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# NI Young Solicitors' Association & Navigator Financial Planning

IHT – The Basics  
29<sup>th</sup> January 2008



# Agenda

- When should we plan
- Impact of the tax
- The Pre-Budget Statement
- Basic planning
- Agenda for next seminars

# When should we plan?

- Now!
- Labour ideology
- PETs under threat
  - FA2006 changes
  - Action point!
- Deeds of variation
- Most liberal regime in EC?

# Death can be expensive

<u>Estate</u>	<u>Liability</u>	<u>Effective Rate</u>
£300,000	£0	0%
£312,000	£0	0%
£350,000	£15,200	4%
£500,000	£75,200	15%
£750,000	£175,200	23%
£1,000,000	£275,200	28%
£2,000,000	£675,200	34%
£5,000,000	£1,875,200	38%

# Intestacy

- Divorcees
- Separated but not divorced
- Second marriages
- Family business/property/heirlooms
- Deed of variation

# Updated intestacy rules

- New figures from January 2008
- Intestacy
  - First £250k to wife (if children)
  - First £450k to wife (if no children)
  - Updated flyer

# Transferrable NRB

- NOT a doubling of the Nil Rate Band
- Unused NRB transferred to surviving spouse
  - Earlier regimes
- Covers death of spouse prior to legislation
- Onus is on spouse's estate to claim
- Onus is on spouse's estate to prove

# Basic planning

- Discretionary Nil Rate Band will trusts
- Gifts

# Nil Rate Band trusts?

- Bird in the hand
- No need to prove unused NRB
- Protect children
  - Against remarriage of widow(er)
  - Against creditors, ex-spouses
  - Against themselves!
- Protect assets against long term care
- NRB already transferred
- Trust property growing faster than NRB?

# Advanced will trusts

- Loans
- Funding with PPR
  - Beware Phizackerley
- S.144 appointment
- IPDI
- What else should go in?
  - Anything exempt
    - Pension death benefits
    - Business/Agricultural property

# Gifts

- Exempt
- Potential Exempt Transfer
- Chargeable Lifetime Transfer

# Exempt transfers

- Annual allowance
  - £3,000 per annum
  - Two-year cumulation
- Regular payments as part of normal expenditure

# Potentially Exempt Transfers

- Absolute gift to an individual
- Gift to a bare trust/trust for the disabled
- Death within 7 years
  - Uses up NRB first
  - Tapered thereafter

# Chargeable Lifetime Transfer

- Everything else!
- Uses up Nil Rate Band
- Excess charged at half lifetime rate (20%)
- Death within 7 years
  - Same treatment as PET
  - Tax already paid offset
  - Excess tax not refunded (if tapered)

# Order of transfers

- Gift to discretionary trust £300,000
- Pension death benefit £250,000
- Gift to children £300,000
- Life policy (in trust) £1,000,000

# Order of transfers

- Pension fund – exempt
- Life policy (in trust) – gift from income
- Gift to discretionary trust – CLT
- Gift to children – PET
  - BUT beware “14 year” rule

# Contact details

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- He has assisted the NI Courts in matters of matrimonial ancillary relief, pensions disputes, bad advice in financial services, and non-payment of claims against life insurance companies.
- He writes occasionally for the NI and national trade press, and has done so for national newspapers. He is currently writing a regular financial column for NI4Kids.

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