DBL asset management

Case Study

Leaving a Legacy

For those who have already reached retirement age, it is natural to begin to think about leaving a legacy for your children and grandchildren to enjoy.

How best is it to do this? With ever-changing legislation around inheritance tax and other areas that impact on your legacy, how are you able to be sure that your family will receive the maximum amount of your wealth, rather than it passing to the tax man?

These were pertinent concerns to Mr T, who we had worked with for many years, when we began to think in more detail about his inheritance plans.

The first course of action was to ensure that Mr T had enough money to last for his entire retirement, before his thoughts turned to how much he would be able to leave to his family. Through careful planning, we had already ensured a situation where Mr T had a guaranteed income for another twenty-five years, at a rate which would see him able to maintain his desired lifestyle.

Due to recent changes in pension and inheritance tax legislation, there were a number of options to consider when deciding how best to organise Mr T's funds in order to provide a legacy.

- The rules around pensions have recently changed, making them easier to use as a 'store of wealth' to pass to other family members.
- Inheritance Tax legislation was changed in the 2015 'Summer Budget', essentially meaning more can now be passed to family members without incurring Inheritance Tax.
- Mr T has a commercial property with current tenants. This provides him with a level of retirement income, but creates a potential liability for inheritance purposes.

After carefully analysing all of the potential variables and looking further at Mr T's situation in detail, as well as that of each of his beneficiaries, we decided upon the following steps.

This ensures that Mr T continues to live a happy and prosperous retirement, but also ensures that his assets are organised in a progressive and effective manner, to continue to benefit his family.

- When deciding on an income for Mr T now, his pensions were the best fit, rather than using other assets and leaving the pensions to be passed on as part of the inheritance. Mr T is a 20% rate taxpayer, so he could continue to drawdown from his pension fund, without sacrificing too much in tax.
- Mr T's remaining pension was left to his grandchildren. This helped his children to avoid a larger tax liability, as both of his sons are 45% tax rate payers and would have incurred the same rate on Mr T's pension.

- Mr T's commercial property was moved to be under the ownership of his children. This helped to ensure that the property would not be an Inheritance Tax liability and meant that the family could continue to receive an income from it.
- Annual gift allowances and other allowances were maximised to ensure Mr T's wealth could be passed on in the most efficient manner possible.

As part of Mr T's inheritance planning, and in all of the cases where we work with clients to secure their legacy, we worked closely with Mr T's solicitor. This enabled us to make recommendations and quickly complete work, such as moving the title deeds of Mr T's commercial property.

If you are approaching the point where you would like to complete some planning around your legacy, but do not have a solicitor with whom you work with, we are able to recommend several with whom we have close ties and who have completed excellent legacy work with us in the past. As with Mr T's case, we will co-ordinate the whole process and ensure the easy completion of work such as your Will, Power of Attorney and the creation of any trusts.

Although not a feature of Mr T's case, our work with clients on leaving a legacy, frequently includes work on leaving a business legacy, such as passing on shares, setting up a discretionary trust and/or leaving a legacy outside of the immediate family.

The Financial Conduct Authority does not regulate trusts, wills or estate planning.