

Discounted Gift Trusts & Loan Trusts

What your financial adviser doesn't tell you. Key information for potential investors.

Christian Ward, Chartered Financial Planner

Collins Ward | **Capital Management**

June 2009

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1. Introduction

“For the great enemy of the truth is very often not the lie – deliberate, contrived and dishonest – but the myth – persistent, persuasive, and unrealistic. Too often we hold fast to the clichés of our forebears. We subject all facts to a prefabricated set of interpretations. We enjoy the comfort of opinion without the discomfort of thought”.

John F Kennedy. Yale Address 1962

The financial advisory industry has undergone profound change in the last twenty years. However, standards of professional education and knowledge remain steadfastly below those of other wealth management professionals such as solicitors and accountants. Nowhere is the impact of this knowledge shortfall more clearly demonstrated than in the area of estate planning. The continued use of discounted gift trusts (DGTs) and loan trusts by financial advisers is a good example of JFK’s “persistent, persuasive and unrealistic” myths. Too many advisers treat these solutions as a panacea for all client situations.

A loan trust only removes any future growth on the loan amount from a client’s estate; it therefore achieves little that more straightforward planning techniques can deliver. For many financial advisers it is seen as the only alternative to a discounted gift trust. It is often sold to clients who have no immediate need of the fixed income which is a prerequisite of a DGT. But is this just a case of having two options and advising the client to use the option which is least unsuitable? I am concerned that this is the reality for many advisers who have not endured JFK’s “discomfort of thought”.

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This situation has led me to write this brief guide to dispel some of the myths surrounding DGTs and loan trusts. I will also outline and evaluate alternative planning solutions that are often unknown to consumers and most financial advisers. This is not a detailed examination of each structure, rather it examines the key factors which UK resident investors should consider when evaluating whether a discounted gift trust or loan trust is the most suitable option. These structures are complex and you should always seek professional advice.

Finally, an apology to those advisers who have invested the time and resources and evaluated the various schemes in the marketplace before forming a considered opinion of which schemes are worthy of recommendation to clients. I salute these advisers and hope that one day this will be the norm in the financial advisory world.

2. The need for planning

Estate planning is not simply a question of inheritance tax (IHT) mitigation. It involves placing the right assets in the right person’s hands at the right time, whilst minimising the Treasury’s share of your hard earned savings. These non-taxation factors, individual to each client, generally help to define the parameters with which to evaluate the suitability of each option.

The simplest method to reduce a potential IHT liability is to make outright gifts to chosen beneficiaries. Many people are not in a position to gift away their capital, as they cannot be sure that they will not need it to provide for their own future financial security. Additionally, many people are

not comfortable passing full control of their assets to beneficiaries. These two factors often mean that any planning is delayed until it's too late to achieve any meaningful IHT savings.

The ideal solution for many people is one where they can achieve the IHT savings of making outright gifts yet have continuing access to the capital. Achieving this objective is not easy, as various governments have enacted legislation to specifically prevent *have your cake and eat it* planning. The gift with reservation of benefit (GWR) rules introduced in 1986 and the pre-owned assets (POA) rules of 2004/5 targeted some of the more aggressive planning structures. The budget changes of 2006 also had broad implications for all trust-based planning. Each legislative change has required each planning structure to be reviewed, and professional advisers and clients can now be confident which planning structures are effective for IHT mitigation and yet do not breach either the GWR or POA rules.

As with many things in life, you can rarely have the best of both worlds; there are some sacrifices which must be accepted to achieve your main objectives. Estate planning is no exception, but with good advice and careful consideration of your situation, you can opt for a coordinated course of action which will not only give you the best chance of achieving your objectives but also:

- Ensure your financial security throughout the remainder of your life is not compromised.
- Utilise simple to understand and administratively friendly planning.
- Provide flexibility to adapt to possible changes in your future situation.
- Utilise non-contentious planning which is not provocative to HMRC.

