

Technical Sheet 3

Death Planning Solution for:

- Non-Married Couples
- Estate valued more than 2 X Nil Rate Bands (NRB)

Typical Existing Planning



Where there is no Will, or couples have only a basic Will/Mirror Wills in place, your assets are exposed to the following risks:

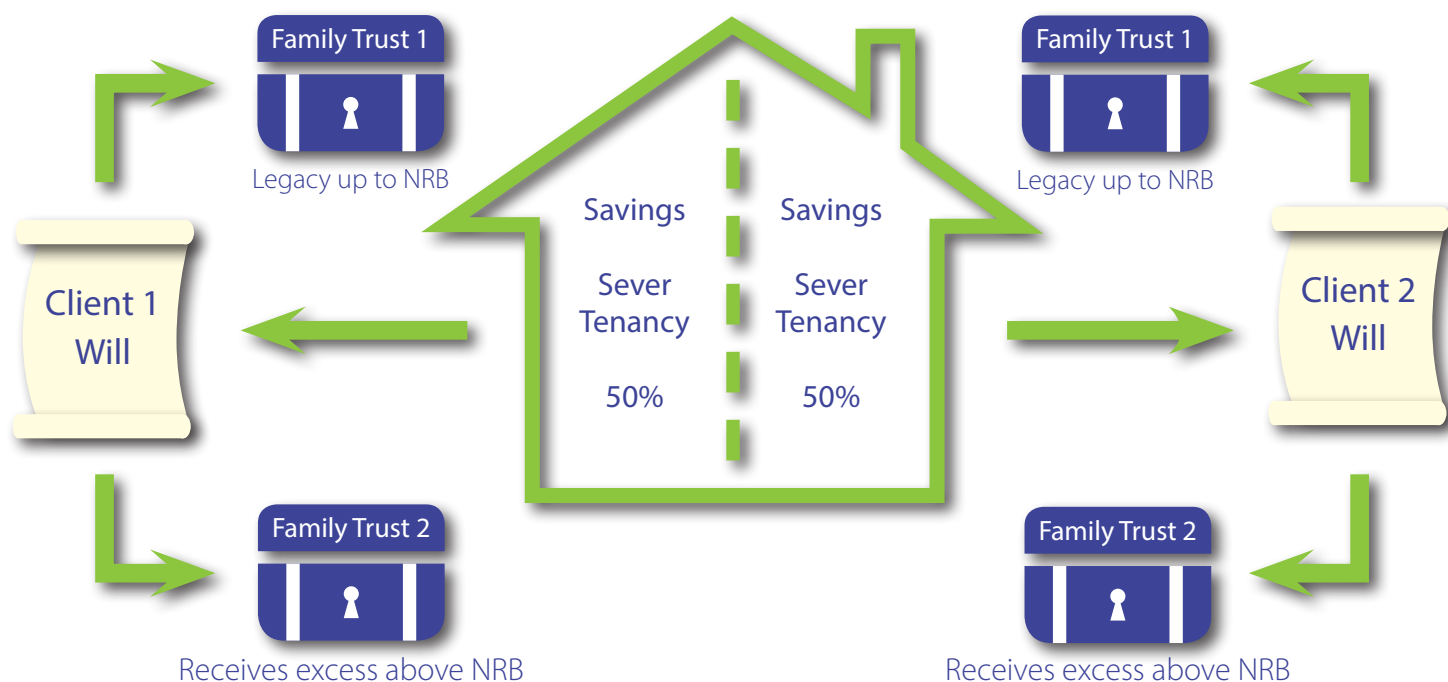
- ! **Care Costs**
Following first death, should the surviving partner need Care then the **whole estate** including the **family home** would be **assessed to pay for the cost of that Care**.
- ! **Marriage After Death (MAD)**
On first death all the assets are then **solely owned** by the surviving partner. What if the surviving partner marries? The inherited estate could be lost to the spouse, **disinheriting your children**.
- ! **Inheritance Tax (IHT)**
IHT would have to be paid on any amount inherited in excess of the current Nil Rate Band and so there is the potential to pay IHT on the same asset **twice**. Known as the **Double Whammy!** (See Technical Sheet 6: Generational IHT)
- ! **Creditors or Bankruptcy**
If the surviving partner were to be subject to **Creditor Claims/Bankruptcy** then the inherited estate is **fully at risk**.

On second death there are further risks to the estate you wished your loved ones to benefit from:

- ! **Their own future Care Costs**
If the inheritance has been passed to your chosen Beneficiaries, these assets could later be assessed for their own **Care Costs**.
- ! **Divorce**
If your children/chosen Beneficiaries are subject to Divorce proceedings then **half** of what you intended them to receive is at **risk to Divorce settlements**.
- ! **Generational IHT**
On second death the remaining estate is likely to be directed by the Will to the Beneficiaries. This then adds to the Beneficiaries' estates and could impact **their own Inheritance Tax**. (See Technical Sheet 6: Generational IHT)
- ! **Creditors or Bankruptcy**
Similarly, if any of your Beneficiaries are subject to **Creditor Claims/Bankruptcy** then the inherited estate is **fully at risk**.

Our Solution

Sever the tenancy on the family home to be held as 'Tenants In Common'



On first death, the Deceased's share of the property is passed into their Family Trust via the Will. The surviving partner continues to live in the property and is still able to move home if they choose to do so. In the event that the survivor enters Care, the survivor only owns a half share of a house.

The Beneficiaries have access to the Trust Funds but we ensure that these assets do not enter their estates and so are protected from attack by the following:

- ✓ **Care**
 Holding the assets in the Trust ensures that they do not add onto the Beneficiaries' own estates and so cannot be assessed for their **Care Costs**.
- ✓ **Creditors or Bankruptcy**
 Similarly, if any of your Beneficiaries are subject to **Creditor Claims/Bankruptcy** then their inheritance would not be exposed to these claims.
- ✓ **Marriage After Death (MAD)**
 Placing half of the family home and other assets into a Trust on first death ensures that, should the surviving partner **marry** in the future, those assets cannot be taken into the marriage and removes the threat of your own children being disinherited. The survivor is still able to use the assets in the Trust.
- ✓ **Further or Generational IHT**
 Holding the assets in the Trust ensures that they do not add to the Beneficiaries' estates and impact on **their own Inheritance Tax**. (See Technical Sheet 6: Generational IHT)
- ✓ **Divorce**
 Placing the assets into Trust ensures that, if your children/ chosen Beneficiaries are subject to Divorce proceedings then what you intended them to receive is protected from any **Divorce settlements**.

Due to changes announced in the July 2015 Budget, Multiple Trusts settled on the same day (for instance settled by a Will) will be subject to periodic and exit charges, even if the Trusts are set up on different days. Our advice remains, continue to use Multiple Trusts as there are various options open to Trustees following the death of a Settlor to reduce the occurrence of periodic and exit charges.

Please consider the information in Technical Sheet 22 to understand whether using Multiple Trusts may be applicable to your circumstances.

This sheet contains only general planning and is not to be construed as advice for any personal planning. Each strategy recommended is based on individual circumstances.

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