



**The Premier Partnership Limited**

Your Family Office



**NEWS LETTER**

## It's Five O'clock Somewhere

Or, to put it another way - it's always time to plan.

This quarter we are looking at Estate and Succession planning, as well as our usual snippets of topical news and views in the 'shorts' section.

### Getting Started on What You Plan to Leave

There is no time like the present to look at estate planning. You have spent a lot of time and effort in building your asset base, but what you have probably not spent a lot of time doing is wondering what happens to it when you're gone.

The latest set of HMRC Inheritance Tax (IHT) receipts show that the payment of tax on estates show yet another increase, with the receipts for April to August 2021 at a record £2.7 Billion. This is

£700 Million higher than the same period last year. Annual IHT receipts for 2020/21 were £5.3 Billion in total. The Office for Budget Responsibility (OBR), expects 2021/22 receipts of £6 Billion, rising to £6.6 Billion for 2023/24. This is serious big business for HM Treasury. So with the facts and direction of travel clearly signposted, what should we do?

The word 'estate' refers to everything you own. Estate planning refers to the plans you make, so that your money and valuable possessions are distributed as you wish, after you pass.

## Estate planning can:

- Make sure your money and estate goes to whoever you choose
- Reduce or possibly eliminate potential taxes on the estate that may become payable on death
- Ensure that all of the assets in your estate will be transferred as efficiently as possible to your beneficiaries
- Reduce the costs of dealing with your estate

To start with, you need to know a broad value of your/joint estate.

### Fact

Your pensions do not form part of your estate.

Once you have the values, if the totals are more than the IHT nil-rate band, then there could be a bill of 40% of the value of the excess.

### Fact

If you are married or in a civil partnership, your estate can pass to your partner completely free of IHT.



## Snapshot

- **£325,000 is your nil-rate band**
- **£175,000 is your Residence nil-rate band**
- **40% is the tax rate at which IHT is chargeable**
- **£209,502 was the average IHT bill in 2018/19**

## So what can we do?

The general aim of estate planning is to get your estate back within your nil-rate (joint) bands, so there is more for your beneficiaries to receive.

IHT planning is complex and there is too much detail to accommodate here, but two key approaches are gifts and trusts.

### Gifts

In its simplest planning form, small gifts are covered as below. You can gift:

- Up to £3,000 per annum
- Up to £250 per annum to as many people as you wish
- Make gifts to charities and political parties
- Make wedding gifts of up to £5,000 for children, £2,500 for grandchildren and £1,000 for anyone else

Gifts above these figures may give rise to the infamous '7 year rule'.

### Trusts

Trusts are another tool frequently used to reduce or eliminate IHT. Again, because this is tax planning, it is complex and is best discussed with your adviser. In general you may choose to use a trust when you want to leave property, investments or money to say your children, but you want some continuing control over how the money is used. A trust can ensure that the money you leave is used for pre-specified purposes, such as education or house purchase. Charities can also be supported ongoing, after you pass, by the use of Charitable Trusts.

### Legal Stuff

It is vital that you make a Will. If you die without a Will your estate will become subject to the laws of intestacy and your estate may not pass to the intended beneficiaries.

If you and your partner are not

married or in a legal civil partnership, your partner cannot 'just inherit' any part of your estate.

If you are separated but not legally divorced your ex can still inherit - even if the relationship is long over.

Your step children cannot inherit even if you want them to.



### So Make A Will!

## Lasting Power of Attorney

If you are unable to look after your own affairs through infirmity or disability you will need a Power of Attorney, so that the family/friends can assist in your care.

If you have not set up a Lasting Power of Attorney, DON'T WAIT - it is a vital piece of estate planning documentation.

## Communication

One of the most difficult jobs for family members when a loved one has died, is finding all of the accounts/investments/pensions/property etc. Tell your beneficiaries where things are and list them. Then add that list to your Will as an addendum. It costs nothing - saves time and money.

Understand your pension benefits and what they may provide for a surviving spouse or children. Ensure your nomination of beneficiaries forms are up to date and state what you desire. Again, a simple form, but many people do not complete it.

It is never wrong to put your affairs in order, and indeed it can be a great relief when you have done so. The process does not have to be difficult to be effective. Set up the planning now that is right for your family.

# Planning for Care Costs

The majority of articles we include in our publications come about as a result of discussions in client meetings, where such questions are raised, and we include articles where we believe other clients may have the same questions or require the same information. A popular subject recently has been the use of the main residence (or not) when planning for long term care costs.

In September 2021, and applying from 2023, the Government issued its latest announcements on Social Care Reform. It is important to remember that through all the deliberations and reviews on Social Care over the years, the one constant is the Government's stance over what it may, and what it will not pay for.

The September amendment brought in a proposed new 'cap on costs' of £86,000, which at first glance could look generous. However, this cap applies only to the 'nursing' or personal costs of care; and NOT food and accommodation, i.e. the 'Hotel' costs of care, and so those receiving or in need of care could still find themselves facing considerable costs, over and above the cap.

The cost of care differs greatly, depending upon the type of home, type of care and location. A room in Central London will be considerably more than outside the M25.

Essentially, the options for funding care are:

- a) Reliance on the State
- b) Using personal income and savings
- c) Sale of house or other assets
- d) Dependence upon partner/family
- e) Use of the Universal Deferred Payment Scheme (UDPS)

I think that a) to d) are self-explanatory, but what is e)?