3. Why not keep it simple and make an outright gift?

Estate planning does not have to be complex. Discounted gift and loan trusts are only designed for those people who need to retain access to some or all of the gifted capital. If you can afford to gift capital outright, then you should avoid these schemes and make use of the simplicity of an outright gift. Gifts will be completely exempt from IHT after seven years as they are 'potentially exempt transfers' (PETs). If you do not wish to make outright gifts then you should consider a standard trust structure, which will allow you to control the assets without them forming part of your estate. Always remember that trusts structures add a layer of complexity and cost.

4. How much inheritance tax does a loan trust actually save?

The loan trust is often suggested for younger clients with life expectancies exceeding twenty years, so the 5% withdrawals from the investment bond (which is almost always the underlying trust investment) will mean the loan is repaid after twenty years and therefore no IHT liability remains on the trust assets. There is usually no gift made by the investor and the loan trust only removes any future investment growth on the loaned capital from the investor's estate. This means that little is achieved that cannot be replicated by other simple gifting techniques. When compared to the IHT savings achieved by a flexible reversionary trust (see section 14), I cannot reconcile the continued wide use of loan trusts by some advisers.

A loan trust can be particularly attractive in one situation.

Since 2006 transfers into any trust, apart from a bare trust, fall within the relevant property regime and transfers in excess of the nil-rate band (£325,000 for 2009/10) are subject to a 20% initial IHT charge on the excess amount over £325,000. Furthermore, relevant property trusts are potentially subject to ten-yearly periodic charges and exit charges on capital appointments to beneficiaries. The maximum periodic and exit charge is 6% of trust assets in excess of the relevant nil-rate band at the

time of the charge, with most trusts paying significantly less. Many clients establish multiple trusts so that each trust has its own nil-rate band to use at the time of any charge. But this does not provide a full nil-rate band for each trust, as the values transferred into trusts established in the prior seven years are deducted from the nil-rate band available for each trust. Even with this deduction the use of multiple trusts is generally worthwhile. However, loan trusts can be particularly effective with multiple trusts, as there is no deduction from the nil-rate band available to each trust. This strategy allows younger donors to establish multiple loan trusts, which will allow the overall trusts assets to grow considerably before periodic and exit charges will bite. With good planning neither charge is likely to be applied before the thirty year mark – far more than would be the case with other trust planning.

5. The paradox of discounted gift trusts

The key benefit of a DGT is that it allows the donor to make an effective gift for IHT purposes yet retain an ongoing 'income' from the trust. This is not a real income but a return of capital. Because the donor retains this income right, the value of the gift into trust is the total investment less the capitalised value of the retained income rights. This discount and ability to receive a continuing income seem to offer an ideal solution. This is indeed a very useful estate planning structure for some situations. However, the paradox of a discounted gift trust is that the annual income payments will simply accumulate in the donor's estate unless spent. Therefore, for clients who do not require an immediate and ongoing income, the DGT is unlikely to be suitable as the future income payments will often negate much of the IHT savings achieved at outset. As a rough guide the initial discount will be negated if the donor survives for the life expectancy utilised to calculate the initial discount. Those clients who do pass away prior to the assumed life expectancy gain the most financial benefit from the DGT, as they gain a discount yet will not have received back the income payments that would have cancelled out the discount.

6. The danger of a fixed income

A major disadvantage of DGTs is that the donor loses all access to capital. The income basis must also be selected at outset. The income does not have to start immediately, and can increase each year at a fixed rate, but once the basis is selected it cannot be amended. This inflexibility can cause considerable problems over long periods of time.

An income set at 5% of the initial DGT value (most are established at this level) will fall by 45% in real terms (after taking into account the impact of inflation) with an inflation rate of 4% per annum over 15 years. Inflation is currently low, but is likely to rise above current rates in the future.

...if you do not require an income or have a life expectancy of more than 15 years then you should avoid discounted gift trusts and consider flexible reversionary trusts...

