

Protection of the Estates of Single Persons



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Generally, relatively few people receive adequate advice on the protection and inter-generational tax planning of their estate, be it pensions, Death in Service (DIS) benefits, life cover, property assets, savings and investments or lifetime inter-generational transfers.

Integrated financial planning and effective legal planning are essential in delivering the desired outcomes for single clients. The use of lifetime and deathtime Trust frameworks is a popular, reliable solution but many clients are rarely advised to use them by legal service providers and others are led to believe they are overly complex, which need not be the case.

Many single people do not even have a Will at all and do not fully understand what difficulties can be created at probate and that their assets may not be directed where they would like them to go under intestacy rules.

Thankfully, the majority of clients have simple Wills that direct assets "absolutely" to their chosen Beneficiaries which is effective for directing wealth but inefficient in protecting it.

If you are a parent or have family members who you wish to benefit from the wealth you have created during your lifetime, you should consider any possible future outcomes that may befall your chosen Beneficiaries, or any concerns that exist now or may emerge in the future.

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Common concerns many single persons may have are;

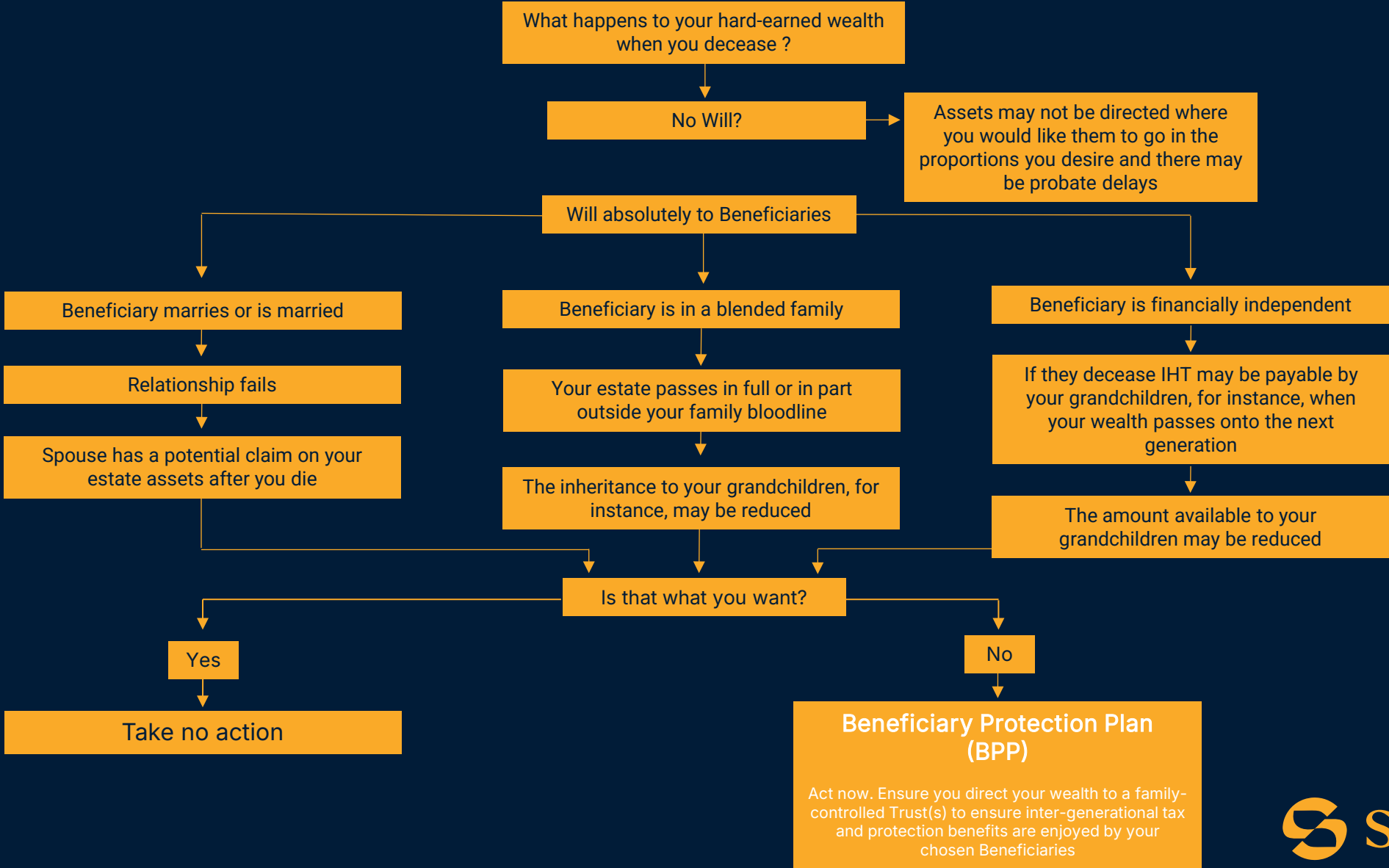
- If they are not currently in a relationship, will the inheritance you leave potentially be at risk from a future partner?
- If, historically, they are not good with money will your inheritance be used wisely?
- Is there a controlling partner?
- Are any relationships less than solid?
- Is there a blended family relationship where a risk exists of your wealth not passing to only your family members in future years?
- Are any Beneficiaries wealthy enough in their own right such that your generous inheritance might create a future IHT issue for them and ultimately their children?

