



THREE COUNTIES

Financial Management Services Limited

PROFESSIONAL BRIEFING No.15 September 2006

Accumulation and Maintenance Trusts

All relevant professional bodies are agreed that lifetime inheritance tax planning via trusts is now a poor alternative to making outright gifts. Unconditional gifts are still classified as potentially exempt transfers (PETs). One problem is that few donors are happy to make outright gifts in favour of beneficiaries at age 18, preferring to restrict access to a more acceptable age. The historical success of Accumulation and maintenance Settlements is testament to this. Access to income and/or capital through A & M Settlements was usually restricted to age 25.

HMRC believe that over 50,000 A & M Settlements are valued in excess of the inheritance tax nil rate band. As gifts into such trusts are now chargeable lifetime transfers for IHT purposes, the market for an alternative vehicle (using a PET) is clear.

The Lombard International Accumulation & Maintenance Plan

The intention is to allow PETs via assignment of life policies, while restricting access to surrender proceeds for a pre-determined period. This should meet the requirement of many donors who insist that beneficiaries are denied access to capital before reaching an acceptable age.

The Plan works by writing a special provisions into the policy schedule relating to the surrender value and tax deferred withdrawal facility.

The Plan involves a PET when the policy is assigned to the donee. The value of the PET is the higher of the premiums paid or the market value of the policy. On the death of the donee or beneficiary, the policy will form part of his estate for inheritance tax purposes.

Full details of this Plan can be provided to you on request.

Retirement Income Service

Deciding when to retire is all too often linked with deciding whether you can afford to retire and just how and when you should take your pension savings as income. With the introduction of pension simplification you don't even need to stop working to take some of your retirement benefits and instead can start to wind down into retirement on your own terms.

We can provide an overview of all of your existing pension savings and the benefits you can now take; including a review of the options of lifetime annuities, short term annuities,

income withdrawal and your pension commencement lump sum.

Purpose - To assess what retirement income you can expect now and the alternative income structures available to you.

Benefits - Knowing exactly what you have and your options puts you in control of your retirement. You may want the security of a set income for the rest of your life or the flexibility to take just a small part of your pension income now and continue working

What is an Alternatively Secured Pension?

When a person reaches age 75, if they don't want to buy an annuity they can carry on with a limited form of drawdown called alternatively secured pension, or ASP.

This allows them to take a restricted income from their pension fund and when they die, their remaining fund must be used to provide a pension for their dependants.

If there are no dependants, however, their fund can be paid to charity or used to supplement the benefits of other members of their pension scheme.

If a person dies and their spouse is still alive, the pension will be transferred to their spouse and what he or she does depends on their age. If the spouse is under the age of 75, they can use the fund to buy an Unsecured Pension or, if over 75, they can take the fund as ASP. Alternatively, the spouse can choose to purchase an annuity at any time.

If a person dies whilst taking ASP and there is no spouse and the fund is transferred to a 'family SIPP', there will be a liability to pay inheritance tax on the amount transferred.

Let us know what you think

We are presently conducting a survey of our clients to establish what they think of our service and other aspects of our business.

This is therefore an appropriate time to ask the professional firms that we deal with the same question. By writing to john.baxter@three-counties.co.uk you can tell us what you think about any of the following:

- The content of our Professional Briefings
- The service and advice we provide to you and your clients
- The frequency and content of workshops and seminars we hold
- The level of contact we have with you



Mark West

Mark has been working with us for some time now as a Client Manger providing advice to our own clients and clients of other professional firms.

In addition to this work, Mark will be taking on the role of developing our marketing. This will be achieved through working closely with accountancy and legal practices and organising workshops and other corporate events.

For further information please contact:-

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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 Inland Revenue 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.

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Authorised and regulated by the Financial Services Authority (FSA) although the FSA may not regulate all products/services recommended.

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