Think very carefully before locking yourself into the fixed income of a DGT. If you do not require a regular income or have a life expectancy of more than 15 years then you should probably avoid discounted gift trusts and consider flexible reversionary trusts.

7. What if you want your beneficiaries to receive monies before your death?

The *raison d'être* of these *have your cake and eat it* schemes is that you can retain access to capital or an income. A key issue to consider before investing in a DGT or loan trust is whether you may want to pay some monies from the trust to beneficiaries before your death. Some DGTs do not allow any such payments during your life. Others do allow payments but the payment will be a further transfer of value for inheritance tax purposes, either being a chargeable lifetime transfer (CLT) or

potentially exempt transfer (PET). Both would require your survival for seven years from the date of the payment to ensure that no inheritance tax would be due.

Loan trusts generally do allow payments to beneficiaries during the donor's life, but the trustees may not allow payments if it reduces their ability to repay the loan to you the donor. Any payment that did reduce the trustee's ability to repay the loan could be deemed to be a transfer of value for IHT. It is always possible for the donor to gift part of the outstanding loan to beneficiaries, but this would be a transfer of value. This could also create income tax problems within the trust or for the donor if the donee calls in their share of the loan.

8. Do you really need a discount?

Advisers and life assurance companies often emphasise the benefit of the discount. But how much of an advantage is it? The answer depends upon your circumstances. The discount is most effective where the donor does not survive for seven years, as only the discounted value of the gift will fall back into the donor's estate. The donor's retained income rights, which caused the discount to be created, are effectively valueless for IHT purposes on the donor's death. In this situation the discounted gift trust has a clear advantage over other gifts which do not benefit from a discount.

But what if the donor does survive for seven years? After the first seven years, the value of any gift, whether into trust¹ or not, does not form part of the donor's estate and therefore a discount has little significance.

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Transfers into trust above the donor's remaining nil-rate band, a maximum of £325,000 for 2009/10, are subject to an immediate 20% IHT charge. This makes such transfers very unattractive although the donor gains a new nil-rate band every seven years.

Where the transfer is made into a discretionary DGT, then the discount does allow a greater amount to be transferred into trust than would be the case where no discount applies. This is beneficial, but not as much as is often claimed, as if the donor survives for their expected life expectancy then the 'income' received back will negate the effect of the discount.

Care also needs to be taken at the ten year anniversary as the discount will reduce as the donor gets older. This can mean that the periodic and exit charges can be applied where the discounted trust value is above the nil-rate band applicable at the time. If the donor's health has deteriorated since outset the initial discount can be substantially reduced. Some DGTs do not allow the bond to be surrendered during the donor's life and therefore the donor will have to meet any tax charge.

Investors in DGTs should always ensure that they are fully medically underwritten at outset. This ensures that the discount quoted at outset is likely to be accepted by HMRC. The recent case of *Bower* demonstrates the importance of certainty of the discount at outset. This could cause unforeseen problems if the discounted gift is at or near to the nil-rate band. If the discount is subsequently challenged by HMRC, then an unwanted tax charge would be incurred on the part of the discounted amount which should have incurred a 20% tax charge at outset.

¹ Care is needed with transfers into trust as in some situations chargeable transfers made up to 14 years before death can be cumulated for IHT. This occurs where a PET is made within 7 years of a previous chargeable lifetime transfer and the PET becomes chargeable because the donor does not survive for 7 years after the PET.

9. Is a life assurance bond the best option?

Discounted gift and loan trusts have traditionally been offered by life assurance companies, as the life assurance bond makes trust administration relatively easy. However, the bond structure may not be the most tax-efficient structure for all clients.

DGT and loan trust literature always prominently highlights the ability to withdraw 5% of the initial bond value each year with no tax charge. This allows any tax charge to be deferred until a 'chargeable event' occurs. However, the existence of this tax deferral mechanism may not compensate for the eventual tax charge when compared to an investment into collective funds such as unit trusts.