Where the value of the home is included in an individual's financial assessment, the home may not have to be sold to pay for care. The UDPS has been in existence since 2015 throughout England. The scheme allows those eligible to defer paying residential care costs during their lifetime – eliminating the immediate need to sell property. In effect the cost of the care is placed against the value of the house, which is sold after death, and the costs along with interest is settled from the proceeds. This system cannot apply if there is a surviving spouse still resident in the property.

At the start of the process all applicants for Social Care support will be subject to a full financial assessment. This will detail the values of all assets, including pensions and pension income. A second full assessment would then apply, detailing the ability of the individual to undertake certain tasks, such as personal hygiene, managing nutrition and mobility.

The results of these assessments decide the level (if any) of support that may be provided. As stated earlier, the support for Nursing Care is defined in the Health and Social Care Act 2007, which, to most people's surprise does not include Alzheimer's, Dementia and Arthritis. These conditions do not qualify under the Nursing Care definitions.

Financial assistance with the care home fees may be available from Local Authorities even given the above, but a further hurdle is then applied. If someone has capital – savings/investments/State Pension etc in excess of £23,250 (2021/22), then they will generally be expected to meet the full costs of accommodation and personal nursing care in a care facility. If

you are below this level then the full costs of care could be paid for by the Local Care Authority.

## So how do we plan for this?

Well, let's bust a few myths first.

***I do not have to pay more than £100,000 in care costs as there is a cap.***

**WRONG:-** There is no cap.

***I will give away assets and no-one will know.***

**WRONG:-** There is no limit as to how far back a Local Authority can go, to work out whether an individual has deliberately deprived their estate of assets to avoid care costs. Authorities have the power to charge full costs if such an act is discovered.

***We will give the house to the children, and then it will not be counted.***

**WRONG:-** Again this is caught by the Deprivation of Assets Legislation, and may also incur an HMRC investigation if a commercial rent is not paid on the property following gifting.

***I can gift my home into Trust to avoid fees.***

**WRONG:-** Doing so in order to avoid fees will again fall under Deprivation of Assets.

Hiding money from Social Services in trying to protect your assets, is against the law. Local Government authorities have full powers to look through any deliberate moves on assets, but if planning is discussed and undertaken correctly, and early enough, then the use of trusts can be particularly beneficial in this area. The use of equity release in later life can also be beneficial in certain circumstances.

(continued over)



## Summary

Every single person's circumstances in this area of planning is unique, as everyone's situation and circumstances are their own. So only the broadest of rules, as stated above, apply to all. Planning can be undertaken, but to avoid falling foul of the Deprivation of Assets legislation, you may incur other costs. The popular discussion point of gifting the main residence to children can have Inheritance Tax and Income Tax implications, as the residents

remaining in the property of the gifting will have to pay a commercial rent for the property they used to own, for example. So, as with all financial planning, start the discussions early, have



no pre-conceived ideas about Urban Myths, and most of all, accept that there may be some costs to comfort and care in later life. Ensure you have Lasting Powers of Attorney in place, along with up to date and correctly drafted Wills as well, as this will take away many issues regarding operating someone's accounts and estate if required.

**As always if you need to discuss your personal circumstances, do not hesitate to contact us.**

## Shorts

Do you know what a 'Millennial' or a 'Gen X' is? Well I didn't, so here is the list:

Millennials - Born 1981 - 96  
Generation X - Born 1965 - 80  
Baby Boomers - Born 1946 - 64  
Silent Generation - Born before 1946.

## Property

UK residential property transactions in September were provisionally 160,950 which was 68.4% up on the year before. This is the highest September total since statistics began in April 2005.



## Health and Social Care Tax

Remember, new rates of National Insurance paid by both employed and self-employed workers, will apply from April 2022.

Employed

0% up to £9,568  
13.25% from £9,569 - £50,270  
3.25% above £50,270

Self employed - will now be the same as employed worker rates.

Employers - the current level of contributions (13.8%) will rise to 15.05%

From April 2023 the new health and social care levy will come into force and will be charged separately to National Insurance and dividend income tax rates. At this point anyone working of pensionable age will also be required to pay the 1.25% levy separately, but they will not contribute to National Insurance.

2010 / 12	
TAX PERIOD	2010 / 12
PAY DATE	26/03/2010
TAX CODE	603 L
PENSIONABLE PAY T/D	22048.96
PENSION SCHEME REF	
Tax	
PREVIOUS GROSS	0.00
PREVIOUS TAX	0.00
TAXABLE PAY T/D	22048.96
TAX PAID T/D	3201.80
NI	
GROSS NI PAY T/D	22048.96
EES NI TD DATE	1797.06
SSP T/D	0.00
SMP/SPP/SAP T/D	0.00

## Bitcoin and Cryptocurrency

Don't forget that gains made by trading Bitcoin and cryptocurrencies are taxable, and need to be included in your Tax Return. HMRC will be sending out 'nudge' letters to traders to remind them of these facts. So if you get one - let us know.



Please remember that past performance is not a guide to future performance. The value of investments and the income from them can go down as well as up and investors may not get back any of the amount originally invested. Exchange rate changes may cause the value of overseas investments to rise or fall.

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