



Solidus

Protecting Inter-Generational Wealth Transfers

Protecting the Pension Benefits of Single Clients





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Generally, few single clients 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 guaranteed outcomes, and pension death benefits are one of the most significant considerations often neglected by providers of legal services. This is largely because single clients are unaware of the risks to their pension benefits and do not understand the simple steps that can be taken to address them.

Pensions are one of the most significant considerations and may be the largest single asset which many people have apart from their main residence, they deserve specific attention.

Your pension benefits will be paid to the approved nominated Beneficiary (usually your child or another family member) and it will be their choice as to how to use the funds as a pension or lump sum payment.

If you are concerned about how the pension fund may be used or any claims that may be made from your children's partners you should strongly consider establishing a layer of protection.

You should consider now any possible future outcomes once your child, family member or Beneficiary receives the pension death benefit payment.

- If they are not currently in a relationship, could a future partner make a claim to the pension benefit payment?
- If, historically, they are not good with money, will they use the pension benefits wisely?
- Is their partner controlling or the relationship less than solid?
- Is the nominated Beneficiary already financially independent? (Inter-generational taxation may be a factor to consider.)

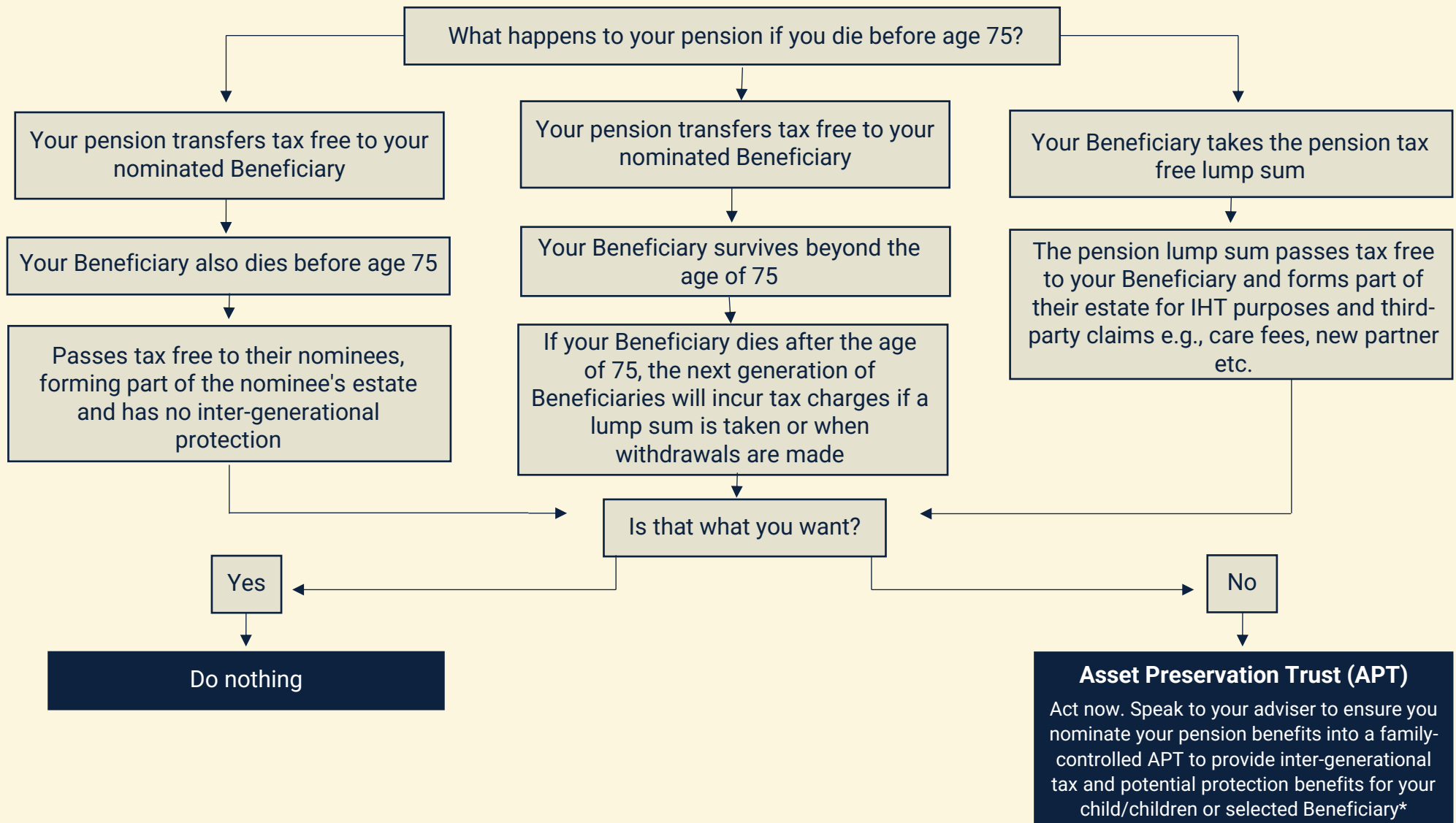
If you look ahead, you will see the potential threats that exist and the opportunities that may be derived from protective planning.