The key point to bear in mind is that life assurance bonds are subject to income tax, whereas unit trusts are subject to income tax on any income, and capital gains tax (CGT) on any capital growth. Making a direct comparison between unit trusts and onshore and offshore life assurance bonds is not easy. It is imperative that your adviser undertakes detailed calculations evaluating which tax holding structure most suits your and your expected beneficiaries' tax circumstances.

Generally, investments subject to CGT at the flat rate of 18% are far more attractive where the donor and/or trust beneficiaries are likely to be higher rate taxpayers at 40% or the prospective 50% tax rate.

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Care is also needed on the choice of DGT and loan trust provider, as not all allow the initial investment to be surrendered and replaced with other assets. Trusts which do allow this should be favoured as they provide the flexibility to adapt to changes in tax legislation.

10. Bare trusts - can you be certain who you want to benefit in twenty years?

Before Finance Act 2006, most life assurance based trusts were 'interest in possession' trusts. This ensured that the trust did not fall within the relevant property regime and thus avoided any initial IHT charge and also the periodic and exit charges. With the alignment of trusts in 2006, the only way to avoid these charges is to utilise a bare trust. For this reason the use of bare trusts with DGTs and loan trusts has increased dramatically. Is a bare trust the right option for you?

The main feature of bare trusts is that the beneficiaries and their individual share of the trust must be specified at outset and cannot subsequently be changed. Discretionary and interest in possession trusts allow beneficiaries and their shares to be amended in the future by the trustees (restrictions may be placed upon this according to the donor's wishes). Fixed beneficiaries and entitlements may not be an issue for some clients, but can cause problems for younger donor's who cannot be absolutely certain who they want to benefit in the future.

In contrast to discretionary trusts the trust property in a bare trust is held absolutely for each beneficiary. This can have unforeseen effects. The property will form part of the beneficiary's estate on death and also be taken into account in the event of their divorce or bankruptcy. Releasing the beneficiary's share in these circumstances is often problematic prior to the death of the donor.

11. Can you access the investments you want?

Bear in mind that these trusts schemes have two elements – the trust structure and then the underlying investments.

It is often the case that certain sacrifices must be made on investment options to secure the tax benefits of the trust. Although this applies to DGTs and their counterparts, much has changed in recent years. Modern I.T. systems now allow considerably greater investment choice. Although there are no legal reasons why individual shares cannot be held in these types of trust, they do create administrative problems and no life assurance company is willing to support this type of investment.

Some life companies provide a bond structure that allows the assets to be linked to the performance of individual listed shares. This will obviously be very appealing to those clients who do not wish to be restricted to life company or fund management company collective funds.

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It is possible to hold a wide range of unit trusts/OEICs within a DGT or loan trust, far more than via an onshore life assurance bond. Offshore bonds are often utilised because they allow full 'open architecture' to the whole universe of onshore and offshore collective funds. This also creates a lower charging environment if you utilise the right sort of adviser.

The choice of investment funds will really depend upon your own requirements, but nowadays there is no need to be restricted to the funds of one life assurance company along with a small selection of external funds.

12. Not all discounted gift trusts are created equal

The discounted gift trust and loan trust are simply trust wrappers which can create IHT planning opportunities. In the past the choice of investment, a life assurance bond, was part and parcel of the trust – this does not need to be the case. Do not think that all providers trusts are the same. There are some key differences that I have already highlighted in previous sections. Hopefully this guide reinforces the need to seek specialist professional advice before investing in one of these schemes.

I think one of the most important features of a good provider is to offer as much flexibility as possible. Many trusts will be in place for more than twenty years, and much can change over that time. Personal and family circumstances evolve and tax legislation seems to be amended at an ever increasing rate. Some DGTs, specifically those that carve the donor's income entitlement out of the life assurance bond, rather than a 'trust level' carve-out, are particularly inflexible. Providers of these schemes suggest that this is needed to ensure the trusts are effective for tax purposes, but this view is not widely held and HMRC's treatment gives no weight to this argument.

