



# Inheritance Tax Planning

At retirement age Fred and Ann contacted us to discuss inheritance tax planning. Both are civil servants, with final salary pensions. Utilising our holistic financial planning service we found their total estate to be just over £2 million, this was made up of the family home valued at £1 million, with the remainder made up of a mixture of cash in the bank, shares and other investments.

**Client:** Fred & Ann, married with 3 children over 30

**Occupation:** Both Civil Servants

**Location:** London

**Estate value:** £2 million

**Pension:** Final salary

**Other Investments:** Various

**Our Fee:** Commission from insurance company

## Our Advice

Fred and Ann were keen to minimise the inheritance tax liability for their children. They also wanted to address the fact they did not feel rich, given their net disposable income after living costs was around £20,000 per annum.

They also didn't want to gift their assets to their children, as they wanted to remain financially independent for as long as possible, as they were both in good health.

During the cashflow planning phase it became clear that Fred and Ann had four options:

- Do nothing and accept inheritance tax would have to be paid
- Spend their money, to take their estate under the inheritance tax threshold
- Gift money to the children or put it into trust
- Take out insurance cover to cover the inheritance tax payable

It became clear that the best option was to take out a whole of life insurance policy to cover both Fred and Ann, but most importantly, pay out on the second death, when the inheritance tax will be payable. The inheritance tax liability would be around £400,000, the monthly premium is fixed for life at £990 per month and our fees were covered by commission from the insurance company. We collaborated with the family solicitors via our Guardian service to ensure the trust and wills were fit for purpose.

## The Result

Taking out a whole of life insurance policy was the best option as it is a regular cost they can afford, and they retain their financial independence whilst ensuring the inheritance tax payable is covered for their children.

Fred or Ann would have to live past 98 years old for the insurance to cost more than the inheritance tax liability.

When the time comes the insurance benefit will be paid into a trust for the beneficiaries which will then be used to pay off the entire inheritance tax liability, ensuring the 3 children receive the full value of their parent's estate.

If you'd like to benefit from our holistic financial planning service give us a call on: **01865 407755**