**Protective Gifting Trust Suitability Letter Template (Partnerships)**

Dear

It was good to see you when we met at ……. on the ……

At the meeting we discussed many areas of financial planning. In this letter, I want to focus on the estate planning aspects of our discussions so that you have a full record of my recommendations for your files, together with all relevant information. If anything in this letter is unclear, or you want to discuss any aspect in more detail, please call me directly or send me an email.

You expressed a wish to make an inter-generational wealth transfer. Our cash-flow review confirmed your ability to gift up to /name specific asset, which will assist in reducing any future expected inheritance tax/provide gifting to your Beneficiary in a protective manner (depends on size of estate). The majority of clients make transfers to beneficiaries without taking any advice on taxation or protection and make absolute gifts. There are two potential drawbacks in gifting assets directly.

1. Assets will form part of the Beneficiary’s estate and will be exposed to social impacts such as divorce or unexpected claims on the estate.
2. As the money will form part of the Beneficiary’s estate there is a potential immediate inheritance tax liability, of up to £4,000 for every £10,000 (or £XXXX based on your planned gifting) if the beneficiary is already relatively wealthy.

OR In years to come the Beneficiary’s estate may be significant and the gifted sum gifted may be subject to future inheritance when they decease.

The recommended solution to these potential issues is to gift using a Protective Gifting Trust. This has the effect of wrapping a protective blanket around your gift. After seven years the gift will be outside your estate for Inheritance Tax purposes providing you do not make any further potentially exempt transfers (PETS). The gift will not pass directly into the estate of your Beneficiaries and the benefit of the gift may be protected from common social impacts such as divorce.

Once established the Protective Gifting Trust can also be used for any annual gifting or future gifts which you may decide on, especially gifts out of income. On-going consideration will be given to the level of gifting taking into account relevant taxation regulations.

Under the General Anti-Abuse Regulation (GAAR) review published by HMRC, this Trust approach is not considered to be an abuse of current tax legislation and as part of the service our legal partners will register the Trust with HMRC.

The cost of putting the Protective Gifting Trust in place is only £XXXXX and is approved by solicitors in order to comply with the Legal Service Act requirements. The provision of this planning is regulated by the Solicitors Regulatory Authority and not the FCA.

**Administrative Considerations**

We need to make you aware of one potential downside of Trust planning, which may be relevant to your planning now or in the future. If the value of your Protective Gifting Trust, after your death, exceeded the Trust allowance at the time (currently £325,000), then on every 10 year anniversary of the Trust (not your death) it **may** incur a tax charge (Periodic Charge) of up to 6% of the value above the Trust allowance at the time, for example, if the Trust fund was £50,000 above the allowance, £3,000 could be payable every 10 years by the Trustees.

It is important that Trustees take advice on periodic charges once assets are received by the Trust and make provision for the payment of ongoing charges by withholding a proportion of the Trust fund if required.

Once the Trust deed is written, we will arrange a time to meet with your Trustees to explain how the Trust works and what they would need to do in the event of your death. We find this puts your chosen Trustees’ minds at rest.

Following your death it is essential that your Trustees receive advice from qualified professionals. Some annual administration will be required, but should be minimal and could be carried out by your Trustees.

If you have any questions or queries please call me directly, otherwise, I will be contacting you again shortly to arrange to meet with you and your Trustees so that they can sign their sections of your Protective Gifting Trust.

I look forward to speaking with you again soon

Yours sincerely

**Please sign and bring this copy of the letter as confirmation of receipt and understanding to your Implementation Meeting/ Please sign and return this copy as confirmation of receipt and understanding**

**Sign \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date \_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Notes**

The advice provided to you is based upon the information you have disclosed and therefore if this letter does not accord with your view of the situation or you require any further clarification please let me know. All statements concerning the tax treatment of Trusts and their benefits are based on our understanding of the current law and HMRC practice as at the date of publication and does not form personal advice and is for general guidance only. Whilst every effort is made to ensure accuracy, no liability can be accepted for any errors or omissions. Levels and bases of, and relief from, taxation are subject to change.

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