Great care should be taken when receiving financial advice from an adviser who can only recommend the products of one company. The adviser will only be able to recommend his own DGT and loan trust and will not highlight any shortcomings in these trusts compared to those offered by other companies. This is an unfortunate reality of the tied financial advisory marketplace.

13. Where are the customers' yachts?

A visitor was being shown the wonders of the New York financial district, and his guide pointed out some handsome ships in the harbour. "Look, those are the bankers' and brokers' yachts." "Where are the customers' yachts?" asked the naïve visitor.

This quote comes from the well known book 'Where are the customers' yachts?' which described the excesses of 1920's Wall Street. Many commentators would suggest little has changed over the intervening years. Life assurance products have often been subject to high and opaque charging structures. Charges should always be taken into account when considering the advantages of any solution. DGTs and loan trusts are often provided free of charge by the life assurance company, but the underlying bond is subject to various charges. Charges vary considerably between providers and advisers, and you should always be clear what you are paying for the product and what you are paying for the adviser. Also, be very careful of the underlying investment fund charges, as these vary significantly between providers.

Life assurance bonds have gained an unfortunate reputation through the large commissions that they often pay to commission based advisers – it was not uncommon that commissions of up to 7% of the initial premium were being taken by some unscrupulous 'advisers'. This practice is no longer commonplace but does still occur. The main problem nowadays is that the various charging structures are very opaque, which makes comparisons very difficult.

Remember that an outright gift involves no charges at all. Specialist planning comes at a cost, but make sure that it is reasonable.

14. Is a flexible reversionary trust a better option?

Flexible reversionary trusts (FRTs) are little known, yet are probably the most useful method to reduce IHT whilst retaining access to capital. FRTs avoid many of the downsides of loan and discounted gift trusts.

The FRT follows the same carve-out principle as a DGT, but whereas with a DGT the donor's 'income' entitlement is fixed at outset, the FRT includes special trustee powers which enable them to vary the payments to the donor. This has considerable advantages and opens up the use of the FRT to a far broader range of client situations than either the DGT or loan trust.

Flexible reversionary trusts are especially useful to those who do not need envisage drawing the capital in the early years, but cannot be sure that they will not need to access it in later years. The FRT allows the trustees to defer the 'income' payments to the donor to later years, effectively rolling over the donor's entitlements to the future. Crucially this is not a further 'transfer of value' for IHT purposes, which it would be within a DGT or loan trust. This means that after the first seven years, if all the annual 'income' payments have been deferred, the donor would still retain access to the full trust capital (investment growth included) yet the whole trust fund would be outside the donor's estate. No other solution offers the flexible reversionary trust's potent mix of IHT efficacy, flexibility and donor access. Furthermore capital can be advanced to beneficiaries at any time without further IHT implications (see section 7).

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A FRT receives no discount as the trustees can defeat the donor's income rights. For those who have life expectancies well in excess of seven years, this is of no real consequence (see section 8). This means that the maximum amount that can be invested is the nil-rate band of £325,000 (2009/10). Couples can therefore gift £650,000. Importantly, you can go through the same process every seven years and build up quite a considerable sum in FRTs. The inherent flexibility means there is little disadvantage to start to plan at a much earlier stage than would be recommended with a DGT.

FRTs can be established with unit trusts or life assurance bonds (single premium endowments rather than whole of life bonds), allowing you to choose the most suitable holding structure for your and your expected beneficiaries' circumstances (see section 9).

The FRT can also work particularly well with the 'normal expenditure out of income' IHT exemption. The normal expenditure out of income exemption enables those with surplus income to make gifts with the full amount being immediately exempt from IHT. This sort of planning would not work well with a DGT and cannot work with a loan trust, yet the FRT allows monies to be built up outside the donor's estate, safe in the knowledge that the donor has not lost access.

