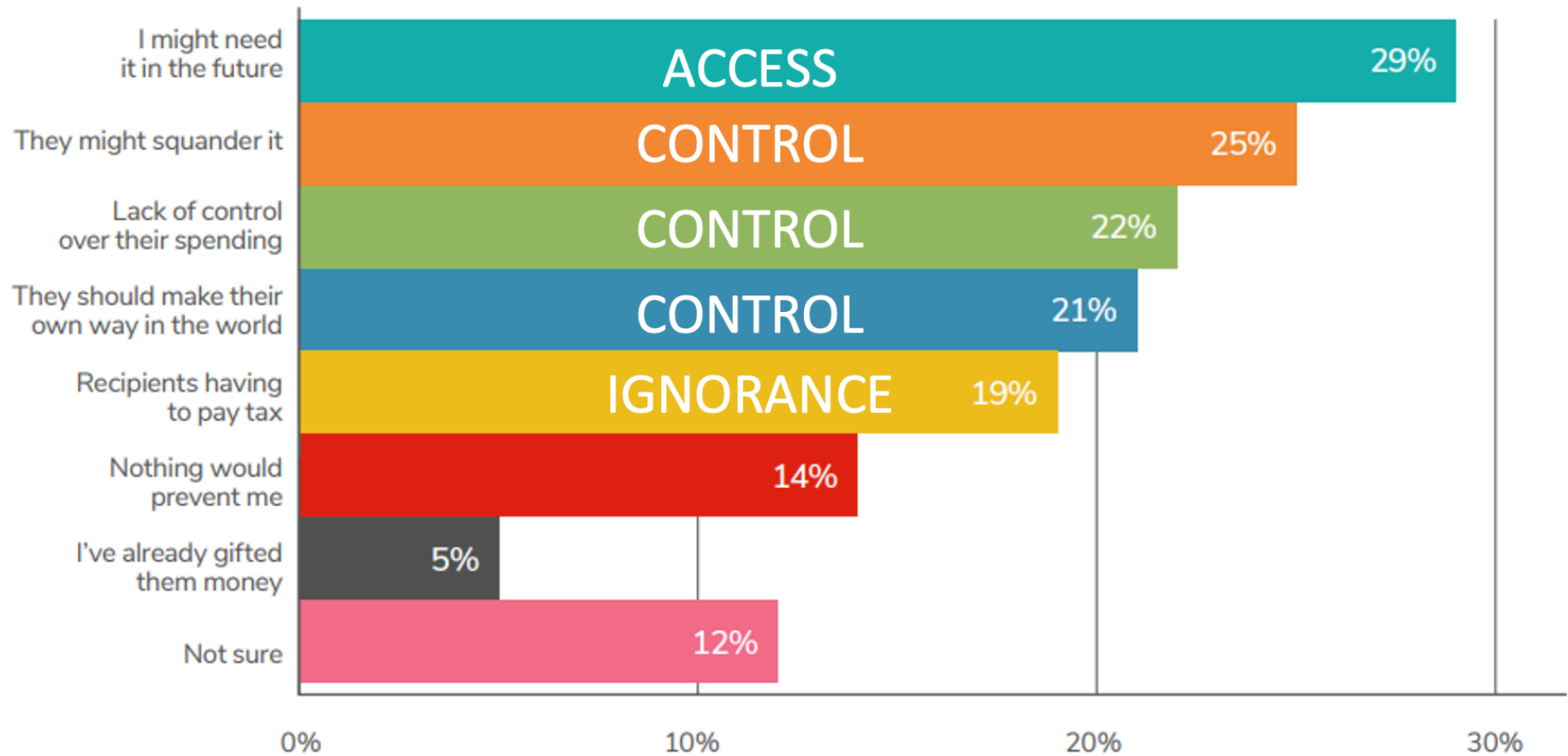
IHT Reliefs

Nil Rate Bands

can be ignored

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Family Wealth Unlocked



Source: Prudential Family Wealth Unlocked Report

The dilemma



CONTROL



**PERSONAL
ACCESS**



Catherine & David

- Married
- Late 60s.
- Sufficient income
- Savings of £350,000
- Potential IHT liability they'd like to address
- Like access to the money
- 3 children will be beneficiaries



Loan Trust – Five points you need to know

1

Set up - no PET
or CLT

2

Set up – new
Bond required

3

Settlor(s) –
access
outstanding
loan

4

Beneficiaries -
growth accrues
for them

5

Settlor(s) - can
waive some/all
of outstanding
loan

Eleanor & Felix

- Married, 68 & 70, good health & longevity
- 4 children, several grandchildren & counting
- Income doesn't cover spending
- Recently downsized with lots of £££ in bank
- Want to plan for IHT liability
- Not keen on outright gifts now
- Want family to benefit on 2nd death



Discounted Gift Trust – Five points you need to know

1

Set up – usually
with cash and
a new bond

2

Set up -
underwriting will
be required

3

Settlor is
receiving capital
payments not
“income”

4

Payments to
settlor including
frequency
normally fixed at
outset

5

Payments to
beneficiaries
during settlors
lifetime not
common

Peggy

- Widow
- 65
- Potential IHT liability
- 4 young grandchildren
- Earmarked £300,000 to help with University
- Wants tax efficient & flexible solution
- Doesn't need any access



Gift Trust – Five points you need to know

1

Set up – PET or
CLT

2

Set up – new or
existing bond

3

Growth accrues
outside settlor's
estate

4

Settlor can't
benefit at all

5

Beneficiaries
can benefit
from day 1

FINISH

FINISH

FINISH

FINISH