

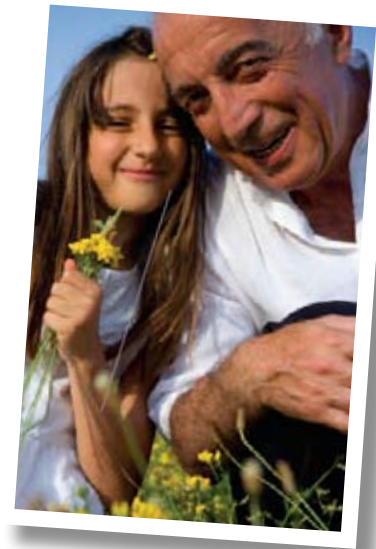
# How can I protect my children's inheritance?

Without the correct "Bloodline Planning" -

✗ Some, or all of your children's or grandchildren's (bloodline's) inheritance could be lost.

Assets not protected by a Trust face attack from -

- ✗ The Divorce or separation settlements of future generations.
- ✗ Creditors or Bankruptcy claims.
- ✗ Further Inheritance Tax bills.
- ✗ Distributing assets absolutely to beneficiaries exposes those assets to risk.



## How Can I Protect My Children's Inheritance?

Or more commonly known as "Bloodline Planning". Bloodline Planning is ensuring that your assets reach your children, grandchildren and other relatives, rather than ending up in the wrong hands!

When assets are distributed to beneficiaries "absolutely", (ie. they receive cash, property or other assets as a direct lump sum payment) so much can be lost. These assets are then considered to be part of the beneficiary's estate and would be at risk of attack from any future divorce settlements, creditors and taxation.

With the strategic use of Trusts, Davies Evans & Law can ensure that your children and grandchildren are able to benefit completely from the inheritance you want them to receive and at the same time, protect the family home and other assets from being lost to the costs of Long Term Care.

Have you considered what might happen if your surviving spouse were to remarry? How would this affect your own children if he/she later changed their will in favour of the new spouse and any subsequent children?

Or for those of you who already have children from a previous marriage how do you ensure that they would get their fair share?

What if your children are very young or have special needs? How can you ensure that they are fully provided for?

There may also be a business you have worked hard to build up. Surely you would want to protect this for your family too?

Do you really want to leave it all to chance, when with our professional help to set up the correct type of planning all these problems could be solved?

Our expertise will ensure that your assets are both fully protected from attack and immediately available to your loved ones after you are gone.

## Asset Planning In Your Lifetime

Some estate planning can be made whilst you are alive. Assets could potentially be gifted to beneficiaries before your death. This could prove extremely tax efficient in terms of Inheritance Tax, as assets gifted away are fully outside of the donor's estate 7 years after the gift is made.

However, rather than gifting assets absolutely, as this would mean that these assets will again be potentially at risk from divorce, creditors and long term care costs, as well as adding value to the recipients estate, it would be wise to consider gifting with the aid of Discretionary Trusts. Our Discretionary Gift Trust means that although you make a Gift to your children and grandchildren, the asset need not enter their own estate thus protecting these assets from any possible claims on them in the future.

By Gifting to a Trust, the donor retains full control but cannot have access to the funds. Even if the donor never received any benefit, but potentially could, the Gift is classed as "With Reservation of Benefit" and the full value is deemed to be in the donor's estate at death for Inheritance tax purposes, not just the initial Gift. The Gift Trust ensures that a spouse, children grandchildren and any other named beneficiaries can benefit at the Trustees discretion.



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PROTECTING YOUR WEALTH FOR GENERATIONS – NOT JUST A LIFETIME

## Access To Protected Assets

At Davies Evans & Law we recommend a Discretionary Trust called a Probate Trust which, whilst still protecting assets from attack from care costs, allows the Settlor access to the assets held in the Trust. The Trust has a memorandum of wishes where the Settlor is also a beneficiary. The purpose for utilising this trust will be for bloodline planning and not Inheritance Tax Planning, as a transfer of asset by the settlor would be a Gift With Reservation of benefit (GWR).

The main uses for a Probate Trust are the assignment of Investment Bonds to ensure it will pass to those intended without the need to wait for Probate. In addition, for a single/widowed client, a proportion of the main residence can be conveyed into our Probate Trust which can protect the house from care. Individual advice would be required as to whether this is an appropriate course of action.

## Utilising Trusts For Bloodline Planning.

It has been established that your children/ grandchildren's future inheritance can be at risk from a number of issues. Taxation is one, but inheritances can be impacted from a number of other more emotional issues such as care costs, where an estate can be reduced significantly in value to pay for these costs. Family homes may have to be sold, and income and investments drained seriously reducing any subsequent inheritance.

Family circumstances can also be a concern. It may be that there are some family members you would wish to benefit and some that you wouldn't. A classic scenario would be an individual who has married into the family but you wouldn't want to benefit from your estate. Family disputes do occur and divorce and / or remarriage can greatly influence who inherits and by how much. Subsequently, if on inheriting monies, an individual then divorces that same inheritance is at risk. Similarly, if an individual inherits assets but then is later subject to bankruptcy proceedings, or has creditors liabilities, then the whole inheritance could be at risk.

The correct Trusts can provide the protection and control of a multitude of assets from those risks noted above. This protection can extend from the family home, to investment products and Family Businesses.

There are two potential scenarios when planning can be made with Trusts. One is during your lifetime and the other is in preparation for death. At Davies Evans & Law we utilise a range of trusts in conjunction with the Will, which will ensure that your hard earned assets are fully protected for your children and grandchildren. The type of planning is very much dependent on individual requirements and the value of the estate.

