



# Solidus

*Protecting Inter-Generational Wealth Transfers*

## Protecting the DIS Benefits of Single Clients





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## Protecting the DIS Benefits of Single Clients

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 DIS 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 DIS benefits and do not understand the simple steps that can be taken to address them.

The unpredictability of life requires us to be prepared. DIS is an excellent employer benefit that will pay out tax free (in many cases at the discretion of your employer) to your chosen Beneficiaries if you are employed by them when you die. It is good practice to check the details of your employer's scheme and its benefits and establish the value of any likely payment.

Your DIS 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. If you need to pay off debts on your death, for example a mortgage or pay a potential Inheritance Tax (IHT) bill, then consider life assurance (written into Trust, of course) to cover such debts rather than using your DIS benefits.

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

- If they are not currently in a relationship, could a future partner make a claim to the DIS payment?
- If, historically, they are not good with money, will they use the DIS 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.)

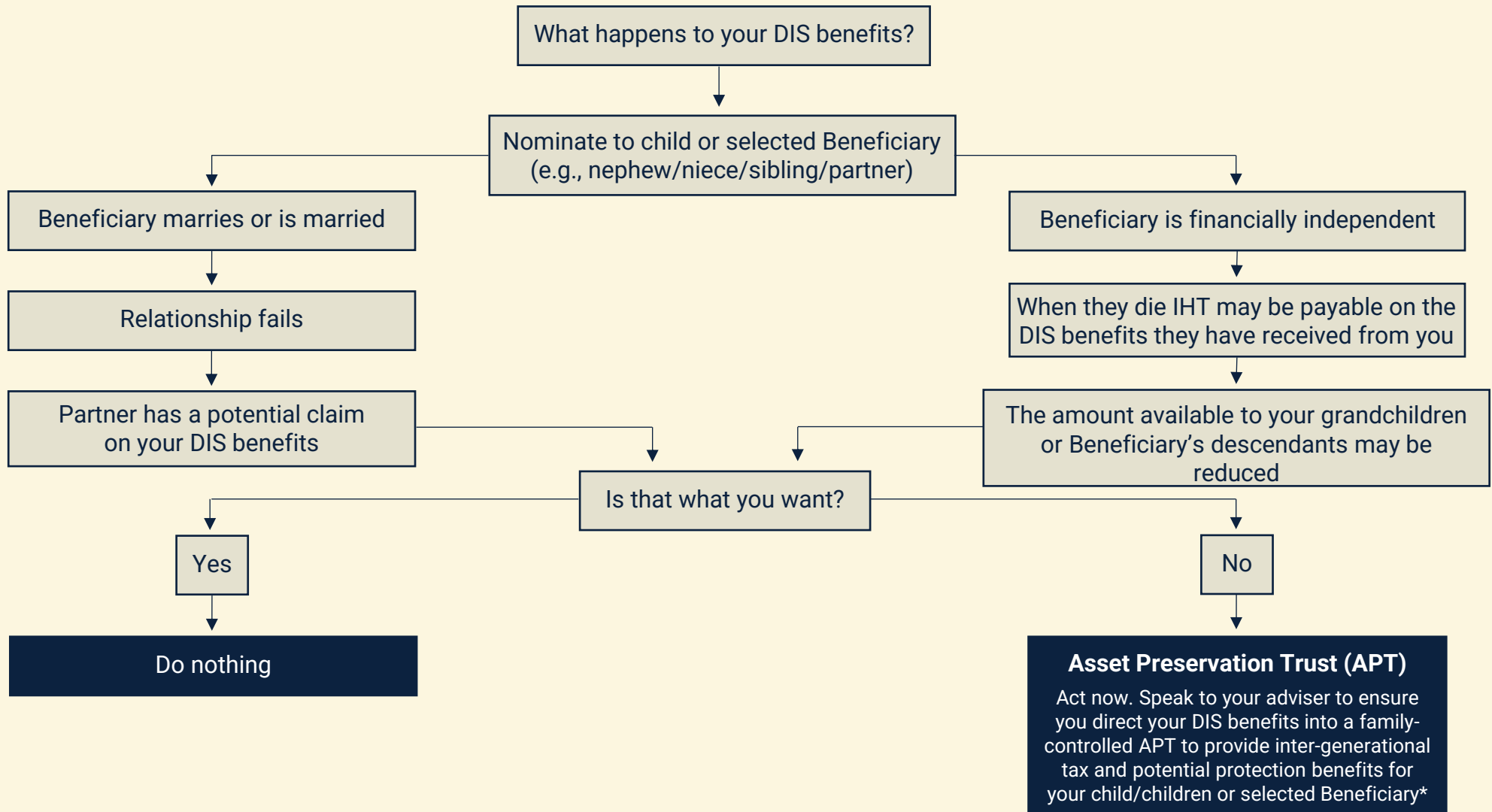
If you look ahead you will see the potential threats that may arise in the future.

**Act now to address any concerns you may have.**

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\*Check with your employer if (at their discretion) you can nominate your DIS benefits to your APT for your chosen Beneficiaries.

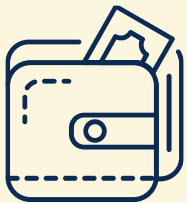
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### Protecting your DIS Benefits – The Asset Preservation Trust (APT) from Solidus

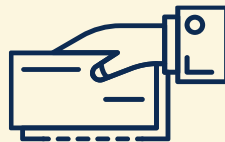
- Instead of nominating a child or family member to receive your DIS benefits, your employer's scheme may allow you to nominate a family Trust to receive the tax free lump sum.
- This will not affect the tax treatment of the payment.
- The payment will be made to your chosen Trustees, who are often also the Beneficiaries.
- The Trustees will take advice from your estate planner or their successor or from and Solidus.
- The Trustees can invest the sum to provide a regular income (useful if a Beneficiary is not good with money).
- 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.



DIS benefits pass into the APT tax free on your death



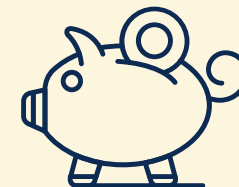
Trustees receive guidance from your "Letter of Wishes"



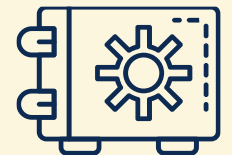
Trustees can engage Solidus through their estate planner



Assets are invested to provide income or loaned to Beneficiaries



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



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

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### Case study

Sarah is a divorcee and has DIS as part of her benefits package. She has nominated her four times salary DIS benefit into her APT on her death. 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 Sarah is less than fond of, and together they spend beyond their means. Sarah does not want to pay unnecessary tax and wants her family and grandchildren to benefit from all her assets on her death.

As Sarah's DIS 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 six-figure Trust Fund (her DIS benefits) 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 Sarah'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 Sarah's pension, life cover, and her property and investment assets.

### Frequently Asked Questions

- **Can my DIS benefits go into an APT?** The majority of DIS benefits can go into an APT at the discretion of your employer Trustees. You should check with your employer before establishing your APT.
- **Is an APT expensive to set up?** No, as a proportion of the value you protect it is typically much less than one percent of the DIS 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 adviser for guidance.
- **What happens if I change employer?** No problem, just fill out a new nomination form from your new employer to direct benefits 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.
- **Will my APT be taxed?** There is no tax on funds going into the APT. After your death, when the benefits are received, just as an individual would the APT has its own tax allowances for Income Tax, Capital Gains Tax and Inheritance Tax. Your Trustees can seek advice in the future if any taxes are applicable.
- **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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