Sentinel

Guardians of your wealth management

Take a look at the bigger picture

Estate planning in focus

ROUSE

INTELLIGENT FINANCIAL PLANNING

Welcome

We all mark the passage of time in different ways, from school terms and nature's seasons, to tax quarters and business year ends. But it all amounts to the same thing: addressing the present while planning for the future.

None of us can predict the future but we can all prepare for it, which is why we are dedicating this issue of Sentinel to estate planning.

The name is potentially misleading as it implies it's only for those with significant assets but calling it something like 'getting everything sorted' or 'you need to sort your Will, pension, retirement, business assets etc' is clumsy and equally ambiguous. The point is, it's something we should all do (as always, preferably as early as possible) because planning in an integrated way allows a light to be shone on all the nooks and crannies in your financial life within which there might be loose ends, should you, for instance, focus solely on planning for your retirement. But one of the joys of estate planning is that it is adaptable. So whatever stage you're at in life, and wherever you are with your financial planning, it's time to get your estate sorted.

Rouse Limited recognises that estate planning is a multifaceted facility that weaves throughout your lifetime financial planning. It's also important to recognise that it's a two-way street – essentially, it's not all about you. Estate planning allows you to organise your finances for your lifetime and for the time after you die so that your beneficiaries are catered for in the way you intend.

We add value to our service offering because we are members of the Society of Trust and Estate Practitioners (STEP), which means our qualifications allow us to integrate planning across Wills, Trusts, Pensions etc. It essentially makes us 'bilingual' in terms of the language used by the other associated professionals we work with, such as solicitors and tax specialists – reducing the risk of anything getting lost in translation.

Estate planning is a journey. We all know the end game is coming – let's make it tidy.

Our mission

To change lives for the better

This is the anchor for everything we do. It is what we measure any suggestions or management decisions against, always keeping our clients at the heart of the process.

Our philosophy

We feel we provide a good service to our clients and, judging by the feedback we receive, we are actually achieving this. We believe we are good employers, again based on feedback from our team members, and illustrated by the length of time many team members have worked with us.

But we always want to be better

Our vision

To be a great business

We have a vision for the continuing evolution of our business that focuses on how our team can be motivated, and driven, to provide a unique service to our clients.

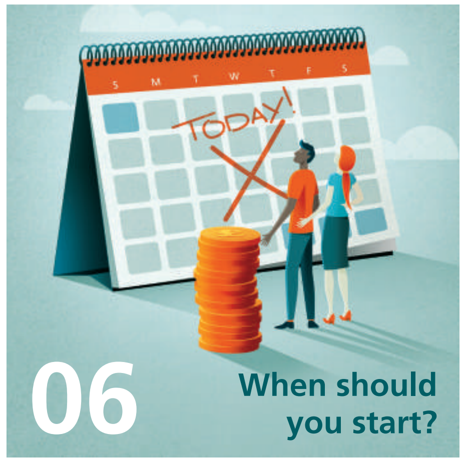
Our core values

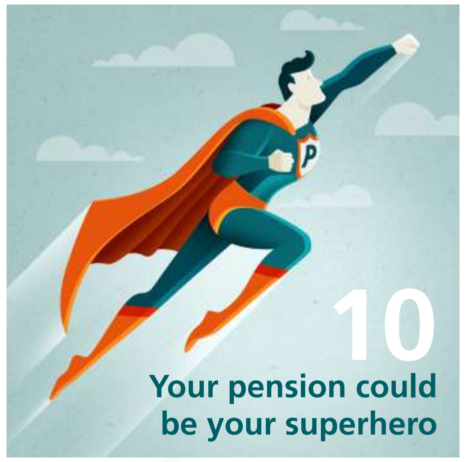
- **Do the right thing**
- **Be open**
- **Look after each other**
- **Share the good**

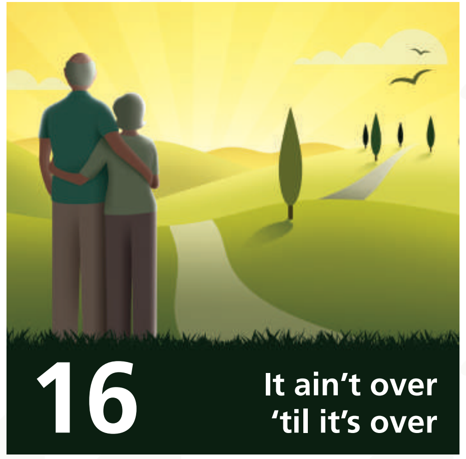
Our core values are principles and beliefs at the heart of our culture and brand.

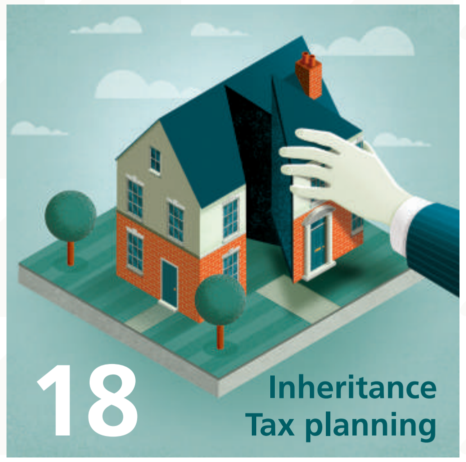
They are the guiding tenets that align our day-to-day work with our vision.

Contents









What is estate planning?

Estate planning is about two sides of the same coin: life and death.

The general perception of estate planning seems to be that it's something only wealthy, asset-rich people would need and it's also not something to think about until later in your life. We would beg to differ on both counts.

When should you start estate planning?

In the UK, adulthood starts at eighteen. This is a good time to start estate planning. If that ship has sailed, then whatever age you are now is the right time to start.

Time passes in the blink of an eye and planning for each stage of your life is necessary for that reason. We know random events can occur; the only thing we can be sure of is the here and now – and death and taxes, of course. So, when we talk about estate planning we're not just talking about the end game because, to coin a phrase: it's not so much about what you've got but what you do with it that matters.

There are two sides to the estate planning coin

The ultimate aim of estate planning is to ensure that your finances are arranged as efficiently as possible so that your financial management worries are reduced and your wealth is distributed to your dependants in the way you intend. Because it's not just about what you leave behind when you die, it's about enjoying your life too.

That might sound exactly like keeping your Will up to date and ensuring your finances are arranged in a tax-efficient way. But getting to that point means unpicking the tapestry of your life and weaving it together again to create the strongest framework through integrated planning.

Estate planning can include considering income protection while you're still working, critical illness cover or life insurance, and putting Lasting Powers of Attorney (LPAs) in place, not to mention the obvious need to keep your Will up to date and perhaps using trusts within that to protect particular assets. Everything you own, from your home and other properties to your pension, other savings and investments, and all stops in between, make up your estate.

How you arrange them will dictate how much gets passed on and what might get lost in the process. Estate planning should be a lifetime's work – otherwise, what are you doing it all for?

