

FOR INVESTMENT PROFESSIONALS ONLY

Client who worries they don't have long left

Case Study

George and his wife Margaret are in their 80s and are in reasonable health. Covid-19 has made them reflect on their estate planning and have acquired the services of a financial adviser. The couple are now thinking about what will be left to their two daughters should they both die. They have been discussing options to reduce IHT and the biggest issue they have is that they feel 7 years is too long a time horizon to plan for.

George and Margaret had considered gifting money away but this would have taken 7 years to gain full IHT exemption. They also considered trusts however a trust works to the same timeline. And lastly, life insurance is too costly given both their ages.

FACT!

Relief from Inheritance Tax can be obtained through gifting or trust after 7 years. However, this is a long time for someone who is in later life or who has had unfortunate news surrounding their health. An AIM IHT portfolio qualifies for the relief after only 2 years.

Solution

They could invest some of their assets into a Fundamental AIM IHT ISA or general investment portfolio. Crucially, this product should gain full IHT exemption after 2 years. Furthermore, should one of them die then the other will hold the other's assets continuing the two years. In other words, the two year clock does not go back to the beginning. This option will avoid the costly administration and legal issues associated with setting up trusts. And lastly, the couple will not lose control of the assets and should they need them for any reason they can withdraw some or all of the investment.



The Importance of IHT Planning



Financial Adviser Contact:



Jonathan Bramall
 Business Development Manager
 01923 713 894
jbramall@fundamentalasset.com

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