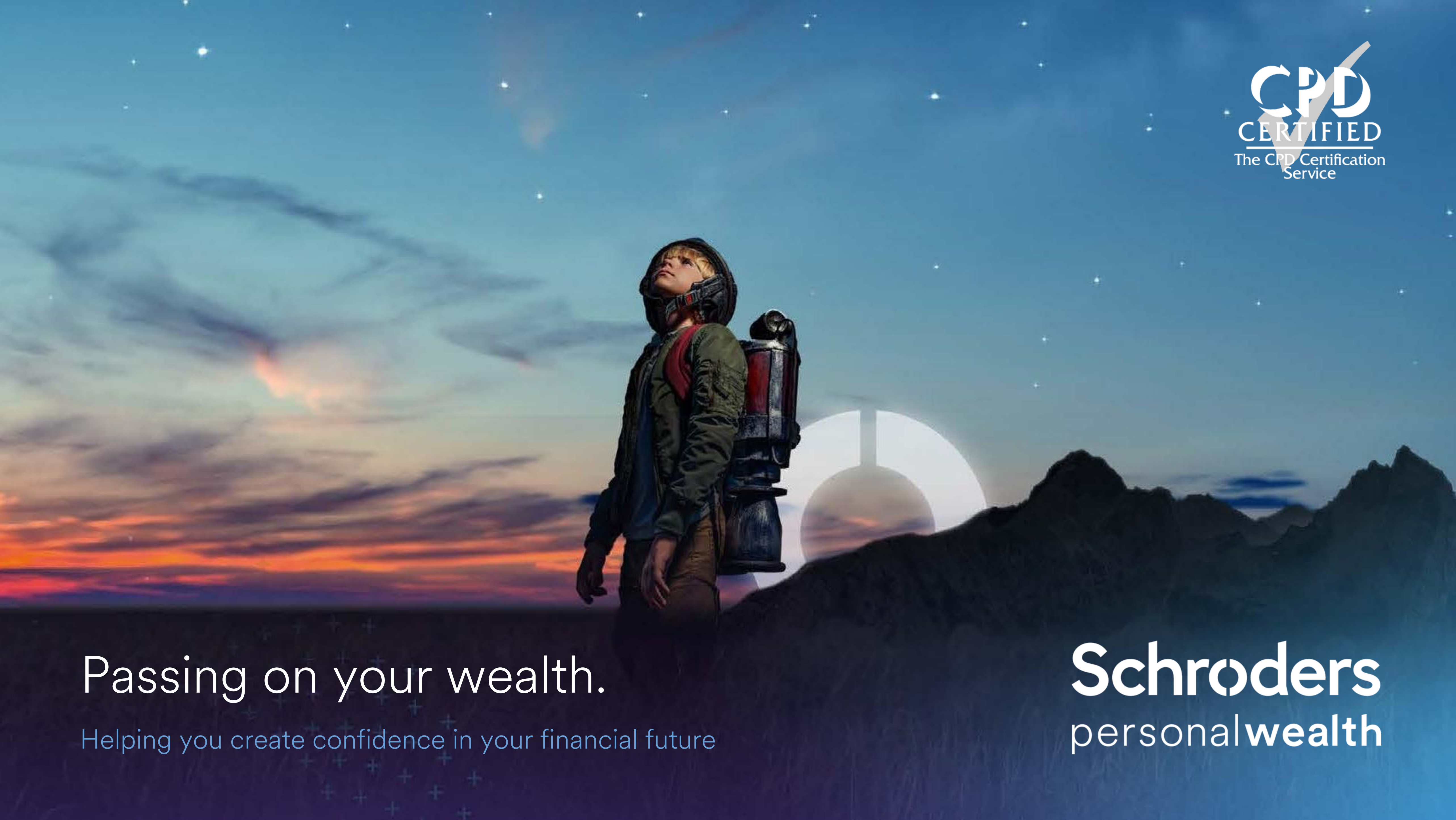

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The CPD Certification Service

Passing on your wealth.

Helping you create confidence in your financial future

Schroders
personalwealth

We’re here to help you build a better financial future

Access to your financial information when you want it

Our vision

We want to see a society where everyone recognises the value of a great financial plan.

