

Case Study - Tax Planning



Client Profile

Name: Jane

Age: 65

Circumstances: Jane was keen to mitigate the Inheritance Tax (IHT) liability due on her eventual demise without the need to make significant gifts of capital to her immediate family. Even though it was later made apparent that she would not need the capital, the act of making an unreversible gift filled Jane with some trepidation.

Use of annual exemptions and the use of making gifts out of income were already being used.

What we did

1

In wishing to maintain the client's ongoing income needs, a cashflow plan was used to demonstrate that this would be met regardless of the likely performance of the investment portfolio that she held. Furthermore, we showed that a significant investment into a tax efficient investment to which she retained access and control could be made without impacting on her standard of living even if she were to live beyond age 105!

2

Financial Planning

The knowledge that the investment was still accessible provided comfort in knowing that the existing cash was still available if ever needed. The proposed recommendation was shown to her immediate family members, so that all potential beneficiaries of the estate were aware of the proposed planning and resulting consequences.

3

Outcome

The client's situation has been reviewed on a regular on-going basis as have the underlying investments of the tax efficient investment. Likewise, the cashflow plan is monitored at the same time to ensure that she is on target to meet her current needs and future objectives.

The client is more than content that the IHT liability has been reduced significantly. The underlying investments have provided capital growth which when coupled with the IHT savings ensures that more of the client's capital is passed on to her loved ones rather than HMRC.

Benefits of our advice

- Be fully informed in what you can legitimately do just by using allowances and exemptions.
- Obtain an appreciation of the options open to you and be informed of the advantages and disadvantages of each.
- Formulate a plan that does not have to be actioned in one go, but by at least having a plan it can always be changed if circumstances change and/or legislation does too.
- Looking at your overall situation and producing a cashflow plan which becomes your unique financial plan, may highlight the opportunity to benefit from addressing other issues that were either unforeseen or unthought-of whether they are linked to IHT or not.