The rich tapestry of life

We have always preferred to take a holistic and long-term view regarding financial planning. While our lives might not be displayed like the Bayeux Tapestry, every part is as intricately woven together. One decision can affect another and decisions made today could impact your finances decades from now. Although there will be occasions when you need help with a particular issue, such as advice on saving for a pension, in general financial decisions should be made with as wide a perspective as possible.

Our approach to estate planning is unique because not only do we make it an integral part of financial planning for life – your life and your money – but as members of the Society of Trust and Estate Practitioners (STEP) it means that we can offer integrated planning by working with other STEP professionals such as solicitors, tax advisers and accountants.

There are many advantages to this broad approach. Considering Inheritance Tax (IHT) planning as an element of whole estate planning allows you to make smaller changes in a way that could benefit other aspects of your finances. Cash flow forecasting can help determine whether you can spend or give away money in your lifetime in order to reduce the size of your estate and thereby your IHT liability. If you're not comfortable with this option though you could consider investing in business relief-qualifying companies. There are risks and restrictions with this but it means your investment has the potential to grow without affecting the size of your estate.

Your priorities will change as you enter different phases of your life and the focus of your decision-making will shift but one thing remains constant: the need for a plan that's appropriate for you. Your financial (and life) circumstances are unique to you. Our approach allows us not only to identify important areas you need to address but also, as time goes on, to keep on top of changes in your life so that your arrangements remain relevant to your goals.

When we talk about estate planning we're not just talking about the end game because, to coin a phrase: it's not so much about what you've got but what you do with it that matters.

When should you start estate planning?

What have you got and what do you need?

Estate planning can start as soon as you become responsible for yourself. That might be as young as 18. But assessing what you have is the first thing to do whatever age you are.

Look after Number One

We say that there are two sides to the estate planning coin: on one side it's about what you leave your dependants with and what they might have to sort out, and on the other it's about your life while you actually live it.

When you're young, free and single, at college or just starting your career, you're unlikely to have much in the way of assets or any dependants. Estate planning is as much about exercising control over your life and the key issues at this stage involve protecting your income and yourself. So what do you need?

Protection

There is a variety of insurance options and it's always best to take advice to help you make the choice that's appropriate for you but you could consider income protection, critical illness cover, and life insurance. We have more detail on the sort of protection you might want to consider, regardless of your stage in life, on pages 8-9.

Powers of Attorney

It's normally considered the preserve of older people to be concerned about physical deterioration and ill health, after all, you're pretty much invincible when you're young! However, anyone at any age can get ill or injured so you should also consider who would make decisions for you should this happen and couldn't make them for yourself.

A Lasting Power of Attorney (for finance) is a vehicle for arranging a trusted individual to act on your behalf. If you had no Power of Attorney in place and you had an accident, no one would be able to access your monies or assets and a lengthy, and costly, court application would be required to appoint someone (not of your choosing) to run your affairs.

There is also a Lasting Power of Attorney for health and welfare, which allows those chosen by you to make sure you get the best possible care. It can also act as a Living Will and allow those appointed to decide whether life-sustaining treatment should or shouldn't be continued.

A Will

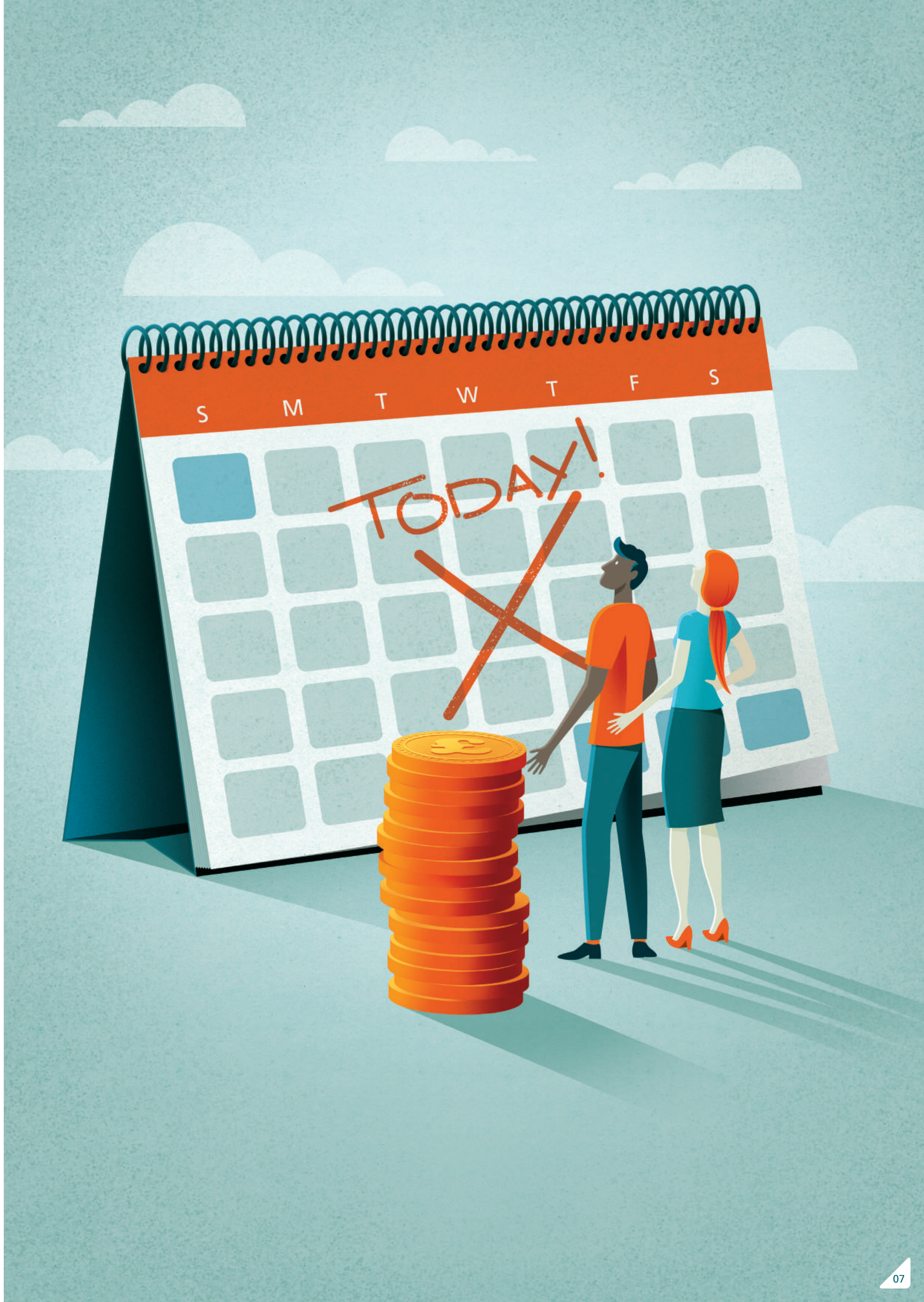
If you do have any assets, for example savings or property (such as a car, animals, maybe a house or flat if you're lucky) you also need to identify who would inherit, or be responsible for, them should you die. So having a Will is important too.