Act now to address any concerns you may have.

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*Check with your estate planner if you can nominate your pension benefits to your APT for your chosen Beneficiaries.

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Protecting your Pension Benefits – The Asset Preservation Trust (APT) from Solidus

- Instead of nominating a child or family member to receive your pension benefits directly, it can be directed into Trust for them when you die pre age 75.
- This will not affect the tax treatment of the payment, assuming there are no lifetime allowance considerations.
- The payment will be made to your chosen Trustees, who are often also the Beneficiaries.
- The Trustees will take advice from your estate planner or their successor or from Solidus.
- The Trustees can invest the sum to provide a regular income (useful if a Beneficiary is not good with money or has no immediate need for capital).
- Alternatively, Trustees have powers to make loans to Beneficiaries, which means such advances can potentially be protected from a third party (partner). This can also have tax benefits.
- Capital sums can also be advanced with the agreement of the Trustees.



Pension benefits pass into the APT tax free on your death pre age 75



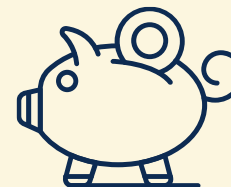
Trustees receive guidance from your "Letter of Wishes"



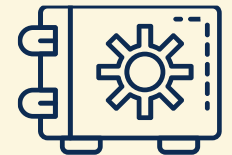
Trustees will be guided by their estate planner and Solidus



Assets are invested to provide income or loaned to the chosen Beneficiaries



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



The APT offers potential protection for your children or Beneficiaries and inter-generational tax efficiency



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Case study

Camille is a divorcee and has a substantial pension which she has nominated into her APT on her death, along with her DIS. She has two children. Her daughter is married and financially independent in her own right. Her son is divorced and has a new partner, who Camille is less than fond of, and together they spend beyond their means. Camille does not want to pay unnecessary tax and wants her family and grandchildren to benefit from all her assets on her death.

As Camille's pension death benefits are directed to Trust, she has chosen her Trustees carefully and, with the assistance of her estate planner, has briefed the Trustees on how the Trust Fund is to be used.

Her daughter is to receive her share of the Trust Fund by means of a loan (assuming at the date of Camille's death her marriage is stable). Her daughter 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 will inherit the sum free of IHT as part of inter-generational tax planning.

Her son's share is to be invested to provide an annual financial return which is to be distributed as income. The Trustees will consult with the estate planner to select a suitable investment. The capital will be protected against being wasted or against 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 life cover and her property and investment assets will be protected within a Beneficiary Protection Plan framework.

Frequently Asked Questions

- **Can my pension benefits definitely go into an APT?** The majority of pension benefits can go into an APT at the discretion of the pension provider Trustees. We encourage you to check with your pension provider before establishing your APT.
- **Is an APT expensive to set up?** No, as a proportion of the value you protect it is typically a fraction of a percent of the pension benefit.
- **Is an APT expensive to run?** No, nothing goes into your APT until you die, so until then there may only be an occasional cost, e.g. for changing a Trustee. There will be some initial costs for advice when you die.
- **Who should my Trustees be?** We encourage you to consider adult family members or trusted friends. Speak to your estate planner for guidance.
- **What happens if I change employer?** No problem, just fill out a new nomination form from your new employer pension to direct the new benefits to your APT. Your DIS benefits can also be directed to your APT.
- **How long does my APT last for?** 125 years in England and Wales and 80 years in Northern Ireland. Most families use them for at least one further generation.
- **Are Trusts taxed?** Pre age 75 there is generally no tax on funds going into the APT. Once assets go into your APT it has its own tax allowances for Income Tax, Capital Gains Tax and Inheritance Tax. Your Trustees can take advice in the future.
- **Can an APT be contested?** Trusts can face claims from third parties but without an APT there is no protection.

Act Now: Contact your estate planner to progress your APT application.



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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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