Our mission

We aim to help more people across the UK build personalised financial plans.

Our purpose

We exist to help you realise your dreams by unlocking the power of financial planning.

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We’re here to help you build a better financial future

Access to your financial information when you want it

400 years of heritage

through our parent companies
Schroders, and
Lloyds Banking Group.

£13.76 billion

of funds under management
(as at Dec 2020).

300

Advisers located
around the UK.

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Families and finance. Helping you pass on your wealth tax efficiently.

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Family and Finances

Helping families have conversations about their financial wellbeing

- Proprietary research
- Conducted in association with Opinium
- Interviewed 1,009 UK parents aged 60 and above
- Interviews were conducted 27th October to 3rd November 2020

We want to encourage families to discuss money more openly, create better awareness and give them the confidence to fully engage with each other about their financial lives and estate planning.

Key findings

£5.5tn will move between generations in the UK between now and 2055.

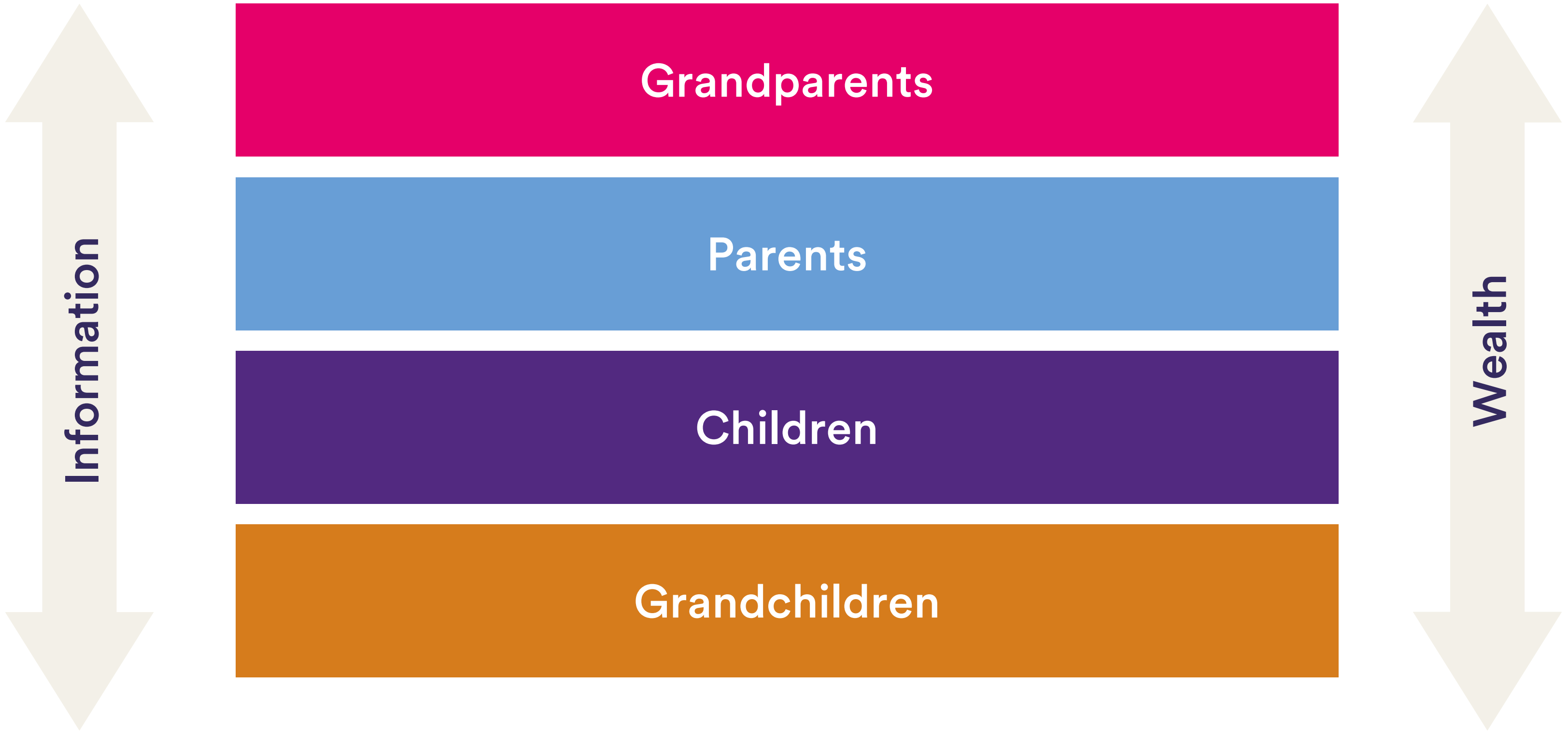
84% hope to pass on wealth to their children. But….

