



THREE COUNTIES

# PROFESSIONAL BRIEFING

**No.21 June 2007**

## New Name, Same Aim

As of 1st May 2007 Three Counties Financial Management Services Ltd has become Three Counties Ltd. As well as the name change we have taken steps to update the company image with a new logo and newly designed interactive website which is now accessible.

Although we have made these changes, our goals remain the same. We continue to pride ourselves on the commitment to technology and on the personal service we provide to our clients and the professional firms we work with.

## IHT Ruling

**Thousands of families whose inheritance tax planning has been thrown into confusion following a recent court ruling are being urged to take action to avoid being hit by a large tax bill.**

Up to 500,000 families have wills using a nil-rate band discretionary trust designed to cut the IHT liability after their death of 40% on assets worth more than £300,000.

Concerns are mounting that many of these arrangements, which typically involve splitting the value of a property between a husband and wife so both can use their IHT allowance, may now be void.

The case involved an Oxford man and his wife who held specified shares of their home as tenants-in-common.

When the wife died, her £150,000 half share of the family home passed into a discretionary trust to use his nil-rate band allowance.

Transfers between husband and wives are IHT free, and her husband was then able to continue living in the house by owing the trust £150,000.

The family were expecting that they would not have to pay tax on the wife's half of the property but the ruling by the Special Commissioners, who settle the disputes between taxpayers and HM Revenue & Customs, claimed that the debt was invalid and insisted that the children pay tax at 40%, resulting in a bill for £60,000 on the mother's share of the property.

The decision not to allow the use of the wife's inheritance tax exemption on the husband's death rested on the fact that she had not worked, had not contributed to the mortgage and had died first.

With property prices raising many estates over the £300,000 nil-rate band threshold, families are being warned to act now and seek advice as they may need to change their wills.

# Making Adequate Plans!

A failure to invest in life insurance can have disastrous consequences for a family. Those who die in middle age could leave their dependants facing a very hard future unless they have made adequate plans. Despite this, many families have little or no life insurance cover.

The first time that many people think about life insurance is when they buy a property. Taking out enough to cover the cost of the mortgage is fine provided that they have no dependants. As soon as the children come along the situation is altered dramatically.

It is not sufficient just to cover the mortgage, which may account for only about 30 per cent of the household expenses. The question is, 'HOW WOULD THE FAMILY MANAGE TO PAY FOR THE OTHER 70 PERCENT'

We can help to calculate how much cover you is needed. This can be based on a lump sum figure or regular income, or a combination of both.

A lump sum is likely to include the total value of all liabilities, including the mortgage and loans. A look at bank statements will give an indication of the level of regular income required.

**Don't let your clients leave it to chance. If you would like us to review the current protection provision for you or one of your clients, please contact us.**

# New-style Property Trusts

The arrival of the real estate investment trust, or REIT follows a change in the law. Britain's largest commercial property owners can now change their corporate status and turn themselves into investment trusts. This allows them to own property and distribute the gains tax-free.

The end of this 'double taxation' will allow dividends to be paid out of untaxed income provided at least 90 per cent is distributed to investors.

To convert, a trust company must pay a one off charge to the Treasury equivalent to 2 percent of the value of its property portfolio. After that, it will be free to expand its portfolio with little hindrance from tax authorities. The new REITs are also expected to attract investors in residential property. The rules for holding residential property within the new trusts are complicated but still likely to prove enticing to some investors.

---

## Pensions advice tailored to individual needs

These days, more and more people are choosing to completely reassess their retirement plans but with so many factors to consider this can prove bewildering.

### Questions to be addressed are:

'Will my pension meet my expectations?'

'Is my old pension expensive?'

'How will recent changes in pension rules affect me?'

'Contract in / contract out - what should I do?'

A pension review will help your clients address such questions plus many more important issues that may need to be considered. Our approach is tailored to focus specifically on your client's retirement plans and to present a comprehensive report offering independent advice.

**If you would like more information on this service or would like to book an appointment for a client please do not hesitate to call us.**

## For further information please contact:-

Peter West (Chairman) [pww@three-counties.co.uk](mailto:pww@three-counties.co.uk)

John Baxter (Managing Director) [John.Baxter@three-counties.co.uk](mailto:John.Baxter@three-counties.co.uk)

Steve Cann (Director) [sec@three-counties.co.uk](mailto:sec@three-counties.co.uk)

Mark West (Associate Director) [mjw@three-counties.co.uk](mailto:mjw@three-counties.co.uk)

Peter Braisby (Client Services Manager) [pab@three-counties.co.uk](mailto:pab@three-counties.co.uk)

Les Cain (Office Manager) [Leslie.Cain@three-counties.co.uk](mailto:Leslie.Cain@three-counties.co.uk)

You should be aware that investment in securities involves risk. The value can fall as well as rise and you may not get back the full amount invested, particularly in the earlier years.

Taxation: All statements relating to taxation are based upon our understanding of the law and HM Revenue & Customs practice in force at the date of this report. There can be no guarantee that the tax position or proposed tax position at the time of investment will endure indefinitely.