



# ESTATE PLANNING THAT COVERS ALL ANGLES

## WHAT MAKES OUR DISCOUNTED GIFT TRUST SPECIAL? IT'S THE MULTI-DIMENSIONAL FLEXIBILITY.

And precisely because it's so flexible, your clients don't need to worry about losing all access to their capital whilst at the same time protecting their families against Inheritance Tax (IHT).

Crucially, our trust lets your clients position an access fund which can either be recalled or gifted to their beneficiaries, depending on future circumstances.

You'll find a case study following, that gives an example of exactly how the Discounted Gift Trust can work in practice. But first, look at just how much additional flexibility is on offer:

- It is trust based.
- Your clients can choose from either fixed or discretionary beneficiaries.
- They have the option of both single and joint settlors, and settlors can receive an income for life<sup>1</sup> or defer taking income<sup>2</sup>.

- The trust allows for additional transfers, which can be used to provide an income<sup>2</sup> for the settlor or settlors.
- The trust can distribute to beneficiaries during the life of the settlor.
- Your clients can reserve access to a capital amount.

### SIMPLE TO LINE UP

To benefit from a Discounted Gift Trust, your client invests in a RL360 bond. They decide how much they want to give away, how much income they need to live on, and whether they need an emergency capital fund to draw on at need.

After the client has been underwritten, a trust is created that adjusts quickly and easily, to give your clients far more control in deciding whose lives they will brighten. While knowing that they can still focus on themselves first.

### THREE IMMEDIATE BENEFITS

The Discounted Gift Trust provides a winning combination, which can:

- Provide an income for life<sup>1</sup>
- Reduce your client's estate for IHT
- Provide a trust fund for selected beneficiaries

<sup>1</sup> Or until the trust fund is exhausted.

<sup>2</sup> Offshore bonds are non-income producing assets so any 'income' is repayment of capital. Payment continues until the trust fund is exhausted.

## CASE STUDY

### An income for life, along with serious IHT savings

Mr Young is aged 61 and in good health. He has three children, and has recently become a grandfather.

Looking into Inheritance Tax, he has discovered that his savings and home (worth £400,000) total just over £650,000 – which means he could be leaving his family a substantial IHT bill.

After speaking to his financial adviser, Mr Young decides to set up a RL360 Discounted Gift Trust on a bare trust basis. He has £250,000 in liquid assets which he can invest in a RL360 bond and transfer to the trust. He has worked out that he needs an income of £15,000 to live on each year; £12,500 from the Gift Trust, and £2,500 from his pension.

#### AT A GLANCE

Working with an estate worth £650,000, the Discounted Gift Trust can:

- Save more than £33,800 in IHT
- Provide access to an emergency capital sum of £100,000
- Provide an annual income for life of £12,500, or until the trust fund is exhausted

While Mr Young is prepared to invest all of his liquid capital, he wants to retain potential access to £100,000 of this money in order to cover any unexpected future spending requirements.

So £150,000 goes to form a gifted fund, while £100,000 is placed in an access fund, both held within the trust. Proportionate withdrawals from both funds will provide him with annual payments of £12,500 for the remainder of his life, or until such time as the trust fund is exhausted.

The amount allocated to the gifted fund will qualify as a Potentially Exempt Transfer. So, after 7 years, £150,000 will be disregarded for inheritance tax purposes. Following underwriting, RL360 calculates the discounted value of the transfer to the gifted fund as being £65,260.

And, should Mr Young die suddenly, his estate will have been reduced by more than £84,000 – saving more than £33,800 in IHT.

#### IMPORTANT NOTES

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

This case study is for illustrative purposes only.

Using figures from the Case Study, the Discounted Gift Trust can help Mr Young

Reduce the value of his gift by over (£)

**84,000**

Saving more than this amount in IHT (£)

**33,800**

Provide access to this much capital as and when required (£)

**100,000**

Provide this much annual income for life (£)

**12,500**