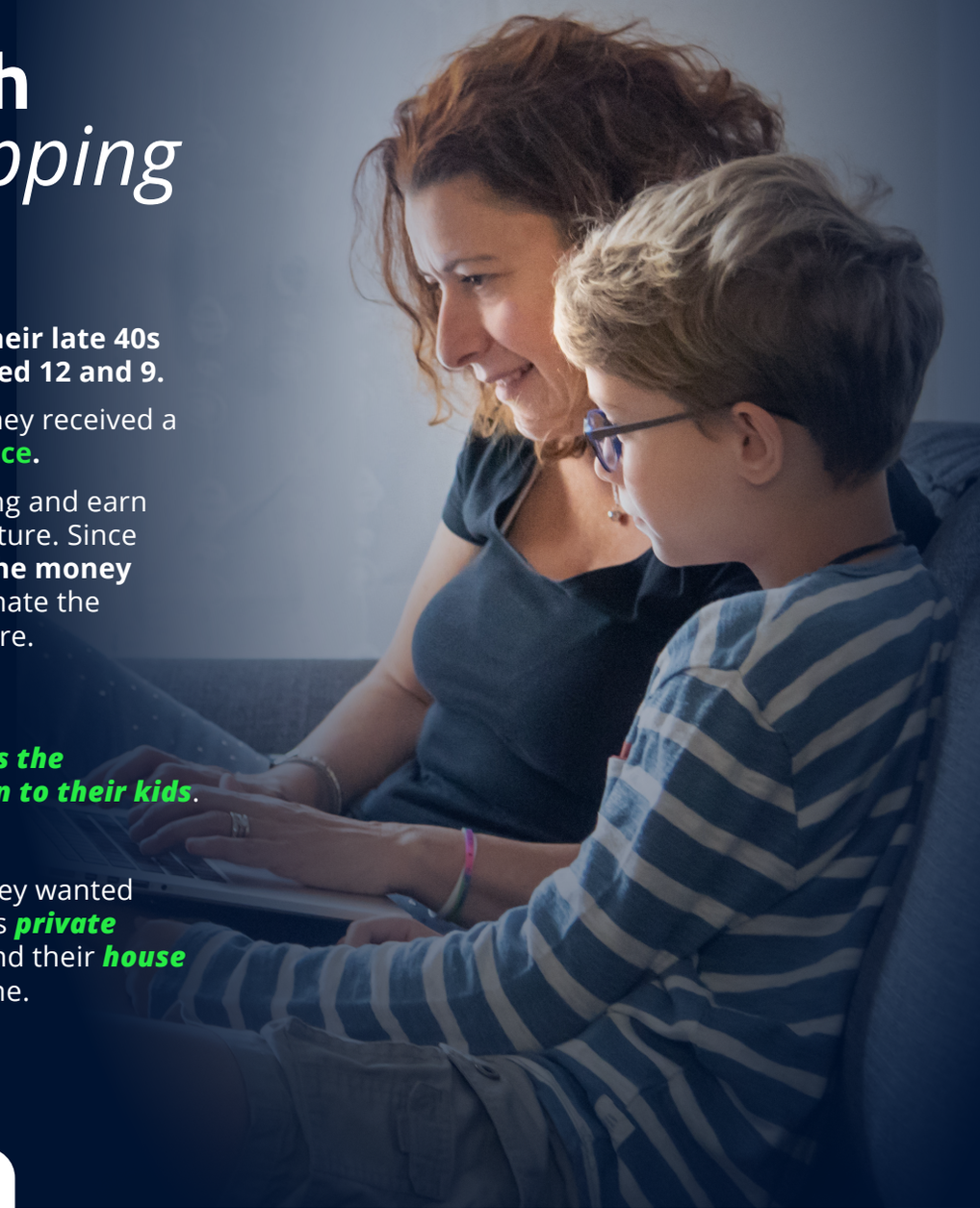
Tideway

CASE STUDY: INHERITANCE TAX PLANNING • PASSING ON YOUR WEALTH

Family wealth planning: *skipping* a generation



Mary and Clive are married, in their late 40s and have two young children, aged 12 and 9.

Following the death of a relative, they received a cash sum of **£600,000 in inheritance**.

Both Mary and Clive are still working and earn well enough to cover their expenditure. Since they had **no immediate need of the money themselves**, they wanted to designate the inheritance for their children's future.

They wanted:

Advice on how best to ***pass the inheritance straight down to their kids***.

Fund growth over time. They wanted first to fund their children's ***private education***, and then to fund their ***house deposits*** later down the line.

The Tideway Plan

Given the amount of money, and since the first goal was **short-medium term**, and the second was **medium-long**, we recommended that they invest the full amount in an ***offshore bond***.

An **offshore bond** would allow them to draw 5% of the value annually to help fund their children's education, whilst allowing the rest to grow and **benefit from gross roll up** along the way (which means that any underlying investment gains are not subject to tax at source, aside from withholding tax).

When their children are old enough (but before they get to a point where they become higher-rate taxpayers), Mary and Clive can **segment the bond** and designate either part or all of it to them.

We recommended they **invest the entire £600,000 inheritance** in an **offshore bond**. This is because:

a. both of them are still working and continue to do so and hence, they **don't need the money for their own personal expenses**, now or in retirement

b. this was the **most Inheritance Tax-efficient** way of ensuring they could pay for their children's education and future without giving them immediate access to the funds.

Outcome

By investing the full sum in an **offshore bond**, Mary and Clive have given it the best possible chance of growth and have shielded it from immediate taxation.

- They can **flexibly withdraw** the necessary funds for their children's education (up to the withdrawal limit of 5%) whilst letting the rest **grow in a tax-efficient environment** until their children are of age.
- Once their children are financially independent adults, any funds left over can be **gifted in line with Inheritance Tax rules**, such as to assist them with property purchases or when they have a family.
- They can **invest with a truly long-term mindset**, knowing that the funds will be able to be used as intended.

Get in touch

We can help you organise your finances to provide the income in retirement that you need. Get in touch for a no-obligation chat to see how we can help you.

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Wealth & Retirement

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