

# Welcome

Keeping it in the family - a guide to generational wealth planning - Part 2

Thursday 3<sup>rd</sup> March 2022





**WISE INVESTMENT**  
PLANNING FOR LIFE

## Independent financial planning and investment management

Founded in Chipping Norton in 1992

Employee-owned since 2013

Focus on building long-term client relationships

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### *Services include:*

Pension advice and retirement planning

Investment portfolio management

Protection

Inheritance Tax planning



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Leading Independent Firm of Chartered Accountants

Founded in Banbury in 1931

Now expanded along the M40 corridor

Offer complete range of services including:

- Business advisory
- Tax planning
- Accounting and tax compliance
- Auditing
- Specialist sector services

# The Legal Stuff

The content of this presentation represents the personal views of our speakers. It should not be construed as financial or investment advice.

All information is based on our understanding of current law and practice, which may be subject to change in the future.

Past performance is not an indication of future performance. Any investments you make can go down as well as up - you might not get back the full amount invested.



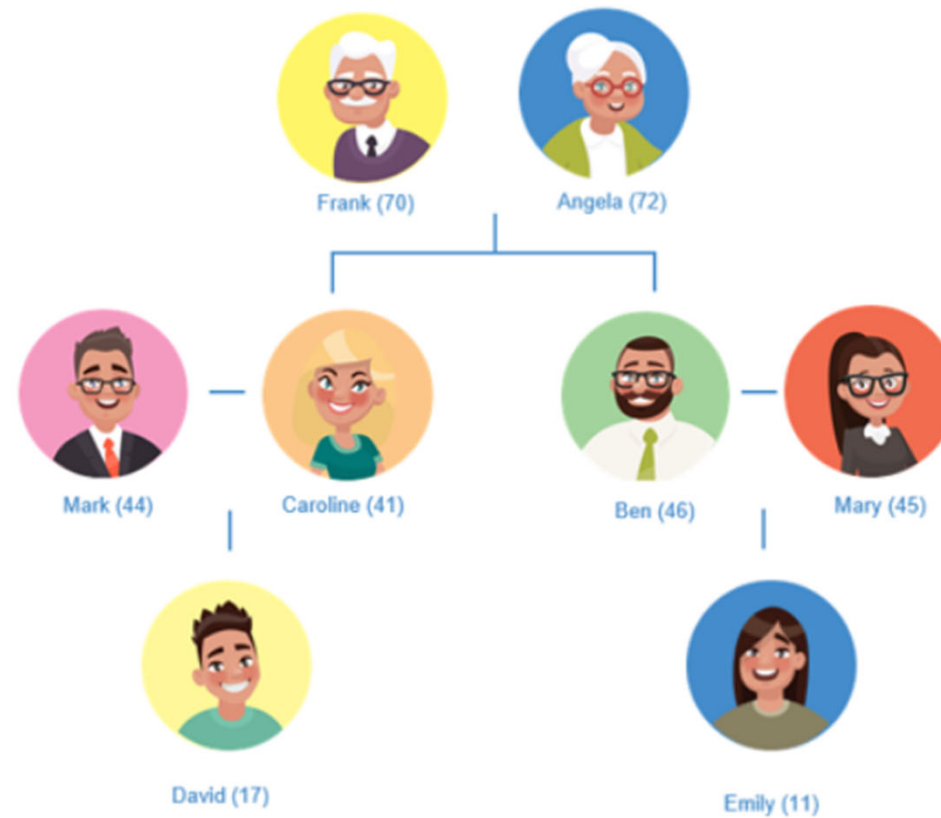
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# Recap



# The Montague family background



## A not so simple plan Option 2

State and Widow's pension (net of tax)	£18,000
Angela's S&S ISA at 3.5% yield	£8,750
Annuity from Frank's pension (increasing by 3%, cost £67,000)	£3,000
Draw from remainder of Frank's pension (£283,000) at 6% p.a.	£16,980
Cash interest at 0.5%	£750
	<b>£47,480</b>



Frank's ISA untouched  
 Surplus income £7,480 a year



## Angela's thoughts now:

I still want to travel and so I need £40,000 to live comfortably but care fees are expensive if I need them later on

I want to treat Emily equally to David – can I start saving for her too?

Caroline and Mark are doing an extension – I would love to help them fund it

What is my Inheritance tax position looking like?

David wants to go to University – Can I help with his tuition fees?





