



Solidus

Protecting Inter-Generational Wealth Transfers

Protecting the Pension Benefits of Blended Families



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Generally, few couples who may have children together and their children from previous relationships 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. These blended families have specific nuances which must be considered in terms of Beneficiaries and succession.

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 couples who have a blended family 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, however, if you intend for your own children to receive these benefits, planning will need to be put in place to allow for this.

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

- Do you want to support your spouse but guarantee that your pension benefit passes to your own family?
- If your spouse enters into a new relationship could there be a potential risk to the pension funds intended for your own children?
- 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 spouse's estate is likely to attract Inheritance Tax (IHT), could it make the requirement to pay tax more likely, resulting in your own children inheriting less?

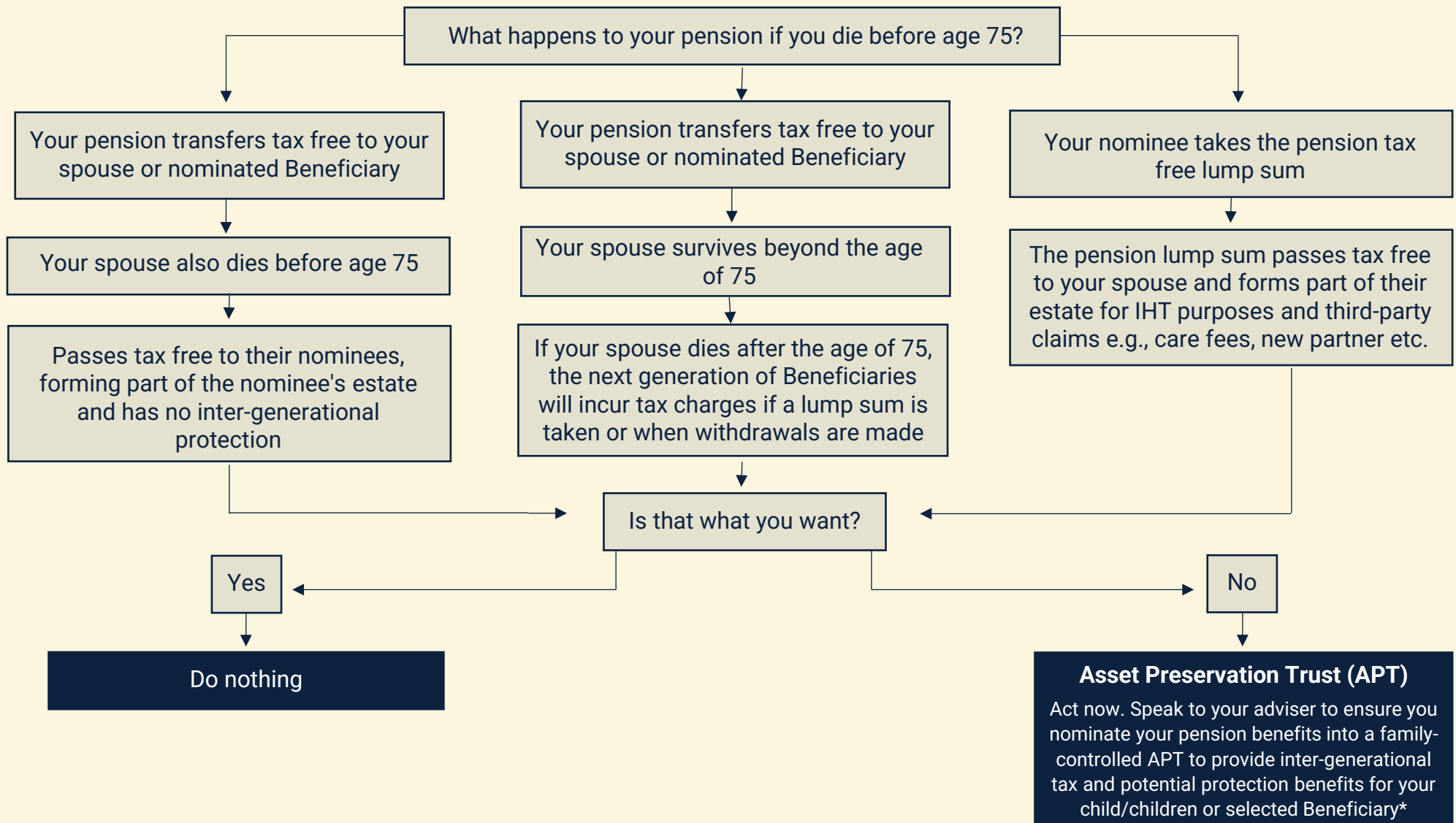
If you look ahead, you will see the potential threats that exist and the opportunities that may be derived from protective planning.

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

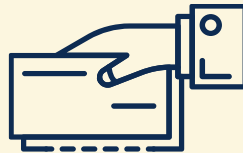
- Instead of nominating your spouse or your own children to receive your pension benefits directly, it can be put into Trust for them.
- This will not affect the tax treatment of the payment, which should be tax free pre age 75.
- Your spouse could initially benefit but the pension sum could be guaranteed for your own children if desired, or all children equally.
- 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 and 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 and will not pass according to their Will.
- 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



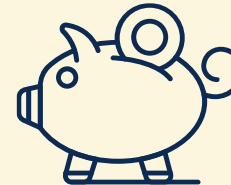
Trustees receive guidance from your "Letter of Wishes"



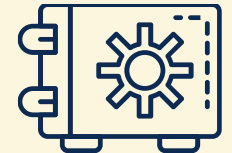
Trustees will be guided by their estate planner and Solidus



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

Joe and Taylor were both previously married and have one child each from their previous marriages. Taylor has a good pension. She has nominated her pension death benefit into her APT on her death. Taylor's daughter is married and financially independent in her own right. If she dies first, Taylor would like to support Joe until his death but would like to ensure her assets, including her pension death benefits, pass to her daughter. Taylor and Joe trust each other but are aware how assets can be misdirected via Wills and how undue influence can be exercised on a parent in their later years. There is also the potential risk of IHT on their estates in the future.

Taylor's pension benefits and her DIS 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.

She predeceases Joe, her APT receives the full proceeds of her pension benefits and the sum is loaned from the Trust to Joe to give him additional income. Joe never remarries nor goes into care, so these potential risks do not materialise.

When Joe dies the discretionary nature of the Trust means there is no IHT liability, and the full Trust Fund is available tax-free for Taylor's daughter.

Her 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 Taylor's grandchildren inherit the sum free of IHT as part of the inter-generational tax planning.

Similar Trusts have been put in place for Taylor's life cover and property and investment assets.

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 pension (and DIS) 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 or more certainty of distribution.

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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