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15. Need a discount – why not use a tax efficient discounted gift trust?

If the discounted gift route is the best option, then a 'tax efficient discounted gift trust' may be more suitable than a standard discounted gift trust.

Whereas most DGTs use whole of life bonds, this structure uses single premium endowment bonds in the same manner as the FRT. Rather than choose a fixed withdrawal rate of 5% of the whole of life bond, the donor selects the maturity date for each endowment bond in line with their expected requirements. An eighty year old might select five policies to mature each year for twenty years. This would initially provide an 'income' level equivalent to a 5% withdrawal rate in the early years, but would increase in later years as the investment growth on each bond is also paid to the donor.

What is the benefit of this structure? In one word, tax. Each bond that matures will be subject to tax in the same fashion as whole of life bonds, i.e. income tax. There is no 5% partial surrender allowance as with whole of life bonds, so there will be a tax charge on each bond maturity during the donor's life, which would generally not occur with a whole of life DGT. So where is the benefit? The benefit accrues on the death of the donor/s as all remaining bonds are paid **tax-free**. This occurs because the endowment bonds are not surrenderable and therefore no chargeable gain occurs on death. This can create a substantial tax saving when compared to a whole of life DGT, where the chargeable event will generally² be taxable at the beneficiaries highest marginal tax rate – 40% for higher rate taxpayers (this could rise to 50% for very high earners and also for trustees if the recent treasury proposals are enacted).

...Where the donor is not a higher rate taxpayer, then this structure almost invariably produces higher net of tax returns than a standard discounted gift trust...

This structure does not always produce less tax than a standard DGT. An evaluation of the donor's and beneficiaries'

² Life assurance taxation can be complex. Any chargeable gain will be taxable on the donor if alive or if the chargeable event occurs in the tax year of the donor's death. Otherwise gains will be assessed on the trustees who do not benefit from top slicing relief. Trustees usually assign bonds to beneficiaries to encash if their tax situation would result in a lower tax charge. For bare trusts the gain is chargeable on the beneficiary.

circumstances and tax rates is imperative. Where the donor is not a higher rate taxpayer, then this structure almost invariably produces higher net of tax returns than a standard discounted gift trust. However, care is needed as this solution suffers from the same inflexibility as standard DGTs.

16. What if your life expectancy is below seven years?

Schemes such as DGTs and FRTs are most effective when the donor survives for seven years. A DGT can still provide valuable IHT savings if death occurs within seven years, but using a structure that is fully exempt from IHT after only two years of ownership will usually be more suitable. These structures generally take advantage of business property relief (BPR) or occasionally agricultural property relief (APR). These reliefs are usually outside the grasp of non-business owners or farmers, but there are a number of packaged solutions aimed at the retail marketplace. These solutions offer a range of risk profiles, i.e. low to high risk, so great care must be taken when evaluating the suitability of each solution.

The other advantage of BPR is that assets do not have to be gifted and use of a trust is avoided. Many people will therefore perceive BPR planning as almost the perfect solution to IHT mitigation. However, clients with reasonable life expectancies, i.e. greater than ten years should be counselled against using these packaged structures as the primary element of their IHT planning. Business property relief is exceptionally beneficial and I don't think that it would be wise to rely on the relief remaining in its current form over the next twenty years. In my opinion, AIM shares, which can qualify for full BPR relief, are particularly at risk of a less advantageous rule change. Furthermore, AIM shares tend to be much higher risk than ordinary share portfolios and costs are high. BPR schemes that invest in real assets such as property tend to be very illiquid. Clients should not refrain from making outright gifts or utilising trusts unless they are unlikely to survive for seven years.

17. What is HMRC's approach to these structures?

Governments at either end of the political spectrum have enacted anti-avoidance legislation in an attempt to prevent people giving away assets whilst retaining some form of benefit from them. These are the gift with reservation of benefit (GWR) and pre-owned assets (POA) rules. DGTs, FRTs and loan trusts have been utilised for many years and HMRC accept that they do not involve a gift with reservation of benefit.