78% do not have any form of estate planning in place

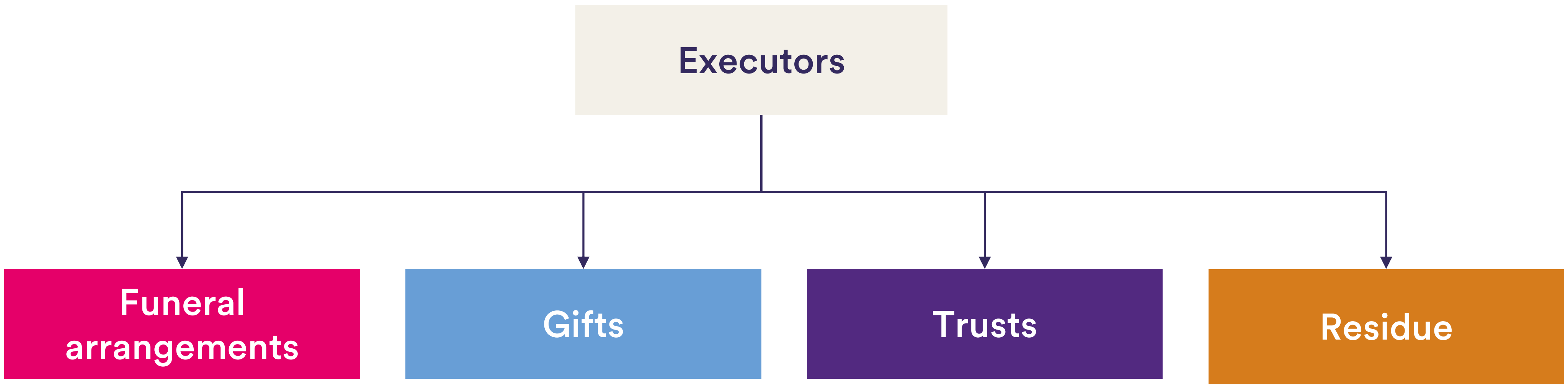
18% Have increased financial support during the pandemic

