



# Solidus

*Protecting Inter-Generational Wealth Transfers*

## Protecting the Pension Benefits of Married Couples





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## Protecting the Pension Benefits of Married Couples

Generally, few married 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 is often neglected by providers of legal services, as a result married clients are largely unaware of the potential risks to their pension death benefits after they die and do not understand what simple steps 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 normally be paid to the approved nominated Beneficiary (usually your spouse), and it will be their choice how to receive the funds. They can continue to take a pension or accept tax-free cash payments pre age 75 under current regulations.

You should consider any possible future outcomes that could occur after your spouse receives the personal benefit of your pension.

- If your spouse enters into a new relationship could there be a potential risk to the pension funds intended for your family?
- If, historically, your spouse is not good with money, will the pension benefits be used wisely, particularly if a lump sum of capital is claimed and the tax-free cash option was used?
- Would the pension benefits be taken into account if your spouse had to go into care?
- If your estate is likely to attract Inheritance Tax (IHT), could it make the requirement to pay tax more likely, resulting in your children (Beneficiaries) inheriting less?

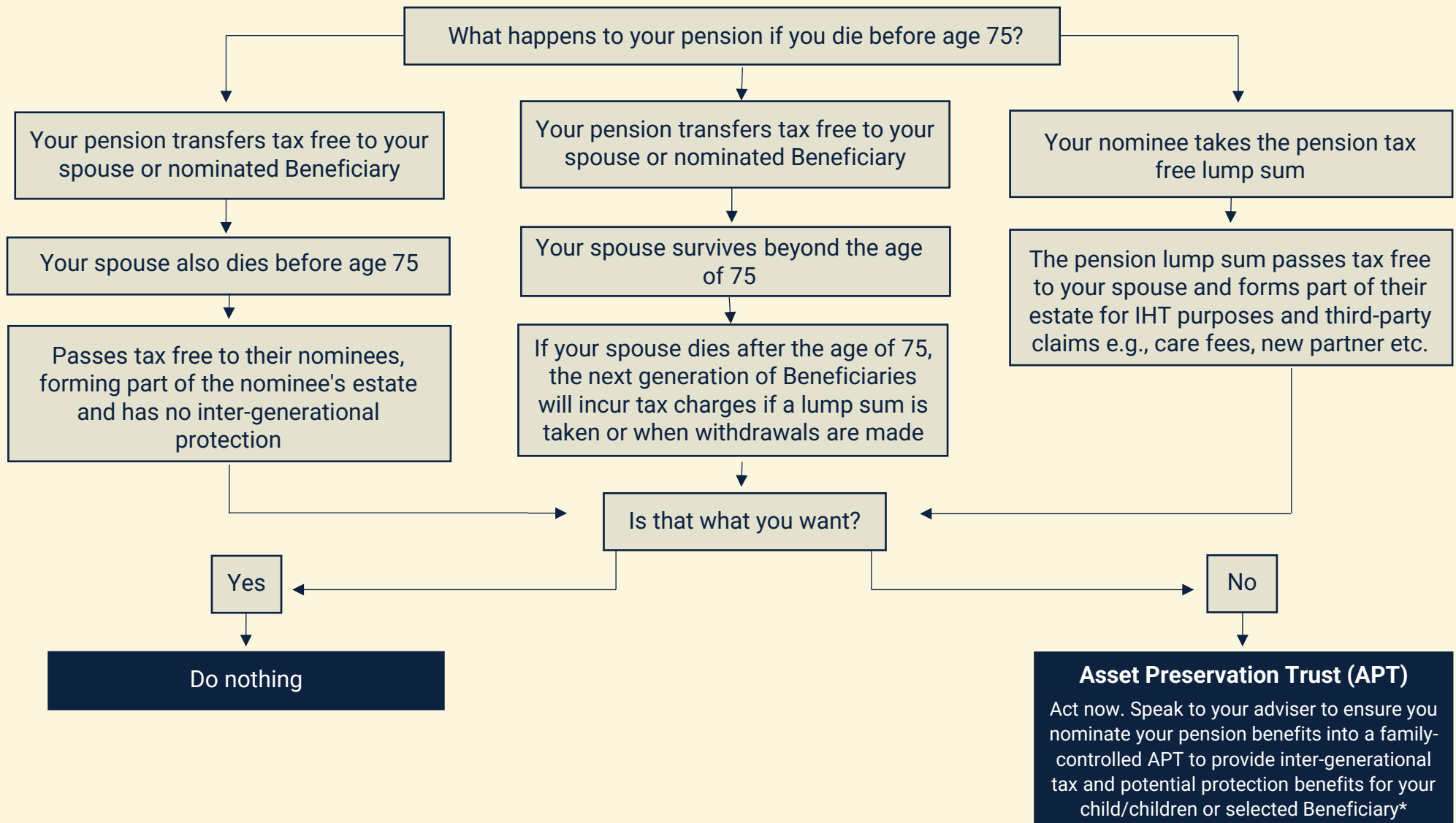
If you look ahead, you will see the potential threats that exist and the opportunities that may be derived from protective planning.

**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

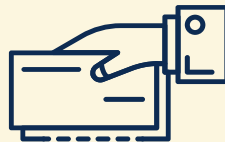
- Instead of nominating your spouse to receive your pension benefits directly, it can be put into Trust for them.
- This will not affect the tax treatment of the payment, which should be tax free pre age 75.
- The payment will be made to your chosen Trustees, who are often also the Beneficiaries.
- The sum will be outside the pension tax free investment framework but will be free from future changes to pension legislation.
- 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 spouse only requires income).
- Alternatively, Trustees have powers to make loans to the surviving spouse, which means such advances can potentially be protected from a third party (new partner). This can also deliver tax planning opportunities.
- The pension benefits are outside the surviving spouse's estate for IHT purposes and will not be subject to inter-generational taxation.
- Capital sums can also be advanced to the surviving spouse with the agreement of the Trustees.



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



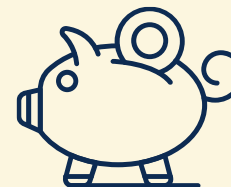
Trustees receive guidance from your "Letter of Wishes"



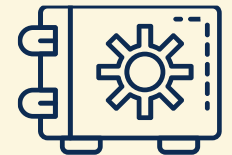
Trustees will be guided by their estate planner and Solidus



Assets are invested to provide income or loaned to the surviving spouse



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

Tom and Eleonor are married and have one child. Eleonor has a substantial pension (SIPP) and she has nominated the pension to go into her APT on her death. Their daughter is married and financially independent in her own right. The family are property rich and relatively cash poor. The tax free pension option outside the Pension Wrapper is attractive to Tom, especially if the rules were to change again in the future.

As Eleonor's pension benefits are nominated 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 pension benefits) is to be used.

Eleonor predeceases Tom and her APT receives the full proceeds of her pension benefits as well as her DIS benefits. The sum is loaned from the Trust to Tom and invested in his name by his financial planner. Tom never remarries and does not go into care, so these potential risks thankfully do not materialise.

When Tom dies, his estate is over the IHT limit. However, as the loan from Eleonor's APT is deducted from his estate the gross estate falls below the IHT threshold and there is no IHT to pay. The returned funds are available IHT free for their daughter.

Their daughter receives her share of the Trust Fund by means of a loan, as her marriage is stable. The 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 will inherit the sum free of IHT as part of the inter-generational tax planning benefits.

Similar protective Trusts have been put in place for Eleonor and Tom's estate assets. Their property and savings are protected in 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.
- **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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