If you're a young, single parent then you would also need to consider naming a guardian for your offspring should you die before they reached 18 years old. You could also consider setting up a trust within your Will to manage any property or money you might leave them, so a trustee of your choice could manage the inheritance for your child until they reach 18, 21, or whatever restriction you choose to put on the trust. Trusts can protect your assets from tax implications but the rules are complicated so it's crucial to take advice.

A pension

If you're in work you'll automatically be enrolled on your company's pension scheme. You do have the right to opt out but this is actually a great place to start your pension fund, particularly if you have no other form of long-term savings. If you are able to though, it is a good idea to have other savings as well, such as an ISA. They're tax efficient and can be as flexible as you need. As always, which one you choose will come down to your individual set of circumstances.

What it all boils down to at this stage in life is: protect your income and your life, arrange Lasting Powers of Attorney (for both financial and health and wellbeing), start a pension, and draw up a simple Will.



You need protection

Protecting you, protecting your assets.

Long before you retire, when ageing is something that happens to other people and a life without work still has a dreamy gloss on it, is actually the time to start thinking about your future.

While you might not have accumulated much in the way of significant assets if you're still a couple of decades off retirement, you will likely have a car, possibly a house, maybe some savings. Your estate exists. You might have dependants but perhaps not. Either way, protecting your assets should be your priority.

It makes sense to protect your income

When you're still working, your priority is to protect your income – without income you could lose your house if you fall behind on mortgage payments. Think about what would happen if you were to fall ill or die, have an accident or lose your job. What income do you have to rely on? This is the start of estate planning.

There is a variety of insurance options and it's always best to take advice to help you make the choice that's appropriate for you. You could consider these:

Income protection

- This pays out a regular amount if you're unable to work owing to illness or injury
- Payments are tax free
- The policy can be tailor-made to suit your individual requirements

Critical illness cover

- Pays out a tax-free lump sum if you're diagnosed with one of the serious illnesses covered by your policy
- Designed to pay off your debts, fund medical treatment or allow a change of lifestyle
- There is no restriction on how you use it
- It pays out once then the policy ends

Life insurance (level term and decreasing term)

- With a level term life insurance policy the amount for which you're covered remains the same throughout the term; the premiums usually remain the same too
- With a decreasing-term life insurance policy, the amount you're covered for decreases over the term of the policy; premiums can be cheaper than those for level term
- Can include mortgage protection to ensure your mortgage is paid off when you die
- Can include critical illness cover
- Pays your dependants a lump sum, or regular payments, if you die
- Pays out on your death or terminal illness

How much and what type of cover you need will depend on your individual circumstances – the other side of having no cover is having too much, or the wrong type.

It's always best to take advice to help you make the choice that's appropriate for you – you don't want to waste your money on paying for unnecessary insurance.

It's worth noting that life insurance could be included in the valuation of your estate. This can be avoided by simple planning.

Your pension could be your estate planning superhero

Pension saving as part of your estate planning.

As a savings vehicle that can provide you with an income in retirement, help reduce your Inheritance Tax (IHT) liability, and potentially provide your dependants with an income after your death, your pension pot is pretty much an estate planning superhero. All it asks for is time.

Time is money

It's important to start saving for a pension as soon as possible. Most people will be enrolled on their workplace pension scheme and this is a good place to start. However, if you have the means to do so, it's worth considering boosting these pension savings by making extra deposits into the fund.

The earlier you start saving, the better – you can even start a pension for a child. But while they might not thank you for locking away all their birthday money as they grow up, they will certainly thank you when they're enjoying a very comfortable retirement! Small amounts of money put away regularly in a pension scheme over many years will benefit from compound interest, boosting the value of their savings with no extra effort. Plus, the contributions benefit from tax relief.

It's pretty much win-win

As well as supporting you through your retirement, your pension can be a tax-efficient way to pass on your wealth. IHT doesn't usually apply when you pass on your pension money because, unlike other investments, your pension savings don't form part of your estate. However, any money you take out of your pension does become part of your estate, meaning it could be subject to IHT – this includes any unspent money from your tax-free cash allowance and any money used to purchase an annuity.

Your beneficiaries can inherit any money you haven't spent or converted into an annuity.

Who can inherit my pension?

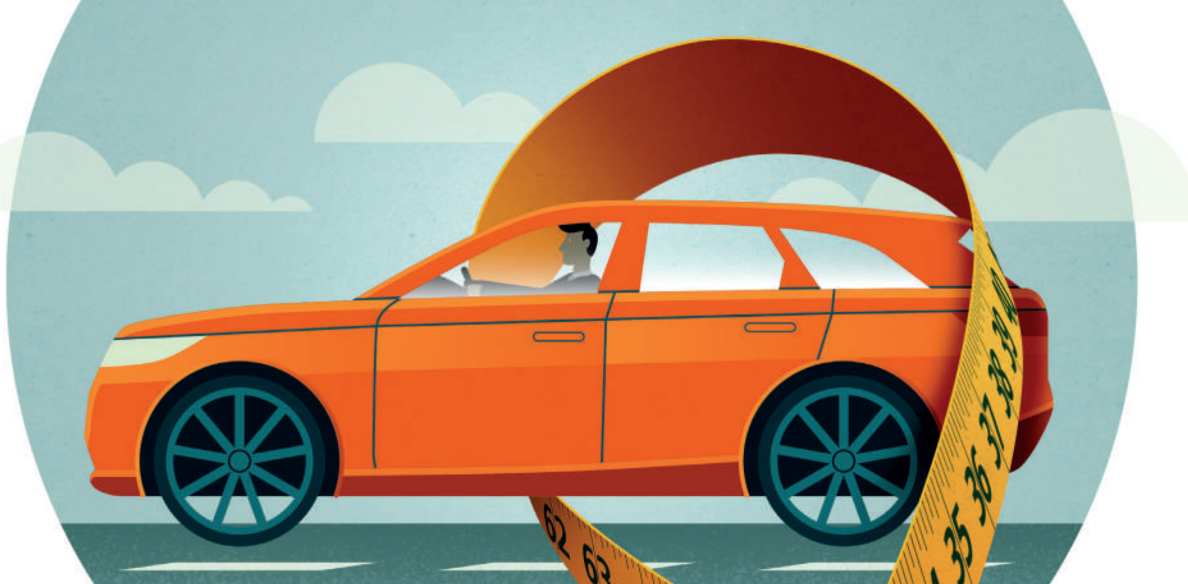
Your pension isn't legally part of your estate so it isn't covered by your Will and you will have to make these arrangements with your pension provider – this generally happens when you join a pension scheme. It's important to make sure these arrangements are kept up to date – if you've accumulated pensions savings across a number of schemes through your working life then the beneficiaries you've nominated in each case might change (such as an ex-partner). Combining your pensions makes sense from a financial housekeeping point of view so that there's only one scheme to keep an eye on.

