Gemini Professional Financial Group
Gemini House, 71 Park Road,
Sutton Coldfield, West Midlands, B73 6BT
T: 0800 255 0123 **E:** info@gemini-pfg.com
W: www.gemini-pfg.com

Estate planning

Will you pass on your wealth in a tax-efficient manner?

Inheritance Tax (IHT) is an issue affecting increasing numbers of households across the country. Changes introduced in Chancellor Alistair Darling's pre-Budget report in October 2007 have made it possible for couples and civil partners to combine their individual IHT allowances, so that it is easier for them to protect their families' inheritance.

IHT is currently payable at 40 per cent on any amount over £325,000 – the nil rate band (tax year 2014/15). The nil rate band is the term used to describe the value an estate can have before it is taxed (£650,000 for married couples). So if you have an estate worth £500,000, £175,000 is taxed at 40 per cent, meaning the IHT bill would be £70,000.

Estate planning tool

Trusts are a well-established and useful tool in estate planning. A trust allows someone (the settlor) to make a gift of assets, without completely losing control of those assets, by placing them with a third-party (the trustees) to administer on behalf of the trust beneficiaries.

The value of a trust in IHT planning is that it enables you to reduce the wealth on which your beneficiaries will pay IHT without making a valuable outright gift – something you might be reluctant to do if the potential recipients are quite young or might take an irresponsible approach to a substantial sum of money, for example.

Passing on wealth

The trust allows wealth to be passed on in a tax-efficient manner under the control of the trustees, who can include the settlor. There are different types of trust. Some give the trustees very little discretion, but can be useful when the aim is to establish the future use of assets. For example, a Will trust could give a widow the right to certain income, with the capital passing to any children on her death.

Other trusts, known as discretionary trusts, allow the trustees to retain control of the assets under the terms of the trust, which set out when and what the beneficiaries receive. They can also allow the trustees to react to changes in the beneficiaries' circumstances. Again, the settlor can be named as a trustee.

Bare (Absolute) trusts

With a bare trust you name the beneficiaries at the outset and these can't be changed. The assets, both income and capital, are immediately owned and can be taken by the beneficiary at age 18 (16 in Scotland).

Interest in possession trusts

An interest in possession trust is one where the beneficiary of a trust has an immediate and automatic right to the income from the trust after expenses. The trustee (the person running the trust) must pass all of the income received, less any trustees' expenses, to the beneficiary. The beneficiary who receives income (the 'income beneficiary') often doesn't have any rights over the capital held in such a trust. The capital will normally pass to a different beneficiary or beneficiaries in the future. Depending on the terms of the trust, the

Gemini Professional Financial Group
Gemini House, 71 Park Road,
Sutton Coldfield, West Midlands, B73 6BT
T: 0800 255 0123 **E:** info@gemini-pfg.com
W: www.gemini-pfg.com

trustees might have the power to pay capital to a beneficiary even though that beneficiary only has a right to receive income.

Discretionary trusts

Here the trustees decide what happens to the income and capital throughout the lifetime of the trust and how it is paid out. There is usually a wide range of beneficiaries but no specific beneficiary has the right to income from the trust.

AS PART OF OUR SERVICE WE ALSO TAKE THE TIME TO UNDERSTAND OUR CLIENT'S UNIQUE NEEDS AND CIRCUMSTANCES, SO THAT WE CAN PROVIDE THEM WITH THE MOST SUITABLE WEALTH PROTECTION SOLUTIONS IN THE MOST COST-EFFECTIVE WAY. IF YOU WOULD LIKE TO DISCUSS THE RANGE OF SERVICES WE OFFER, PLEASE CONTACT US FOR FURTHER INFORMATION.

This is for your general information and use only and is not intended to address your particular requirements. It should not be relied upon in it's entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, Gemini Estate Planning cannot guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.