INHERITANCE
PLANNING COMPANY

How Life Assurance Trusts Can Protect Your Estate

A life assurance policy is a vital part of many inheritance plans, providing financial support for your loved ones when you pass away. However, if the payout is included in your estate, it may be subject to a 40% inheritance tax (IHT). Placing your life assurance policy in a trust can protect the payout from IHT, ensuring that your beneficiaries receive the full benefit.

What is a Life Assurance Trust?

A Life Assurance Trust is a legal arrangement that holds your life insurance policy separately from your estate. When you die, the payout from the policy is paid directly to the trust, bypassing probate and inheritance tax.

Key Benefits of Life Assurance Trusts

1. Avoids Inheritance Tax :

- o By holding the policy in a trust, the payout is excluded from your estate and not subject to IHT.

2. Immediate Access for Beneficiaries :

- o The funds can be accessed by beneficiaries without the delays of probate, providing quick financial support when it's most needed.

3. Protection from Creditors :

- o Assets in a trust are protected from creditors, ensuring the funds are passed directly to your chosen beneficiaries.

4. Greater Control :

- o You can specify how and when the funds are distributed, offering flexibility for young or vulnerable beneficiaries.

How It Works

- **Step 1: Create the Trust:**
  The trust is set up to hold the life assurance policy.
- **Step 2: Name the Beneficiaries:**
  You decide who will receive the policy's payout upon your death.
- **Step 3: Pay the Premiums:**
  The policyholder continues to pay premiums as normal, but the trust becomes the owner of the policy.
- **Step 4: Tax-Free Payout:**
  Upon your death, the payout is made directly to the trust, avoiding inheritance tax and probate delays.

A Real-Life Scenario

Peter's Plan:
Peter had a life assurance policy worth £500,000. If it remained part of his estate, his family would have faced a £200,000 IHT bill. By placing the policy in a trust, the full amount passed tax-free to his wife and children, giving them immediate financial support without the burden of taxes or delays.

Why You Should Act Now

Setting up a Life Assurance Trust is straightforward but must be done while the policyholder is alive and mentally capable. Acting now ensures your loved ones are protected in the future.

How We Can Help

At the Inheritance Planning Company, we specialise in creating Life Assurance Trusts that:

- Protect your estate from IHT.
- Ensure your beneficiaries have immediate access to funds.
- Provide peace of mind that your assets are secure.

Secure Your Legacy Today

Contact us to learn more about Life Assurance Trusts and how they can protect your estate and your family's future.

Disclaimer:

This information is correct as of September 2024. Legal updates or changes may have occurred since then. For the most current advice, please contact **Inheritance Planning Company Ltd** at:

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