It will be up to your chosen beneficiaries to make contact with your pension provider after your death to find out how they can claim your remaining pension benefits. But we are here to support you and your family. We always try to ensure we're on hand to help those dealing with the estate of a client by providing as much information regarding the financial arrangements for which we're responsible. By doing this we are able to take some worry away during a very difficult time and help the process remain as smooth as possible, while keeping family members and beneficiaries informed.

Reduce the IHT liability of your estate

Because your pension pot isn't included in your estate and isn't taxed on your death you could consider moving other taxable savings and investments into your pension by making additional contributions. This has the double advantage of adding to your pension and increasing your savings through tax relief. You must remain within your pension allowances though (currently either your salary or £60,000 a year, whichever is lower, with a minimum of £3600) – and remember, your annual allowance reduces once you start to draw your pension.

Alternatively, you could spend the other savings first and keep your pension for longer, or until your estate is below the IHT threshold. Take advice before making any decisions!



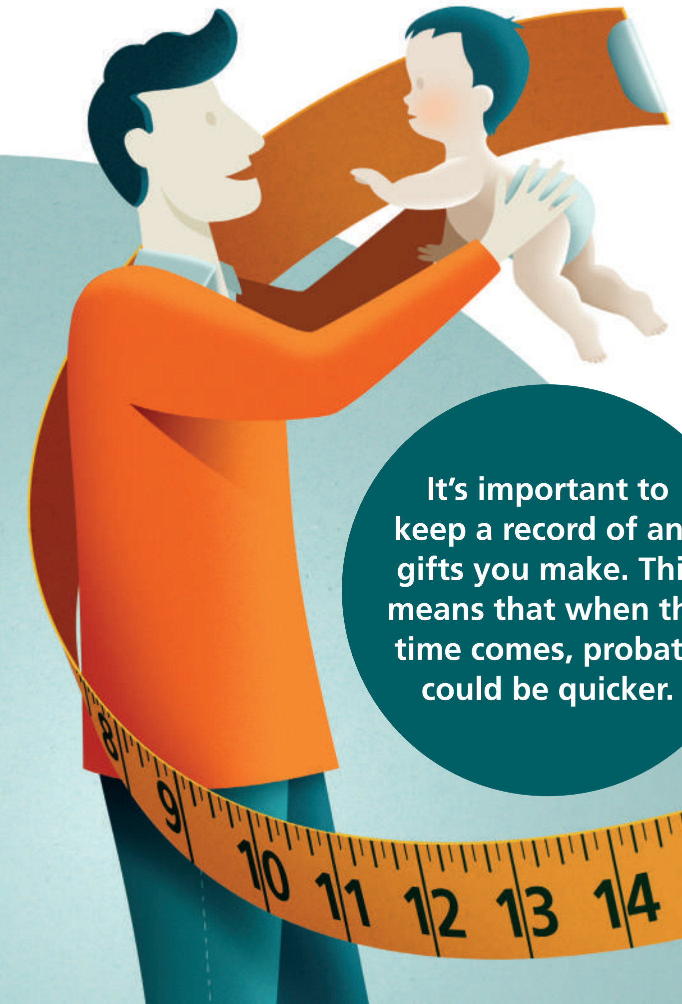
Middle age spread

You're older, your family is growing and you've got more stuff. Time to tweak your estate plan.

Your estate planning priorities will need to evolve with your changing life and family dynamic. Your estate might have grown, your children will be older, hopefully you're more financially secure and you will definitely have acquired more baggage.

Where am I now?

At this stage in your life you might find yourself asking this question from an existential perspective, or simply when you can't remember why you're in the kitchen. But it's also a question you should ask yourself in relation to your financial arrangements because your planning priorities will evolve as the focus of your life shifts.



It's important to keep a record of any gifts you make. This means that when the time comes, probate could be quicker.

For example, if your children have reached adulthood, they will no longer need the named guardian in your existing Will. Knowing what your children are like also comes in handy at this stage – they might be adults in the eyes of the law but are they mature enough to handle any inheritance, particularly if it's likely to be large? Trusts within a Will can protect both the assets and the beneficiary particularly if you have young children or your family set up is complicated. A discretionary trust can be set up to control how much your offspring receive over a specific time but you will need to appoint a trustee to manage it on behalf of the beneficiaries in the Will.

The family home can also be protected from the full impact of care home fees for the surviving spouse using a life interest trust. This is particularly useful if you have children from a previous relationship as it would allow your current partner to live in the home until their death when the property would pass to your children.

All home transfers are included in the value of your estate but spouses are exempt beneficiaries. This means the effective Inheritance Tax (IHT) rate for them is zero but the value of the home still counts towards the Residence Nil Rate Band (RNRB) taper calculation (which has a £2m threshold). The RNRB is (up to) £175,000 per person. It's available on transfers to children or grandchildren (including adopted, foster or stepchildren) but not to non-lineal descendants such as nieces and nephews. The RNRB is inheritable, so the surviving spouse can use up to £350,000 on their death; if the home is worth less than this the full RNRB cannot be used.

At this stage you might be lucky enough to be mortgage free. But if not, it will be your beneficiaries' responsibility to deal with the loan. Usually, mortgage payments would continue if there is sufficient money in the estate, if not, the property would go into standard foreclosure and the loan will end.

If the property is the family home and it's sold, this can limit the impact of Capital Gains Tax (CGT), but this is not necessarily the case for other property you might own. As there are a few options for you and your beneficiaries regarding your home, it's important to take advice.

Counting the cost

If there's a good likelihood your estate will exceed the IHT threshold, you have time to address this and the easiest way to reduce the size of your estate is to spend your money. But it's important to understand the potential impact of doing that. The initial concern would be whether doing this would leave you with insufficient funds to live. This is where cash flow forecasting can help you see how much money you can spend (or give to your children) without adversely affecting your own financial future.

As previously mentioned, your pension could also help you here. Consider adding to your pension savings: you reduce the size of your estate and boost your pension savings in one go! But be aware of your allowances – exceeding the pension allowance could negate the benefits of your extra savings.

Don't make the gift a Trojan Horse

How you make a gift also needs consideration. Non-cash gifts, such as shares or a property, could result in either you or the recipient having to pay Capital Gains Tax. What and how much you give to children or other relatives is entirely up to you but timing is everything – if you live longer than seven years after making the gift, it will be free from IHT.

When they're first made, these gifts are called Potentially Exempt Transfers (PETs) and at this stage it assumes you will live for another seven years, so they will be exempt from IHT. However, if you don't live for seven years after making the gift, then the recipient might have to pay IHT.

Always keep a record of gifts you make – letting your Financial Planner have this detail will help keep your records in one place so that when the time comes probate could be quicker.

You also have an annual gift allowance, currently £3000, known as your 'annual exemption'. This means anything you give away up to the value of £3000 in any one tax year, won't count towards your estate valuation for IHT purposes. Any part of the annual exemption that isn't used can be carried forward to the following tax year – but only one tax year.