## Angela's Estate - inheritance tax position

### Taxable (IHT) Assets

Main residence	£950,000
Cash	£150,000
Investments (ISAs)	<u>£500,000</u>
	<b>£1,600,000</b>

### Exempt Assets

Frank's drawdown pension	£350,000
Angela's pension	<u>£150,000</u>
	<b>£500,000</b>

### Current IHT Position:

- Angela's current IHT liability based on these assets is £240,000 ( $£600,000 \times 40\%$ )
- This assumes that she uses Frank's Basic and Residence Nil Rate Bands, as well as her own, and is passing the family home onto the Children/Grandchildren



## **The Inheritance Tax liability is £240,000!**

### **What can we do to help reduce it:**

- Usual IHT planning – annual allowance and small gifts
- Consider gifts out of income
- Capital gifts
- Trust-based schemes enabling gift of capital with a right to income
- Look at AIM/BPR qualifying investments
- Charitable legacies





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## Gifts made as part of normal expenditure out of income

Only fill in this page if you've ticked 'Yes' to box 6 on page 1. This is a guide to the type of income and expenditure the deceased may have had so that you can show that gifts made were part of the deceased's normal expenditure out of their income. Give details of the deceased's income and expenditure for each of the years in which the gifts were made.

20 Income									
Tax year in which gifts made (for example, 6 Apr 2005 to 5 Apr 2006)									
Salary									
Pensions									
Interest (including PEPs and ISAs)									
Investments									
Rents									
Annuities (income element)									
Other									
Minus Income Tax paid									
<b>Net income</b>									
21 Expenditure									
Mortgages									
Insurance									
Household bills									
Council Tax									
Travelling costs									
Entertainment									
Holidays									
Nursing home fees									
Other									
<b>Total expenditure</b>									
22 Surplus (deficit) income for the year (Net income minus total expenditure)									
Gifts made									

Extract from IHT Form 403. Copyright of HMRC.

## Helping the family



### Caroline and Mark are planning an extension

- Angela would like to gift £50,000 to help them with this
- Where should this £50,000 come from ISA, Cash or pension?
- Seven year rule applies



### David and Emily

Angela currently has net income of around £47,000 but only needs £40,000 to live on. Therefore, regular gifts out of income of £7,000 could currently be possible.

David plans to continue with further education over the coming years.

Emily has just started secondary school but it is important for Angela to treat her equally.

## Decisions

Action	Effect
Give £7,000 a year of surplus income to B/C/D/E as required	Help with Uni costs and long-term saving. Instant IHT saving = £28,000 over 10 years
£50,000 gift to Caroline	Saves £20,000 IHT after 7 years
£50,000 gift to Ben	Saves £20,000 IHT after 7 years
Transfer £250,000 ISA to AIM portfolio service	Saves £100,000 IHT if owned for at least 2 years



Total IHT saving could be  
**£168,000**

## What if Angela needs care?

Care costs uncertain – new rules on care costs cap only apply to care and not accommodation

Typical decent care home £1,200 to £1,500 a week



### Remaining assets

#### Taxable (IHT) Assets

House	£950,000
Stocks & Shares ISA	£250,000
Cash savings	£50,000
<i>Total</i>	<b>£1,250,000</b>

#### IHT Exempt Assets

Pensions	£433,000
Frank's S&S ISA (AIM)	£250,000



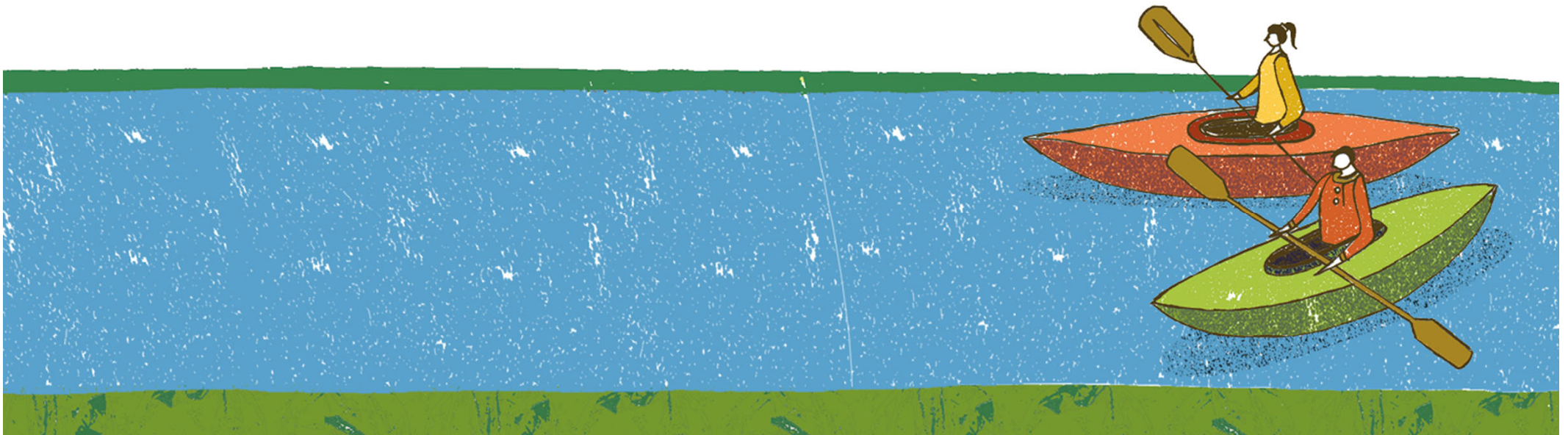


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# Q&A





# Thank you

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