If you look beyond the inheritance to the Beneficiary, you will appreciate the potential threats that may occur in the future and should act now to address any concerns which may exist.

If you are cohabiting and wish to leave an inheritance to a partner, please see the e-brochure Protection of the Estates of Cohabiting Couples.

Many of the protection and tax issues can be effectively addressed with enhanced planning and advice using a Beneficiary Protection Plan from Solidus.

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The Beneficiary Protection Plan (BPP) Only from Solidus



Your residual estate passes into the BPP on your death



Trustees receive guidance from your "Letter of Wishes"



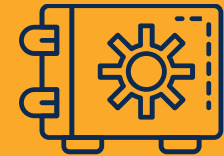
Trustees can engage Solidus through their estate planner



Assets are invested to provide income or loaned to Beneficiaries



Any loans repaid on death are available for the next generation, tax free



The BPP offers potential protection if a claim is made against a Beneficiary



SOLIDUS

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- Instead of nominating a child or family member to receive your generous inheritance, a new integrated Solidus Will nominates a family trust to receive the benefits. The Beneficiary Protection Trust (BPT) is established now and unlike a Will Trust may be used during your lifetime to protect some lifetime transfers if appropriate.
- The BPP framework will not affect the tax treatment of the inheritance that passes to your chosen Beneficiaries (child/grandchild/sibling/niece/nephew etc).
- The residual estate gift will be made to your chosen Trustees (who are often family members and can be Beneficiaries themselves). No assets are generally transferred during your lifetime.
- The Trustees will take advice from your estate planner, or their successor, or from Solidus.
- The Trustees can decide to invest some or all of the Trust Fund in order to provide a regular income (useful if a Beneficiary is not good with money or the capital is ultimately destined for other Beneficiaries e.g. grandchildren).
- Alternatively, Trustees have powers to make loans to Beneficiaries which means with appropriate advice such advances can be potentially protected from a third party (e.g. partner), and can also have tax benefits.
- Capital sums can also be advanced with the agreement of the Trustees.

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Case study

Sarah is a divorcee and has two children; her daughter, who is married and financially independent in her own right and her son, who is divorced and has a new partner who Sarah is less than fond of, and together they spend beyond their means. Sarah is averse to the payment of tax and wants her family and grandchildren to benefit from her assets after her death.

Sarah's residual estate is directed into two Beneficiary Protection Trusts; she has chosen her Trustees carefully and, with the assistance of her estate planner, has briefed the Trustees on how her residual estate is to be used.

If, at the time of her death, it is appropriate for her daughter to receive her share of the first Trust Fund (assuming at the date of Sarah's death her marriage is stable) then this may be achieved by means of a loan. Sarah's daughter is a Trustee, and she understands that this approach will give her access to the funds to invest but will not add to her own family wealth for IHT purposes. Ultimately, her own children may inherit the sum IHT free as part of the inter-generational planning available.

The second Trust Fund for her son's family is to be invested to provide an annual financial return which is to be distributed as income. The Trustees will consult with the planner to select a suitable investment. The capital will be protected against being wasted and may be protected from any claims from a partner. Ultimately, her son's share is to be used towards her grandchildren's education or to assist with their future property purchases.

Similar protective Trusts have been put in place for Sarah's DIS, pension and life cover and her property and investment assets, when she dies.

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Frequently Asked Questions

- **Are Beneficiary Protection Plan frameworks expensive to set up?** No, as a proportion of the value you protect is typically much less than one percent of the estate value.
- **Are BPTs expensive to run?** No, apart from £10 nothing goes into them until you die so until then there may only be an occasional cost e.g. changing a Trustee. There will be some initial advice costs when you die.
- **Who should my Trustees be?** We encourage you to consider adult family members, or trusted friends, speak to your planner for guidance.
- **What happens if I want to change the distribution of my estate?** No problem, you don't even have to change your Will. It is usually possible to make most changes by means of a new instruction to your Trustees (Letter of Wishes).
- **How long does my BPT last for?** 125 years in England and Wales and 80 years in Northern Ireland. Most families use them for at least one further generation.
- **Will my BPT be taxed?** Under current rules there is no tax going into the Trust after any IHT has been paid. A Trust is like a person and has its own tax allowances for Income Tax, Capital Gains Tax and Inheritance Tax. Your Trustees can take advice in the future.
- **Can my executors claim the RNRB if my residual estate passes into a BPT?** Yes, at probate your Trustees can elect to appoint out any required value within two years of your death.

Contact your estate planner in order to progress your Beneficiary Protection Plan application

Disclaimer – The contents of this e-brochure should not construe as advice, and you should consult your estate planner. The provision of Trusts is a regulated activity administered by the Solicitors Regulation Authority and not the Financial Conduct Authority.

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