Any regular gifts you make from surplus income, (meaning you can give the gift and maintain your usual standard of living without reaching into your capital) such as paying into a relative's savings account, could also be exempt from IHT. It's particularly important to keep a good record of these gifts and always check with your Financial Planner to make sure it's the most efficient use of your money.

Cash flow forecasting

Keeping control of your money throughout your financial journey.

While the purpose of estate planning is twofold – it helps you manage your money throughout your life and it organises what you leave behind as tax efficiently as possible – it's the latter role that gets most of the attention. But the two threads are inextricably linked because your financial choices in life could haunt your beneficiaries after your death.

Cash flow forecasting is very much in the lifetime camp but its beneficial influence can be felt beyond the grave. One of the key ways it helps is by determining whether you can spend or give away money in your lifetime in order to reduce the size of your estate and therefore reduce your Inheritance Tax (IHT) liability. Although no one really has to worry about IHT as it's essentially a problem for your beneficiaries, it makes no sense to accumulate wealth throughout your life only to let it slip away in what is pretty much an optional tax.

Having access to this information about your current and future finances also gives you time to understand what the most efficient treatment might be for any money or assets you want to protect or give away. Gifting surplus income or capital (or both) can be a very pro-active strategy and if you're using cash flow forecasting you could see when and how much you could give away well in advance of your expected death, reducing the risk of the gift falling foul of the seven-year limit.

Of course, cash flow forecasting can also be useful in assessing your income and expenditure in order to identify ways to reduce your spending and help build savings should your forecast indicate you won't have enough income and capital to achieve your goals.

Being able to see the impact of financial decisions throughout your life, but particularly in retirement, will help you make informed decisions about whether you can make those cash gifts, take holidays, or simply show if you'll have enough money to last throughout your retirement.

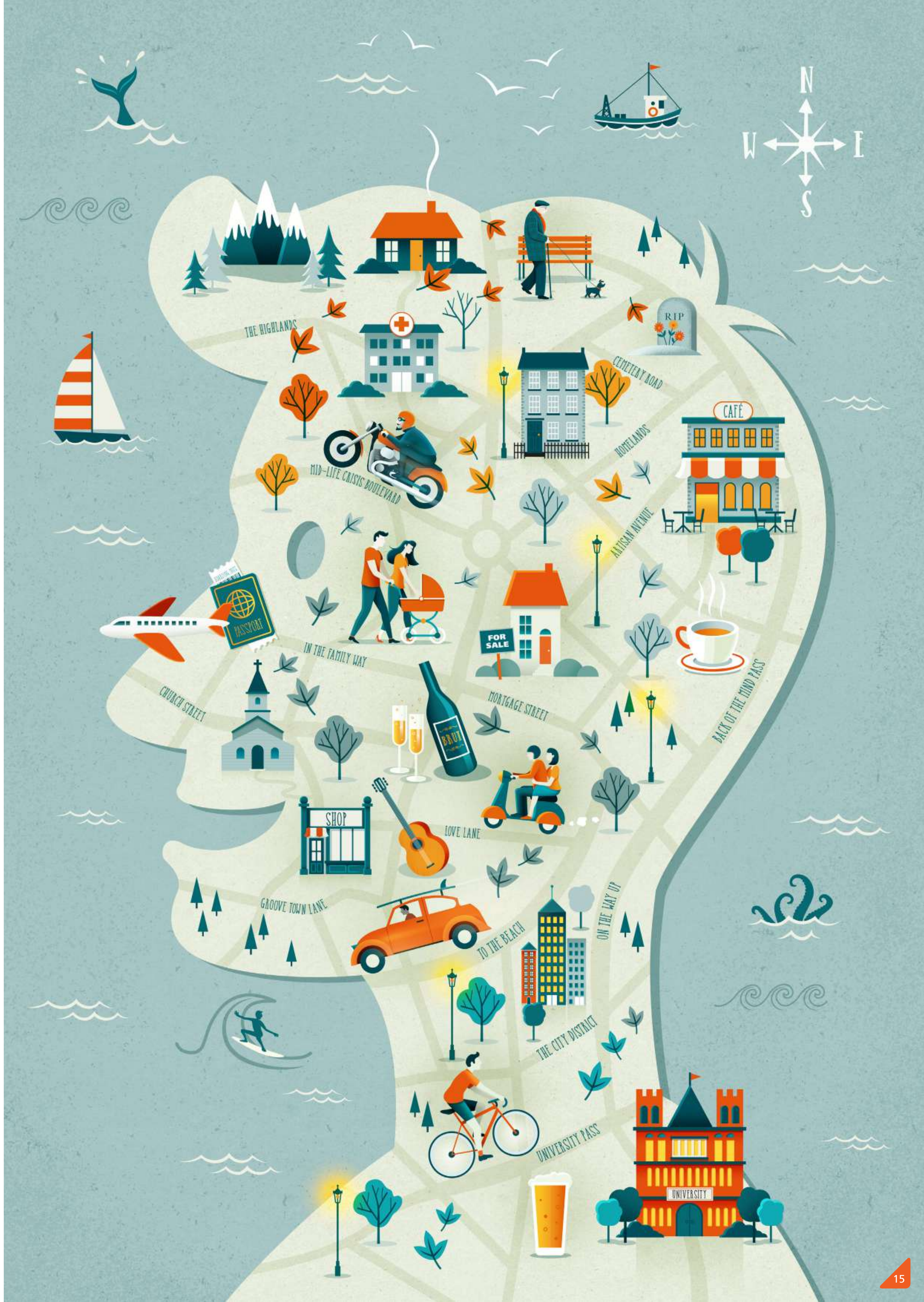
Living the dream

Cash flow forecasting becomes particularly useful as you approach retirement. As well as making sure you have enough to meet your normal spending, for many people it also means thinking about care costs. The potential need for care in later life is becoming an increasingly important consideration for all of us: we might be living longer but we're not necessarily going to maintain good health throughout that time.

As you near retirement, revisiting your cash flow forecast can help you decide how to approach ring-fencing for care. We generally assume that both partners will need care and that most people will need it for about five years. This is likely an overestimate but we think it's better to ring-fence too much rather than too little. We also find that most people prefer to ring-fence their homes for care. This might sound like the last thing you would want to do but ear-marking your home to cover care costs doesn't necessarily mean having to sell it immediately. The logic behind this choice is that although ring-fenced for care within your estate, you would still get to enjoy your home, whereas if you ring-fenced capital for care you would not have access to it. Once again, using cash flow forecasting would help you calculate the best option – it could even be that you have enough capital to cover care costs without significantly impacting your lifestyle.

Cash flow forecasting should be seen as a mirror of your life. As with your Will, it's not a one-off exercise because your needs and circumstances will change over time. Regularly revisiting your forecast, particularly if changes have occurred, will help you stay on top of your finances and tax planning, and will keep you on track to achieve your financial goals.

