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NI Young Solicitors' Association & Navigator Financial Planning

Estate Planning & the Family Home
19th February 2008



Agenda

- Pitfalls
- Wills
- Lifetime planning
- Investment/second properties

Pitfalls

- Security
- Gift With Reservation of Benefit (GROB)
 - CRAG
- Pre-Owned Asset Tax (POAT)
 - disposal test
 - contribution test
- CGT

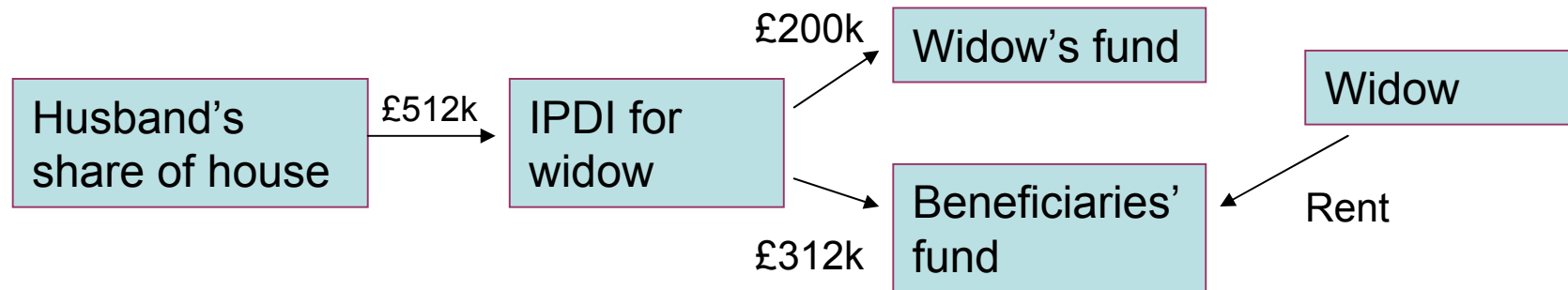
Wills

- Using property to fund Nil Rate Band trust
- Issues to consider
 - Tenancy-in-Common
 - Debt or charge
 - Phizackerley

For larger homes

- Assumptions
 - Property worth £1 million, owned T-in-C
 - Husband dies first
 - Wife survives by 7 years
 - At wife's death, property value doubled
 - Rental yield 5%
 - IHT joint property discount 15%
 - Clients have fully flexible wills

IPDI strategy



- Immediate IHT saving £ 42,720 ($£700k \times 15\% \times 40\%$)
- After 7 years
 - original gift £124,800 ($£312k \times 40\%$)
 - growth in beneficiaries' £124,800 ($£312k \times 40\%$)
 - rent £ 43,680 ($£312k \times 5\% \times 40\%$)
- Total after 7 years £293,280
- **Grand total** **£336,000**

Lifetime planning – Gift & rent

- Full commercial rent
- Loss of control & security
- Planning idea...
 - gift up to £312k to trust
 - commercial rent
 - retain control & security
 - more affordable?

Co-ownership

- Living in property
- Sharing costs

Sale at full value

- Caps the growth
- Cash can be gifted
- Issues to consider
 - Market rent for lifetime

Sale subject to right to life

- Immediate IHT benefit
- No need to pay rent
- Issues to consider
 - actuarial calculation
 - arms-length separate valuations
- Planning idea...
 - Children borrow on own property
 - Parents gift the proceeds
 - Children repay borrowings

Cash & debt

- Downsize & gift
 - beware POAT
- Borrow & gift
 - lifetime mortgage
 - can be costly

Rental property

- **Issues**
 - loss of rental income
 - CGT

IOU strategy

- Sell to spouse
- Payment in IOU
- Gift IOU
 - or settle on trust

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