

Chris is a UK domicile living in China with a non-UK domicile spouse. He owns a UK property and his UK inheritance tax (IHT) liability today is £123,200 but in 12 years it could have ballooned by 70% due to rising property values. Find out how he can use RL360°'s Asset Protection Plan to cover his growing IHT liability.

Chris is a 55-year-old UK domicile who lives and works in China. He has a Chinese wife called Lin and a 15-year-old daughter Kim from a previous marriage. The property which they live in is owned by Lin, and Chris owns a property in the UK recently valued at £633,000.

Going forward Chris and Lin plan to spend more time in the UK but Lin has said that she would like to visit China as much as possible.

Chris is concerned about his UK IHT liability, so he consults his adviser.

His adviser explains that despite Chris living in China, he is and probably will remain UK domiciled. The adviser goes on to explain that IHT may not be a concern as upon Chris's death, Lin can elect to become UK domicile and could receive all of his assets free of UK IHT. Chris has already considered this scenario and explains to his adviser that Lin is likely to leave the UK following his death and is therefore unlikely to make this election, especially as the election would remain with her for at least 4 years.

In addition, they have agreed between them that whilst Lin will receive his liquid assets, his daughter is to inherit the UK property.

With this key information, the adviser tells Chris that as of 6 April 2013, the non-UK domicile exempt spouse or civil partner exempt transfer limit has increased from £55,000 to £325,000. This means that assets up to that value can be transferred to Lin free of IHT. This is great because it means Lin can inherit the anticipated liquid assets such as bank deposits and other investments free of IHT.

The UK property, however, exceeds Chris's nil rate band (NRB) so will still be subject to UK IHT and the adviser explains to him that he can take out an RL360° Asset Protection Plan to insure against this liability. Chris is also concerned about the level of cover he requires keeping in line with his rising property values.

Bring soaring  
IHT liabilities  
back down to earth



### Future IHT liability

The present day UK IHT liability on the property is £123,200.

**Property value**

£633,000 less

**Current Nil Rate Band<sup>1</sup>:** £325,000**Taxable value for IHT:**

= £308,000 x 40% = £123,200

<sup>1</sup>The Residence Nil Rate Band (RNRB) has not been considered for the purposes of this case study.

If we assume the value of Chris's property grows by 2.5% per year, it means that in 12 years' time, the property will have an estimated value of £850,000 resulting in an increased UK IHT liability of £210,000

**Estimated property value**

£850,000 less

**Current Nil Rate Band:** £325,000**Taxable value for IHT:**

= £525,000 x 40% = £210,000

The adviser shows Chris these calculations and suggests that based on the above scenario, he should consider applying for life cover on RL360°'s Asset Protection Plan of £150,000 initially but use the benefits and premiums indexation feature to ensure that his cover increases to counter rising property prices.

For a plan on this basis, Chris is quoted an initial monthly premium of £393<sup>2</sup> (which will increase by 5% each year).

<sup>2</sup>based on standard underwriting rates and a 5% growth rate inclusive of all product charges.

Chris thinks the plan is affordable and will provide him with the peace of mind that should he die, there will be money to cover his UK IHT liability and Kim won't have to sell the house to pay it. So he takes out the plan.

Ten years later, Chris is involved in a fatal accident. The value of his worldwide estate is £1.1million and consists of the following:

- UK Bank Deposits £120,000
- UK Share portfolio £180,000
- UK Property £ 800,000

Chris's daughter, Kim, is now 25 years old. She is the Executor of his estate, a Trustee and beneficiary on RL360°'s Asset Protection Plan. She needs to obtain UK Probate and settle the UK IHT bill before she can distribute her late father's estate in accordance with his will. As she is a Trustee on the RL360° Asset Protection Plan, RL360° is able to pay the plan benefits to her which she uses to settle her father's IHT liability allowing her to wind up and distribute his estate. As the plan was in trust, RL360° did not require probate prior to releasing the proceeds.

The residual balance she can retain as cash to cover other expenses associated with winding up his estate.

If you have clients who have similar circumstances to Chris and you would like more information on the RL360° Asset Protection Plan, please contact your Regional Sales Office.

### Important notes

For financial advisers only. Not to be distributed to, nor relied on by, retail clients.

The RL360° Asset Protection Plan is a combination of RL360°'s LifePlan and one of RL360°'s trusts. RL360° Asset Protection Plan is not available to UK residents.

Please note that every care has been taken to ensure that the information provided is current and in accordance with our understanding of current law and Her Majesty's Revenue and Customs' (HMRC) practice as at 6 April 2017. You should note however, that we cannot take upon the role of an individual taxation adviser and independent confirmation should be obtained before acting or refraining from acting upon the information given. The law and HMRC practice are subject to change.