Cash flow forecasting is very much about your money in your lifetime but its influence can be felt beyond the grave.



It ain't over 'til it's over

Keep tweaking that plan for later life living.

As you get older it's even more important to keep all your financial arrangements relevant to your current circumstances.

Your family has likely extended by this stage in your life and you might be a grandparent. There might have been divorces and second marriages, illnesses and deaths, so it's important to ensure your Will reflects your current situation. If you haven't already put Lasting Powers of Attorney in place, it really is time to do that now.

Paying for those golden years

How you pay for your retirement and the effect that has on your estate should be your focus at this stage. While having more at your disposal certainly makes life after working much more pleasant, you want to avoid a sting in the tail if it means your estate value grows. Inheritance Tax (IHT) planning is important now and, if it is necessary, there are a variety of ways you can reduce the size of your estate. We particularly enjoy telling people that spending their money is a way to do this!

But, if you're concerned about having a shortfall in your retirement income, you could consider using your home to help boost your income. By using an Equity Release product, such as a lifetime mortgage, you are using a stake in your home as a security for the money you borrow. This can have the effect of reducing the value of your estate by the original amount of the loan plus any tax and charges, so it can be a useful tool to boost your retirement income and help mitigate for IHT.

However, although you'll never owe more than the value of the house, the amount you owe could be affected by different factors such as the interest rate and whether you choose to make any repayments or not. Always take advice before going down this route – and talk to your beneficiaries because when you die the debt becomes due, which can be a surprise and could affect what they receive from the estate.

Reassess your family dynamic

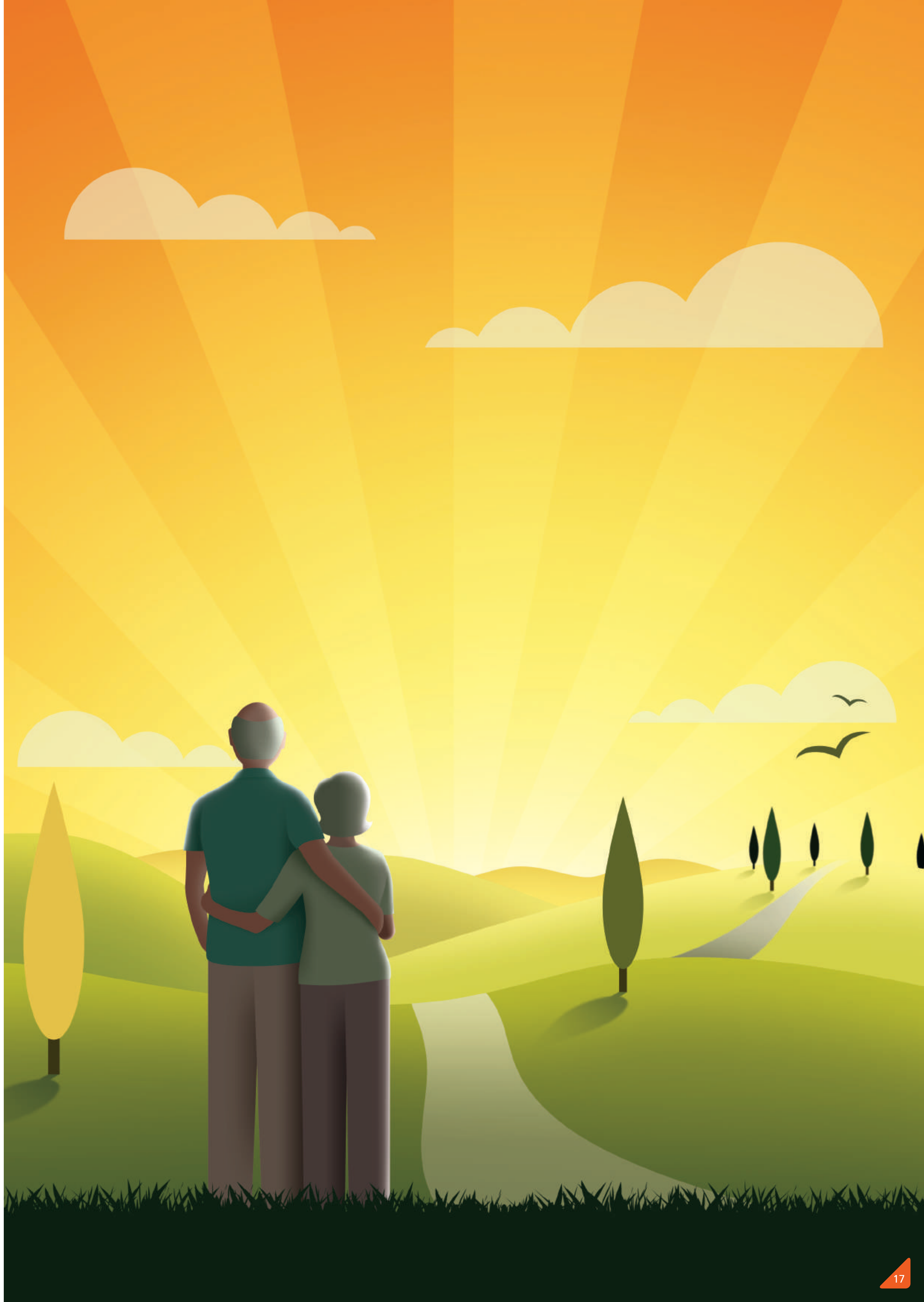
Your Will needs to reflect your life as it currently is, which means keeping on top of changes such as house moves and second families along with the acquisition of any significant assets like a treasured wine collection or valuable piece of art. Remember also that if you're not legally married or in a civil partnership then your partner will not automatically inherit your wealth, regardless of how long you've been together or if you have children. However, if you jointly own your home, they will inherit that (unless your Will says otherwise).

Calculating the value of your assets for your Will is a good exercise anyway as it will indicate whether you need to take steps to reduce the size of your estate. Doing this regularly means you have plenty of time to consider a variety of options.

Also looming large on your mind as you age is likely to be the potential need for care and how to pay for it. We often see people putting their share of the family home in trust. Whilst this doesn't stop you having to pay care costs (if you need it), it can mean that at least your share won't end up also paying for your partner's care.

There's more information about trusts on P20: but remember: trust planning is complex so you should always seek professional advice before making any amendments to your Will.

Keeping on top of your estate planning strategies as you age will allow you more time to make mitigations for care costs, IHT, and any changes in your family dynamic, should you need to.



Inheritance Tax Planning

It's not all about you

You'd be forgiven for thinking that the overarching aim of estate planning is to reduce your Inheritance Tax (IHT) liability.

While this view isn't completely wrong it does ignore the benefits of an estate plan that efficiently organises your wealth while you're alive. This is where the lines become blurred though because while you're busy arranging your money to work for you while you're alive, you're also ensuring that you, and your beneficiaries, keep as much of it as possible when you've died.