70% of the over-60s support their families during their lifetime

Preparation is everything



Your will = your wishes



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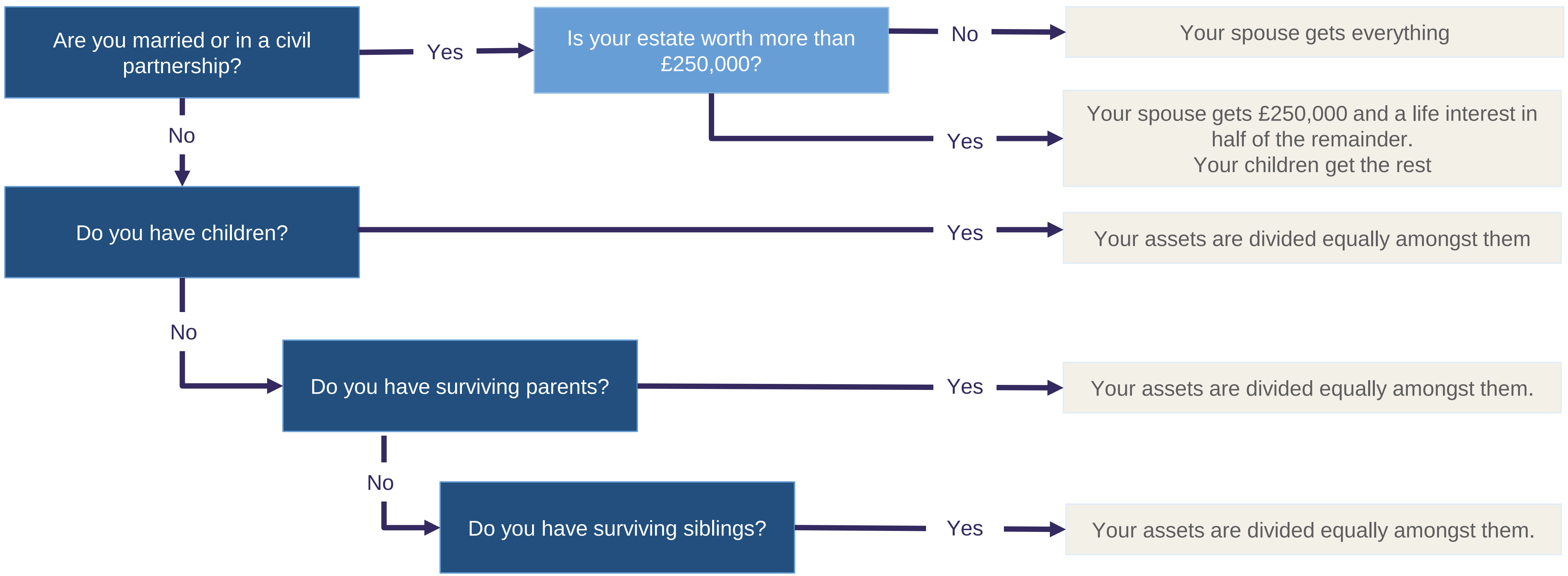
What happens if you don’t leave a will?

The rules of intestacy in England, Wales, and Northern Ireland



Source: Professional Trustee UK Trust Centre, Lloyds Bank Private Banking, September 2021

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What happens if you don't leave a will?

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The rules of intestacy in Scotland

Are you married or in a civil partnership?

Yes → Is your home worth more than £473,000?

- No → Your spouse gets your interest in the home
- Yes → Your spouse gets a lump sum of £473,000

Yes → Your spouse also gets →

- Furniture and moveable household goods to the value of £29,000
- Up to £50,000 in cash
- A third of the rest of the estate

Your children get the remaining two thirds of the estate

No → Do you have children?

Yes → Your assets are divided equally amongst them

No → Do you have surviving parents?

Yes → Half your assets go to your parents the remainder is divided amongst your siblings

No → Do you have surviving siblings?

Yes → Your assets are divided equally amongst them.

Source: Beyond.life accessed 14 April 2021

What is inheritance tax (IHT)?

IHT is a tax on the estate of someone who has died, including all property, possessions and money

There is normally no tax to be paid if:

- The value of your estate is below the Nil Rate Band (NRB) of £325,000, or
- You leave everything above the threshold to your spouse or civil partner, or
- You leave everything above the threshold to an exempt beneficiary such as a charity

If the value of your estate is above the NRB, then the part of your estate above the threshold might be liable for tax at the rate of 40%.

If you elect not use the nil-rat band (to leave your entire estate to your spouse or civil partner), your nil-rate band can be added to theirs. When the second partner dies, their estate could benefit from a nil-rate band of £650,000.

Example:	
Value of estate	£625,000
IHT threshold	£325,000
Taxable estate	£300,000
Tax @ 40%	£120,000

Tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

The main residence nil-rate band

An additional allowance when passing on your home

- The main residence nil-rate band (RNRB) is an additional allowance for parents passing on their main residence to their children where their estate is worth more than the nil rate band (£325,000 in the tax year 2020-21).
- In the tax year 2020-21 it is an additional £175,000 and increases in line with the Consumer Prices Index for future tax years from 2021-22 onwards.
- Any unused nil-rate band will be able to be transferred to a surviving spouse or civil partner.
- The additional nil-rate band will also be available when a person downsizes or ceases to own and assets of an equivalent value, up to the value of the additional nil-rate band, are passed on death to direct descendants.
- Limited to one main residential property but personal representatives will be able to nominate which residential property should qualify if there is more than one in the estate. A property such as a buy-to-let property, will not qualify.
- A direct descendant will be a child (including a step-child, adopted child or foster child) of the deceased and their lineal descendants.

Tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

Ways to potentially reduce IHT

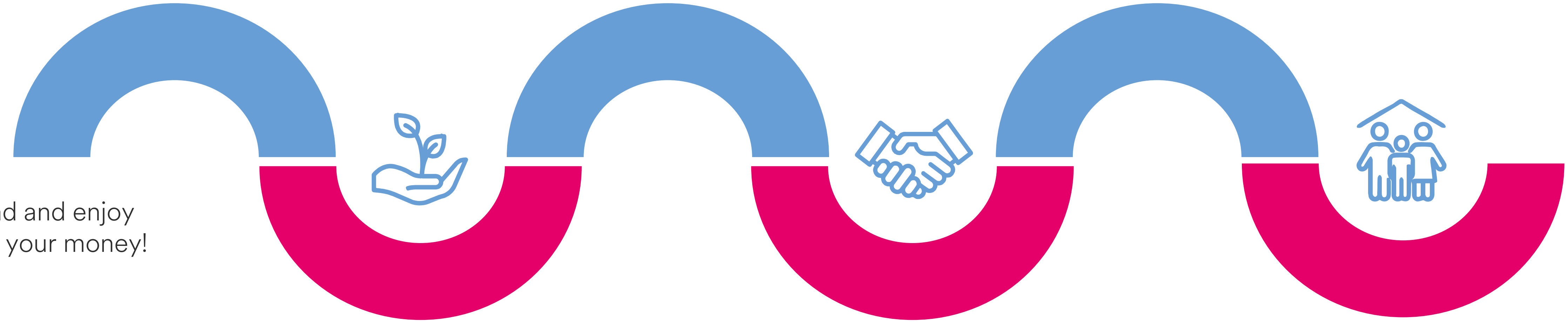
There is no right way or wrong way to mitigate IHT.

It is down to your own personal circumstances and family situation.

Use your annual gift allowances

Make direct capital gifts, but remember, you must survive any gifts by seven years for them to be free from any IHT

Insure yourself to help your family pay the final bill (written in trust)



Spend and enjoy all of your money!

Gift away surplus income regularly (no seven year rule)

Place it in a family trust

Some insurance-based schemes could lessen the IHT burden

Tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

The parties involved in setting up and managing a trust

The Trust

The legal deed that sets out how the assets are to be held, invested and distributed.

The Settlor

The person establishing the trust and donating the founding assets.

The Trustees

The individual(s) or company that administers the Trust's assets for the benefit of a third party. These third parties are known as beneficiaries.

The Beneficiaries

The individual(s) named in the trust deed as receiving income, capital or other benefit from the Trust's assets.

The Protector

Some trusts include a Protector, someone independent who oversees the work of the Trustees. The Trust might also restrict some actions without the Trustees first gaining approval from the Protector.

Tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

Choosing the right trust for your IHT purposes needs careful consideration

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- Once a trust is established it can be difficult to unwind

A discretionary gift trust

The capital is deemed to have left the settlor's estate if the settlor survives for another seven years.

But any growth generated within the trust is immediately outside the estate.

Can last for up to 125 years allowing many generations to benefit.

A loan trust

Puts any capital gains or reinvested income outside of your estate.

You can still draw on the original capital, which remains part of your estate for Inheritance tax purposes.

But you effectively give away the right to the profits or growth.

An interest in possession trust

Separates the capital and any potential income generated. One beneficiary receives the income from the trust for life.

But the capital passes to other beneficiaries on the first beneficiary's death.

Often used so a partner can receive an income but the capital passes to children when the partner dies.

A discounted gift trust

Allows you to receive a regular income whilst placing the remainder of the assets outside of your estate for IHT purposes.

The value of investments within a trust and the income from them can fall as well as rise and are not guaranteed. The value of the trust might fall below the initial investment.

How using a deed of variation could reduce your estate for IHT purposes

If you have inherited from someone who passed away within the last two years, you can opt to change the way the estate is distributed.

It means effectively rewriting the will of the deceased to inherit the legacy in a way that better suits your family circumstances.

