

KEY FEATURES AND BENEFITS¹⁴

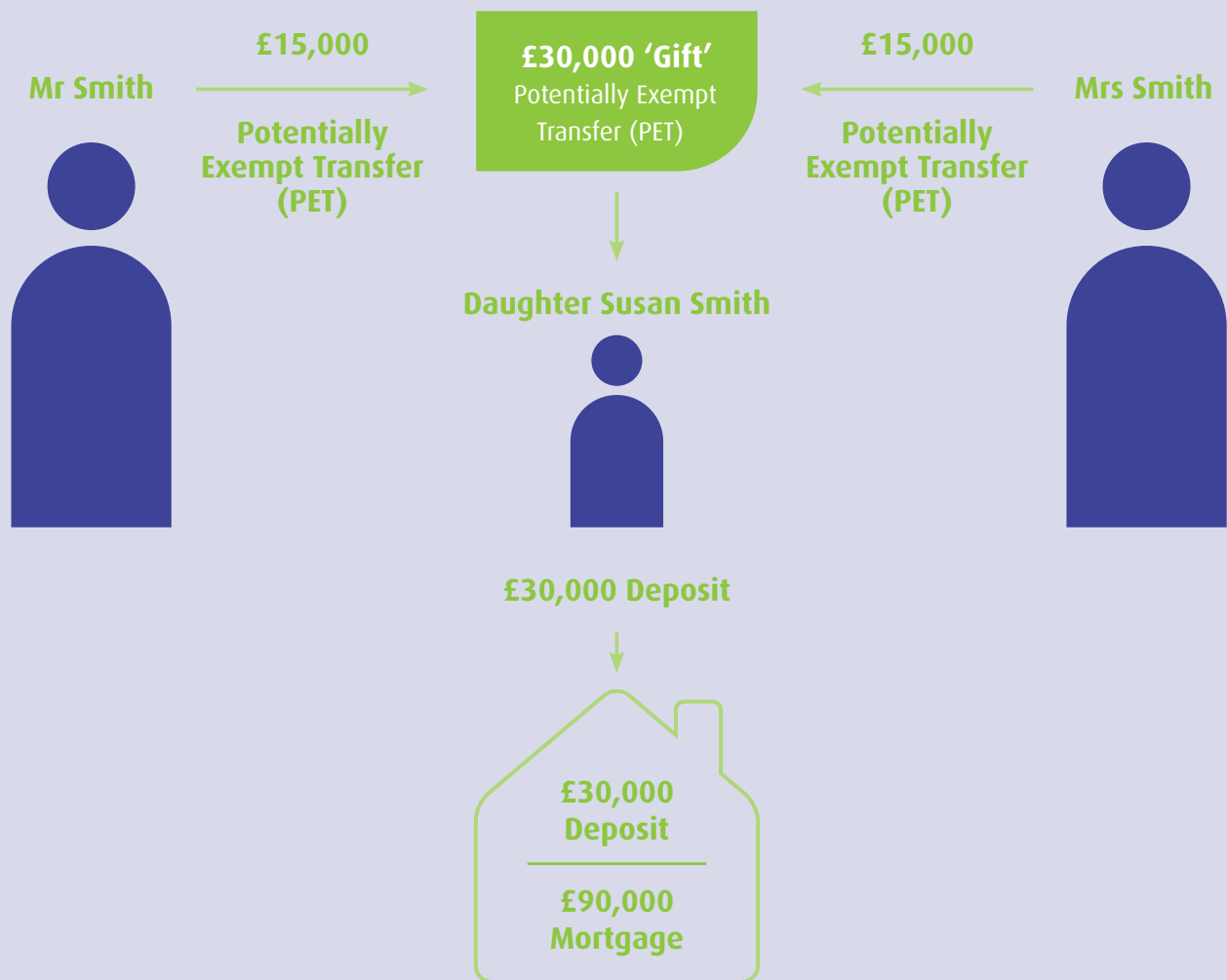
Protect the Deposit - Today

✓ KEY FEATURES AND BENEFITS 1 OF 2

THE SCENARIO

Mr & Mrs Smith wish to help their daughter with a deposit for her property purchase.

They agree to gift her £30,000 as the deposit to the purchase of a £120,000 property. The daughter obtains a mortgage for the balance of the purchase price. The daughter would hold the legal title of the property. The deposit from her parents is the initial 'equity'.



THE DEPOSIT AND SUBSEQUENT EQUITY IS NOW AT RISK FROM:

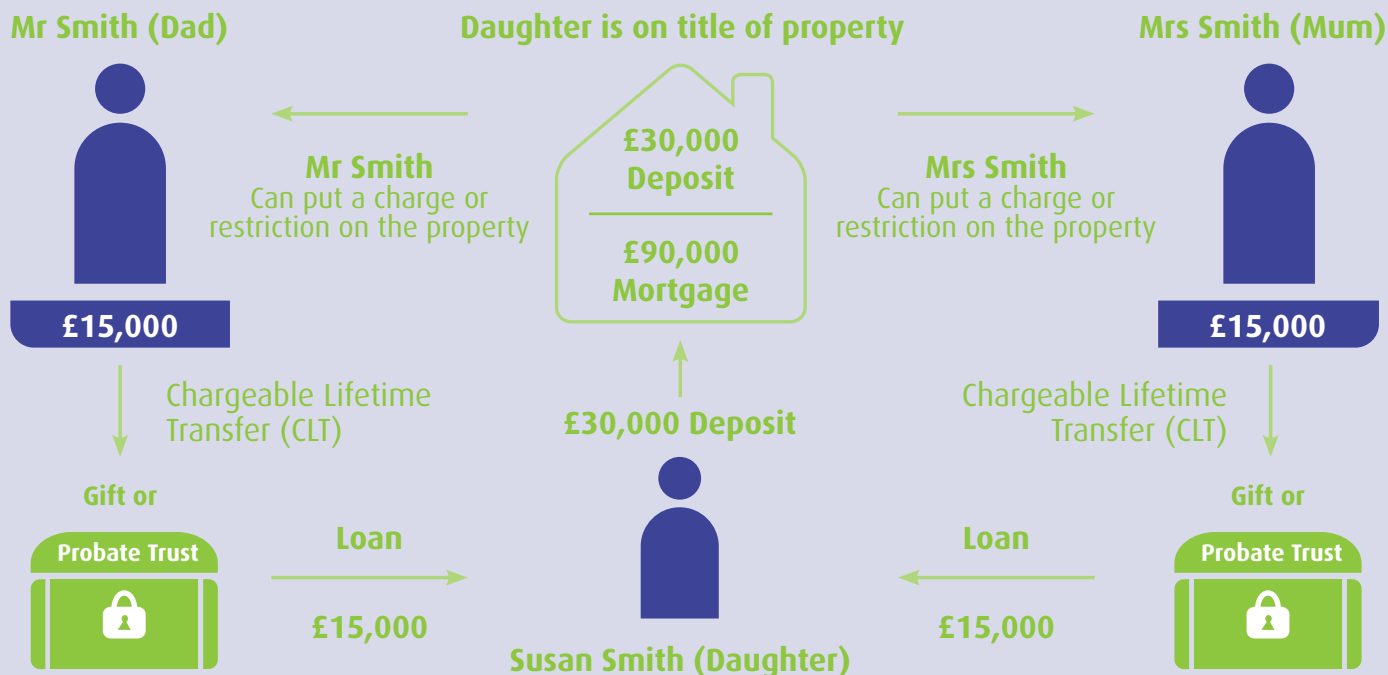
- ! Daughter's Divorce/Separation**
Part of the parents' deposit could be lost if their daughter Divorces or Separates.
- ! Daughter's Creditor Claims**
Similarly, if the daughter is subject to Creditor Claims/ Bankruptcy then the parent's deposit is fully at risk.
- ! Generational IHT**
The gift from her parents also increases her estate value. Subsequently it's a value **that would be accountable towards her Inheritance Tax calculation on her own death.** (See Key Features and Benefits Sheet 6: Generational IHT.)
- ! Daughter's Future Care Fees**
As the deposit is part of the daughter's estate it would be also part of the assets that **could be assessed for her Care Fees.**

Rather than a gift directly to the daughter, Mr & Mrs Smith should settle their respective deposit to Trusts (£15,000 each). The daughter will be a potential Beneficiary with other children, remoter issue, etc. Mr & Mrs Smith can maintain control of their 'gift' by deciding to appoint themselves as Trustees of the Trusts.

If they wish to assist in reducing their own IHT liability and start the 'Seven Year Clock', then they 'exclude' themselves as Beneficiaries of their own Trust. These would be 'Gift Trusts'. If they wish to maintain access to their gifted deposit if the home is sold then Probate Trusts would need to be ordered.

OUR SOLUTION

Assuming the daughter takes a mortgage for the balance the Trustees can place a restriction on the title for which the lender does not need to give consent. A Declaration of Trust is established confirming all parties equitable 'interest' in the property.



THE LOANED ASSETS ARE PROTECTED FROM:

- ✔ **Divorce/Separation**
 The loaned money is deemed as Trust assets and so would have maximum protection from the daughter's (or any other potential Beneficiaries') subsequent **Divorce/ Separation**.
- ✔ **Care**
 Trust assets would not be part of a potential Beneficiary's Estate to be assessed **should they enter Care**.
- ✔ **Creditor Claims**
 Similarly, if the daughter (or other potential Beneficiaries) are subject to Creditor Claims/Bankruptcy then **the Trust assets would not be exposed to these claims**.
- ✔ **Generational IHT**
 Assets within such Trusts are not deemed in the estate of any potential Beneficiary (except the Settlor of the Trust if referenced) and hence would not increase their estate for their **own IHT calculations**. (See Key Features and Benefits Sheet 6: Generational IHT.)

PLEASE READ KEY FEATURES AND BENEFITS SHEET 14 2/2 PROTECT THE DEPOSIT - HISTORICAL, IF YOU HAVE PREVIOUSLY MADE GIFTS TO YOUR CHILDREN AND WISH TO PROTECT THESE GIFTS. THIS PRODUCT WHEN ORDERED WILL INCLUDE THE FOLLOWING: 2 X LOAN NOTES, 2 X PROBATE/GIFT TRUSTS AND A RESTRICTION/CHARGE.

Please consider the information in Key Features and Benefits Sheet 22 to understand whether using Multiple Trusts may be applicable to your circumstances.

This sheet contains only general planning and is not to be construed as advice for any personal planning. Each strategy recommended is based on individual circumstances.

For more information please contact us on:

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