What's mine is yours

For many, addressing the size of their estate might be as straightforward as gifting or spending their money. As we mentioned elsewhere, whether that's a route open to you can be tested with cash flow forecasting as this can give you a projection of what your future financial needs might be. It can allow you to consider whether you would have enough income to maintain your usual standard of living while still making gifts from any surplus. To be immediately IHT exempt though, these gifts have to be regular, so you would need to be committed to keeping up with them. Although it's important to keep accurate records of all gifts made, it's extremely important to do so with this sort of gift otherwise IHT might become due when you die.

It's worth noting that there's no IHT to pay on some gifts such as those to spouses or civil partners (as long as you are legally married or in a civil partnership and they're UK residents), or to charities or political parties.

If, however, you give away a gift that you'll still benefit from then it will count towards the value of your estate. Known as gifts with reservation, this could include giving a home to a relative but you still live there.

Investing for the future

If you have a large estate that includes investments and property as well as cash, then IHT planning is hugely important. There are many routes you could take; which one(s) you choose depends on the time you have, whether you want to retain access to your investments, your ultimate goal and your attitude to risk.

For example, choosing investments that have a 0% IHT rate, or are IHT exempt, can be a key part of your planning. One way to protect your estate is by using the Enterprise Investment Scheme (EIS).

The EIS encourages private investment in the UK's innovative companies by offering attractive tax advantages, one being full IHT relief. This is an option worth considering if you need to quickly reduce the size of your estate. Remember though, investing in early-stage companies is a higher risk strategy so this option should be included as part of a balanced portfolio. The advantages include:

- You can invest up to £1million per year in EIS
- Your EIS investments achieve the 0% IHT rate after only two years (as opposed to the seven years required by gifts)
- You retain control of your assets – although you can't access them

Note: EIS, and other business relief-qualifying investments, have a 0% IHT rate. (Most) pensions are IHT exempt. The key difference here is that any assets that have a 0% IHT rate, or that are gifted to exempt beneficiaries (such as spouses and charities) still count towards RNRB taper calculations – pensions do not.

Save your savings from the grasp of the taxman

You know your savings will be included in your IHT calculation but you might not be aware that this will also include anything held in ISAs. The exception to this is an AIM ISA. The Alternative Investment Market (AIM), as a sub-market of the London Stock Exchange, allows smaller, less well-established, but fast-growing companies to issue shares that investors can buy on a public exchange in order to raise capital to fund that growth. All the usual ISA benefits apply but the added value is that many AIM shares will be outside your estate once you've held them for two years.

Again this is a high-risk option but used strategically, as part of a balanced portfolio, it can help reduce your IHT liability more swiftly than other options.

Mind your own business

The ownership of a business, or a share of a business, is included in your estate for IHT purposes. Business Relief (BR), previously known as Business Property Relief, reduces the value of a business or some of its assets – such as property and buildings, machinery, and unlisted shares – for IHT. But not every investment or interest in a business will qualify for BR. It is usually available for shares in an unquoted qualifying company, shares in a qualifying AIM company, or an unincorporated qualifying trading business, such as a partnership.

BR benefits for estate planning

Holding BR-qualifying investments means you keep hold of your wealth because the shares are in your name. It also means your investment has the potential to grow – but remember there is also the risk of losses. Holding BR-qualifying investments is a good option if you need to reduce the size of your estate quickly because they fall outside your estate after two years, as long as the shares are still held at the time of death.

By using this route, your wealth remains accessible to you while still reducing the size of your estate, but if tax rules change, shares like these could be more difficult to sell.

Handle with care!

Trusts can be a useful tool to use within a Will, regardless of how wealthy you are.

This is particularly true if you have a complicated family set-up or very young children. We have previously mentioned using trusts to protect your assets from young beneficiaries blowing everything as soon as they get it.

Control in life and after death

A trust can also be set up in such a way to allow you to retain access to income or capital while also keeping your assets safe for your beneficiaries. In the vast majority of cases, when money is put into a trust it's done so as a gift. This means it's effectively no longer yours and you don't have access to that capital. But the trust could be set up to allow you to draw a defined amount of income. Called a discounted (or retained income) gift trust – because you have reserved a right to an income stream from the total capital – it means you know that income is secure for as long as you need it. It could also allow you to give the capital to the trust perhaps much earlier than you would have done.

In a small number of cases, money is put into trust as a loan. This would be done if you wanted to retain access to the capital (with the trust retaining any growth) because, maybe, through cash flow forecasting, you identified the possibility of perhaps needing access to a larger sum of money later on. You cannot draw the income from a loan trust.

Setting up the trust so it's appropriate for your needs while you're alive is the first step. Choosing who should be the trustees, and deciding how much power to give them, is the next. It's an important consideration because those appointed will be responsible for looking after the trust until it's time for the beneficiaries to receive the funds. Most commonly, the settlor (the person setting up the trust) will be a trustee during their lifetime, usually along with their spouse, meaning they retain control of the money. In later life it may be useful to bring another trustee on board, either a professional trustee (such as a solicitor) or a family member, so the trust can continue as intended after the settlor's death. It is important to always have at least two trustees so the trust can function if one passes away.

How the trust is set up will indicate how much control over the funds the trustees have.

A bare trust means you prescribe a list of who gets what and when; the trustees have no discretion over distributions and simply ensure the conditions of the trust are adhered to. A discretionary trust means the trustees can have discretion over how, when, how much and to whom to distribute the trust funds (within the rules you set out for them).

Key considerations when setting up a trust:

- **Do I need to be able to access the money?** As income OR capital (you can't have both).
- **Who do I want to benefit from the money?** Would it be better to set up a trust with a range of potential beneficiaries that allows for flexibility (because some may change and some might not yet be born).
- **Do I want my beneficiaries to receive a fixed share of my money at a specific time?** Or would I prefer to leave it to my trustees' discretion as to when and how much to distribute?
- **Who should be the trustees?**

What are the key points to remember?

As the knee bone is connected to the thigh bone, so your financial life while you're alive is connected to your financial afterlife. Death might be the end game for you but your wealth lives on. From living your best life to making sure your assets pass on to whom, how and when you intend – it's all part of the rich tapestry of estate planning.

1. **Get started – don't waste time**
   The earlier you start your estate planning, the greater control you have over the changes that may occur in your life.
2. **Make a Will**
   Because it ensures your assets go to the people for whom they're intended. Keep it updated each time there's a change in your life circumstances.
3. **Protect yourself and your money**
   But remember that, without planning, life insurance policies could be included in the value of your estate.
4. **Draw up Powers of Attorney**
   Arrange for a trusted individual to act on your behalf, should you be unable (eg after an accident). These can cover your financial affairs and your health and wellbeing.
5. **Save for a pension**
   It will help pay for your life when you stop working, and payments into your fund could also help reduce the size of your estate if that becomes necessary.
6. **Gifts and trusts made in your lifetime can help mitigate your IHT liability**
   Gifts in your Will, unless they are to exempt beneficiaries such as your spouse or a charity, do not reduce your IHT liability.
7. **Your investments**
   Your choice of investments can help as part of your IHT planning strategy.
8. **Cash flow forecasting**
   A useful tool to help you control your money – not just in terms of knowing whether you can go on holiday but also in helping you understand the future impact of any financial gifts you make.
9. **Your mortgage**
   Remember to consider your mortgage arrangements, particularly if you've used an Equity Release product.