This can be by either:

- giving direct gifts to your children, grand children or others
- setting up a discretionary trust

Although it is not a difficult process we recommend working with a solicitor and your financial adviser to make the best decisions for your family. This will incur fees.

And you can only re-assign your own inheritance.

If the whole estate is to be altered, all those who will ‘lose out’ from the arrangement must sign the agreement.

How does a deed of variation work?

The variation is treated for IHT purposes as if the deceased had made a gift to the trust.

Will

Beneficiary

Absolute gift

Benefits:

- Not in your estate

Trust

Benefits:

- Flexibility
- Control
- Potential access for client
- Not in your estate

Notes

- Must be made within two years of death for IHT benefit.
- Needs agreement of all relevant beneficiaries.
- Requires a solicitor/legal agreement to be constructed and will incur some cost.
- The value of the gift made to the trust and the value of the trust may be subject to additional tax in the future.

A few useful questions to think about...

Do you have a will?
When did you last update it?
Have your circumstances changed since then?

What do you want to happen to your wealth when you die?

Is there anyone you would or wouldn't want to benefit from your estate?

Are there any specific items you'd like someone to have?

Do you have to consider children or vulnerable adults?

Do you know what the inheritance tax bill would be on your estate?

Have you inherited any money recently?
Are you likely to need this?
Has the amount created an IHT liability?

Support available

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Life's wealth journey

Helping you answer life's big financial questions

Building wealth

What do I do with the money I have?

What help is available to me?

Can I do this by myself?

How do I make my money work harder?

Do I need some help?

Am I doing the right things with my money?

How do I protect my family if something happens to me?

Retiring

When can I retire?

Am I paying too much tax?

Will I have enough for retirement?

What are my choices at retirement? What's right for me?

How do I cover myself in case I need long-term care in the future?

Using wealth

How much income do I need?

How do I pass on my wealth tax-efficiently?

Will I have enough to last me?

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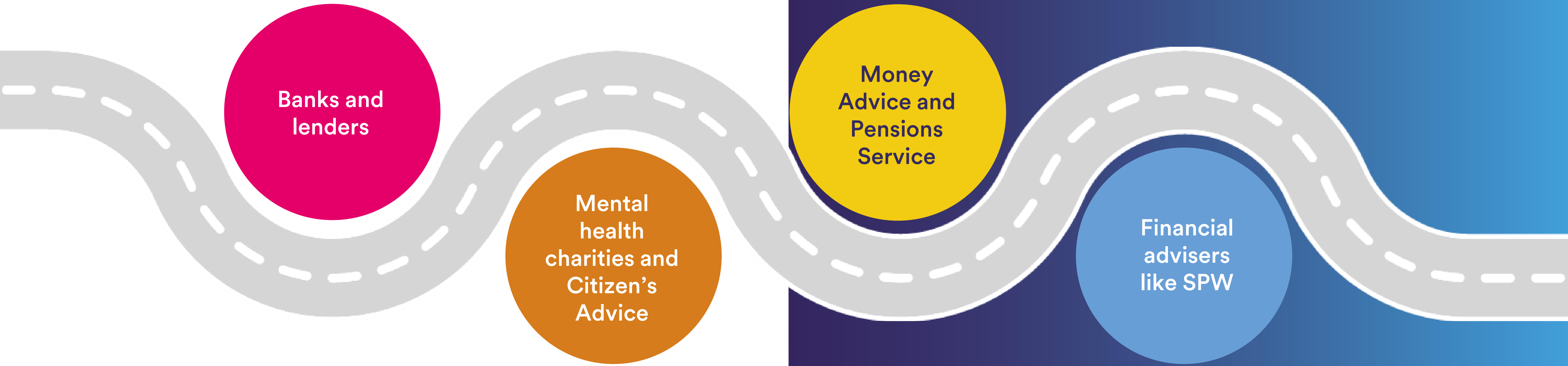
Support available

- Free financial health check
  www.spw.com/referral/talk-money-week

- Access to our Wealth Lens
  https://www.spw.com/wealth-lens

- Access to our fortnightly webinars
  https://www.spw.com/campaign/webinars



There are no hidden fees or charges, and you'll only pay if you choose to go ahead with the recommendations in your personalised financial plan.

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