Long Term Care Planning

The Parkinson family from Oxfordshire were referred to us by their family solicitor on the passing of their father. The passing of any parent is an emotional time, but the Parkinsons were faced with the added complexity that their father, David was also their mother's full time carer. After meeting with their solicitors and discussing all options, the children agreed a care home would be the best solution as Maureen would be looked after properly. Understandably they were concerned that the family home and their parent's savings would quickly disappear whilst paying the care provider.

Client: The Parkinson family

Location: Oxfordshire

Our Advice

As the children had decided long term care was the best way forward, we recommended buying an 'immediate needs annuity' that would give Maureen a guaranteed income for life, to cover her ongoing care home fees and other living costs. The annuity gave flexibility that in the event that Maureen didn't like the care home and decided to return to the family home the annuity would cover the cost of a carer at home.

The Result

Buying an 'immediate needs annuity' gave Maureen an income that covered the care home and ongoing living costs for life while still leaving enough for the children to have an inheritance as Maureen's savings and home would not be needed to fund care home costs. Our advice gave the children peace of mind that care home costs are covered and Maureen the comfort of knowing she would not be a financial burden on her children and be able to pass an inheritance on. This is a great example of how holistic financial planning can give you and your family peace of mind.

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

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.

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Divorce

Chris and Emma got in touch to discuss how best to split their finances before engaging a solicitor and starting divorce proceedings. This was a smart move and enabled us to provide them with the financial break they had both agreed on.

Chris wanted to share his final salary pension with Emma and use it to pay off their mortgage so he could transfer the house mortgage free to Emma, enabling her to remain living in the family home with their son Oliver.

Being a higher rate tax payer already Chris didn't want to receive any pension income.

Client: Chris & Emma with a teenage son

Age: 55 & 50 respectively

Location: Oxfordshire

Pension: Chris final salary £920,000 & Emma £60,000

Annual Income: Chris £60,000 & Emma £22,000

Our Advice

The starting point was to establish the value of Chris' final salary pension which turned out to be £920,000 and how much was left to pay off the family home which was £30,000.

By performing a thorough cashflow planning review, we made certain both Chris and Emma would be able to maintain their current lifestyles now and into retirement.

Chris and Emma agreed she would receive 32% of Chris' pension.

Initial Advice

We took the first step to accessing Chris's final salary pension by transferring it to a personal pension that would provide flexible access. Then, following a pension sharing order from the court, we helped Emma to set up her own personal pension which received her £300,000 pension credit.

This left Chris with a £620,000 pension of which he crystalised £120,000 and took a tax free lump sum of £30,000 to pay off the mortgage on the family home, leaving £90,000 invested tax efficiently in his pension to meet his future income needs.

As a firm we managed both Chris and Emma's financial matters swiftly and efficiently as a plan of action had been agreed in advance.

Initial Outcome

By coming to us first to take care of their finances whilst still married, Chris and Emma achieved the result they both wanted with the minimum of fuss and fees.

Had they got divorced first then it would have been a very different situation, as Chris' final salary pension would have been subject to a Pension Sharing Order restricting access to the funds.

On completion of the divorce, both Chris and Emma took advantage of our Guardian service to access one of our trusted solicitors to each create a new Will; we contributed 10% of our ongoing fee towards the solicitor costs via Guardian.

Ongoing Service

Five years on we still advise Chris and Emma separately via our ongoing service.

Ongoing Service – Chris

Chris is approaching retirement age and living in a rented house costing around £800 per month, his pension pot had grown to £700,000.

At a review meeting we discussed his retirement plans and purchasing a house; Chris thought it wasn't possible to get a large enough deposit together and a suitable mortgage as he was aged 60.

Using our cashflow planning tool, we modelled two scenarios:

1. Renting through retirement and never purchasing a house
2. Using a tax-free lump sum from his pension to purchase a house and paying it off in full by age 65 and retiring

Scenario two was the clear winner as Chris avoided paying £800 per month in rent during retirement. So, we organised the drawdown of a £150,000 tax-free lump sum from his pension pot to use as a deposit and put him in touch with one of our specialist mortgage brokers. The whole process took around 8 weeks to complete.

Ongoing Service – Emma

Emma has now re-married and still lives in the family home. Oliver is due to start university next year.

Her pension pot has grown from £300,000 to £360,000; she is looking to reduce her hours at work as she approaches retirement age and will start to drawdown on the pension funds this year.

As Oliver is still financially dependent on Emma, we recommended taking out critical illness and life cover so should the worst happen, Oliver will have the funds available to see him through university and allow him to begin life independently.

The Result

Chris and Emma remaining friends partly helped by how easily their finances were dealt with once they decided to separate. Their son Oliver is financially secure as both parents have private pensions and a house each which will form part of his inheritance.

Lower Fee & Better Advice

We were approached by Jonathan, an IT consultant in his 50's with an income of £150,000. He had met with one of our competitors to discuss his options for retirement and how best to invest his pension fund which was approaching £1 million. Jonathan came to us as he was not impressed with the advice being offered or the £30,000 fee he'd been quoted.

Client: Jonathan, 50's, married with 2 teenage children
Occupation: IT Consultant
Location: Oxfordshire
Annual Income: £150,000
Pension: £1 Million
Other Investments: ISA
Previous Advisor Fee: £30,000 (quoted)
Our Advisor Fee: £12,000 (paid)

Our Advice

We showed Jonathan our cashflow planning system, we discussed our fee structure and we showed him how we could manage his investment. However, it was the tax management advice that we gave Jonathan that persuaded him to become a client. He was as an additional tax rate payer but his previous adviser had not used his pension annual allowance. By utilising his carry forward from previous years, we obtained £12,500 tax relief for him and reclaimed an additional £15,000 on his self-assessment, which alone more than covered our Initial Fees. We liaised with his accountant using Guardian and so contributed £500 towards Jonathans accountancy costs.

Ongoing Service

Our competitor was only offering investment advice. Our holistic financial planning service offers so much more, we advised on retirement, tax advice, we used cashflow planning to show possible future returns and after discussing his situation the £1 million was brought over to our portfolio in stages then invested in line with his chosen risk profile rather than the previous high-risk profile he had selected.

The Result

Jonathan now has a more predictable return on his investment, he has better tax planning going forward and is in a much better position from an investment and a cash planning perspective.

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