There is no single, perfect solution for estate planning because it all depends on your set of circumstances: there will be advantages and disadvantages to all options. This makes it crucially important to discuss all the options with your Financial Planner.

Community spirit

A round up of the community projects we have been supporting.

We always try to expand our support to cover different groups and charities, as well as continuing our support for others.

As part of the Island community, both as a business and as individuals, we know we are in a position of privilege to be able to help. With many community groups and charities experiencing continued financial pressure we are very happy to be able to do this.

THE ISLE OF WIGHT DONKEY SANCTUARY

Isle of Wight Donkey Sanctuary's Equine Clinic Appeal

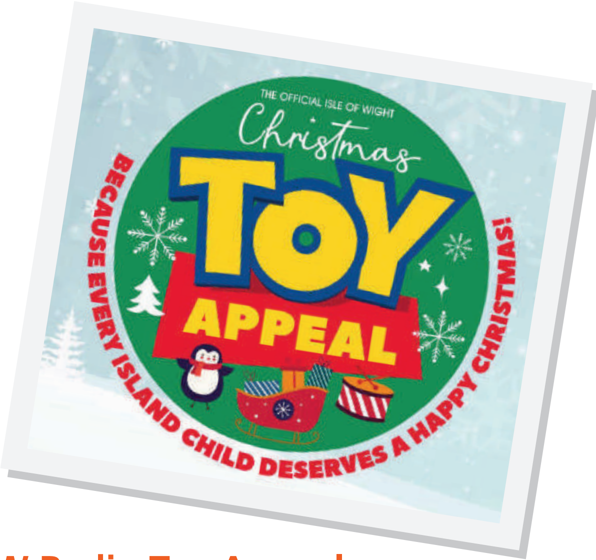
The Isle of Wight Donkey Sanctuary is raising funds for their own medical facility. Having one at the Sanctuary would be more practical, remove the need for ferry travel, and be less stressful for the donkeys.

Find out more at iowdonkeysanctuary.org

Seaview Sailing Trust

With its links to Seaview Sailing Club, the Seaview Sailing Trust offers the opportunity for many Island children to have the experience of sailing.

Find out more about Seaview Sailing Trust at svyc.org.uk/page/sst



IW Radio Toy Appeal

The IW Radio Christmas Toy Appeal has been running for ten years now and every year almost 3000 Island children benefit, including young carers, children in hospital, bereaved children or those in families struggling with poverty and housing issues.

We thank all our clients who joined us in supporting this initiative with their donations of toys.

Find out more about the Toy Appeal at www.facebook.com/ChristmasToyAppeal

Young Carers Association

YMCA Fairthorne Group's project, YMCA Young Carers IW, provides respite and wellbeing activities to young carers on the Isle of Wight, aged between 5 and 18, usually during school holidays. Each year a group of the Island's young carers are given support to attend the national Young Carers Festival. The services the charity provides relies on donations of money and in-kind gifts to fund the activities.

Visit ymca-fg.org/donate

mnda motor neurone disease association

Motor Neurone Disease Association

MNDA is raising funds for research, to improve care, and provide support for people with MND, their families and carers.

Visit mndassociation.org

Ventnor Cricket Club

Ventnor Cricket Club is a grassroots club providing the fun of playing, and cricket development, for all ages.

Find out more about Ventnor Cricket Club at ventnor.play-cricket.com

Sustained support for Island community stalwarts

The Isle of Wight Literary Festival

The festival returned for its tenth year as a fully live and in-person event. Its focus is to increase the cultural richness of the Isle of Wight, and its Youth Programme was established to enrich education and increase the cultural experiences available to under 18s on the Island.

Find out more about IWLF and how to buy tickets at isleofwightliteraryfestival.com

Isle of Wight Sports Achievement Awards

Many of the Rouse team are involved in a variety of sports, so we understand and appreciate the significant benefit sport and activity gives to both physical and mental health. The Isle of Wight Sports Achievement Awards has now entered its 48th year – we sponsored the Volunteer of the Year Award.

Find out more at iowsports.org

Mountbatten Gift Fair

This popular perennial was back again last year, adding extra sparkle to the festive season and raising much-needed funds for the hospice and the vital services it provides to our community.

Find out more at mountbatten.org.uk

Wight Aid

Supporting Wight Aid means a greater number of groups and charities can benefit from desperately needed funding. In 2022 alone, WightAID granted towards IOW Defibrillators, Riboleau Studios, Wet Wheels Solent, Revive Newport, Disabled Sailors association and many more.

Find out more about Wight Aid at wightaid.org

Ventnor Fringe

This is an extremely popular home-grown Fringe Festival, helping the growth of original talent from across the UK. We sponsor the Audience Choice Award.

Find out more about Ventnor Fringe at vfringe.co.uk

Royal Isle of Wight Agricultural Show

The Royal Isle of Wight Agricultural Show returned in 2022, being held over two days for the first time in a very long time! We look forward to the event again in 2023 and to being part of what is the beating heart of the Island's rural community.

Find out more about the Royal Isle of Wight Agricultural Show at Riwas.org.uk

HAMPSHIRE AND® ISLE OF WIGHT AIR AMBULANCE

Hampshire and Isle of Wight Air Ambulance fundraiser

This year our headline charity is the Hampshire and Isle of Wight Air Ambulance. We're planning to hold a spectacular raffle to help raise much-needed funds for the service, culminating in an event at which the draw will take place.

We hope to raise at least **£20,000** – it costs around £15,000 per day to keep the service operational – so we sincerely hope you will support our fundraising effort.

Every day, specialist doctors, paramedics, pilots and dispatchers from Hampshire and Isle of Wight Air Ambulance are ready to respond to the most critically ill and injured patients in the region.

Nobody knows when or if they're going to be in desperate need of an air ambulance and its crew. But a sudden cardiac arrest, a fall from height, or a major road traffic collision can happen to anyone, anywhere, anytime. And that's when they're here for you – bringing the skills and equipment of a hospital emergency department to your side.

As a charity, the service receives no government or lottery funding. And it relies entirely on the kindness and generosity from the public to give its patients the best possible chance of survival and recovery.

Incredibly, the Air Ambulance attends, on average, five missions a day, every day of the year, many of them life-saving.

This is a service that hopefully none of us will ever have the need to use – but we're determined to ensure it continues to be there for everyone who does. **www.hiowaa.org.uk**

Please see the community page on our website to find out more about the charities listed here – and for more information about what's coming up! www.rouseltd.co.uk/community-projects

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We're with you every step of the way

If you'd like to talk to us about your financial journey please contact us on

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