POA was introduced in 2004 to target schemes which avoided the GWR rules in a manner which was deemed unacceptable to HMRC. It would therefore be surprising if previously acceptable planning was targeted with the new legislation. Unfortunately, the POA legislation is poorly drafted and created considerable confusion amongst practitioners. HMRC have specifically confirmed that DGTs, FRTs and loan trusts will not be subject to a POA charge, even though the legislation is not clear on whether this should be the case. That HMRC have taken such a categorical stance is most reassuring to clients, but all potential investors in these schemes should be aware that they do involve an element, however small, of risk that HMRC could seek to change their practice and seek to apply POA. It will be exceptionally difficult for HMRC to take such a line, considering the clear statements that they have provided and the likelihood that the influential insurance industry would seek to challenge any such change via a judicial review as an 'unfair abuse of power' by HMRC.

Although no scheme allows you to *have your cake and eat it*, these schemes do take advantage of the legislation and it is therefore imperative that specialist advice is sought to ensure that any planning is not implemented in a fashion which could draw HMRC's ire. Although these basic structures are acceptable to HMRC, there are a number of pitfalls that can ensnare the unsuspecting adviser or client.

18. Conclusion

Modern private client wealth management requires an immense breadth of knowledge encompassing legal, tax and financial expertise. Nowhere is this better demonstrated than in the field of estate planning and inheritance tax mitigation. Few professionals have the knowledge, experience or regulatory approval to provide comprehensive advice across all aspects of a client's affairs. Thus, clients invariably need coordinated advice to be provided by their accountant, solicitor and financial planner. Some solutions, such as discounted gift trusts and flexible reversionary trusts require advice from an FSA authorised practitioner, which precludes the vast majority of solicitors and accountants.

This guide only highlights some key points that you should consider before investing into one of these schemes. Hopefully, I have demonstrated the need to seek specialist advice. Great care should be taken when choosing an adviser. Advisers such as St James Place, who market themselves as providing specialist estate planning and wealth management solutions, do not offer access to the more specialised solutions. The story is remarkably similar for many 'independent' advisers who are effectively restricted to a panel of basic product solutions. Independence is as much about independence of thought as independence from one product provider. It is for this reason that most clients and professionals will not have heard of the flexible reversionary trust and tax-efficient discounted gift trust, even though they have been available for more than a decade.

19. Action points

Follow these action points to avoid your financial future being based upon one of JFK's "persistent, persuasive and unrealistic" myths.

- **Seek multi-disciplinary advice:** Approach estate planning by taking an all round view of your financial affairs, taking coherent tax, legal and financial advice from qualified and trusted professionals.
- **No panacea:** Do not expect there to be one solution which solves your needs.
- **Keep it simple:** Don't overcomplicate matters. Simple does not have to mean unsophisticated. Complex solutions are often inflexible, more at risk of HMRC attack and will undoubtedly cost more to implement and administer.
- **Only work with qualified advisers:** When seeking advice from a financial adviser, always look for advisers qualified to Certified Financial Planner or Chartered Financial Planner status.
- **Independent advice is a must:** Ensure that advisers are 'truly' independent and are not restricted to solutions provided by just one company or a small range of companies. Tied advisers do not have access to the more specialist solutions such as flexible reversionary trusts or tax efficient discounted gift trusts.
- **Fee based rather than commission based advice:** Seek out fee based advisers who are not dependent upon selling you additional products to make a living.
- **There is no time like the present:** Start to plan as soon as possible; estate planning left to the last moment severely restricts your options.
- **Review your planning:** Review your estate planning regularly to ensure that plans evolve with your life and any tax or law changes.

If you would like any further information on the issues discussed in this guide, or would like specific advice on your estate planning, please visit contact Christian Ward on 020 7073 2956 or via christian.ward@collinsward.com.