How Jean, recently widowed, took control over her financial circumstances for the first time and substantially reduced the likely Inheritance Tax bill for her children

Background

Jean 78 and recently widowed had always left financial decisions to her late husband Harry. After almost 50 years of financial dependence on Harry – and with one son in living in Canada and the other in the South of England Jean was somewhat overwhelmed by what lay ahead. Her Solicitor suggested she might like to speak to Lowland.

Jean's husband Harry had been a senior civil servant with a good final salary pension	**Jean had £210,000 in a share portfolio which pays her £500pm income**	**Jean lived in a big detached house and wanted to stay there for the foreseeable future**

Challenges

- Jean's key financial objective was maintaining her current lifestyle and her target income was £2,000pm net
- She wanted to remain in the substantial family home for the foreseeable future or until it became too much for her
- Jean had tried to work out her likely expenditure although there were many unknown costs because "*Harry always took care of that*"
- She was keen to leave as much as possible to her 2 children and Jean was concerned about the potential impact Inheritance Tax could have on what the Children might receive on her death

01896 751007 | www.lowlandfinancial.co.uk | advice@lowlandfinancial.co.uk

This case study is an example of how we have helped an actual client in the past and should not be seen as advice. Names and some details have been changed to protect identities. Our advice is always bespoke and dependent on your own specific circumstances and objectives.

What we did

- Checked the Civil Service spouses pension figures and confirmed that her combined pensions from all sources were going to pay an indexed pension of £1,800pm net.
- We prepared a cashflow plan with details of Jean's income and likely expenditure which reassured her that she had plenty income and other savings if ever she needed money in the future
- We allowed time to let everything settle so she would see the income and outgoings over 6 months – and she discovered she was actually managing to save money every month
- By that time Jean was more than comfortable with her income / expenditure
- She had a over £45,000 in deposit accounts so she wanted to make a start on Inheritance Tax (IHT) planning
- We liaised with the stockbroker and arranged to withdraw £100,000 from the share portfolio which the broker confirmed was available free of tax
- We invested £100,000 in a "Discounted Gift Trust" plan which immediately removed almost £50,000 from the Inheritance Tax calculations (saving 40% of this amount ie £20,000 IHT now)

The Results

- Jean has peace of mind she has financial security for the rest of her days in the form of indexed pensions
- The new investment pays Jean £5,000pa net of tax
- The stockbroker now pays Jean £1,000pa also net of tax
- Together these investments maintain the same £500pm income as she received before
- She reduced the IHT bill by around £20,000 immediately after the Bond was set up
- If she lives for 7 years after the Discounted Gift trust was set up – the potential IHT saving is nearer £40,000
- She has now sold her house and moved to a smaller property
- She now has lower household bills and has released more cash to invest / gift to the family.
- The recent purchase of an i-Pad and a crash course in Skype has allowed Jean to talk regularly to her son in Canada
- She has budgeted for a visit to Canada every year since Harry died and has been able to feel part of new grandson's life from the day he was born

Jean is now managing on her own with no financial worries in a new location giving her a new found confidence in the future

Her (children's) Inheritance Tax bill has been cut by around £20,000 immediately

After 7 years the value of the bond is ignored for Inheritance Tax saving in the region of £40,000

01896 751007 | www.lowlandfinancial.co.uk | advice@lowlandfinancial.co.uk

This case study is an example of how we have helped an actual client in the past and should not be seen as advice. Names and some details have been changed to protect identities. Our advice is always bespoke and dependent on your own specific circumstances and objectives.