The WAY Duo Inheritor Plan

Factsheet

WAY Investment Services

The WAY Duo Inheritor Plan allows the settlor to make a significant lifetime gift for Inheritance Tax (IHT) into a family trust for their beneficiaries, achieve immediate IHT savings, receive a series of fixed monthly capital payments for a limited period as 'income' and also retain potential access to specified annual capital payments. Essentially, this Plan combines the benefits of the WAY Flexible and Discounted Inheritor Plans.

Key details of the WAY Duo Inheritor Plan

Minimum lump sum investment	£100,000
Maximum investment	No maximum, although the balance of any discounted gift above the Settlor's available NRB (and, if applicable, the Annual Gift Exemption) would be subject to an entry charge
Trust description	Combined fixed/flexible reversionary trust (interest in possession).
Underlying investments	Collectives
Investment fund options	WAY-branded Portfolio funds and Open Architecture
Main features of WAY-branded Portfolio funds	Fund of funds that are externally managed in line with a nil yield mandate and geared towards capital growth so as to maximise CGT efficiency and simplify trust administration.
Main features of the Open Architecture Managed Portfolio Service	Access to a wide range of collectives (ie unit trusts, OEICs & ETFs) either available on or acceptable to the Plato Nominee & Investment Administration Service or through other investment platforms and DFMs.
Single or joint settlor?	Single settlor only.
Age limits for settlor	18 minimum; 89 maximum (rated or actual).
IHT treatment of gift to trust	Chargeable lifetime transfer, net of any discount.
Medical underwriting?	Yes
Can the settlor or their spouse/civil partner be a trustee?	No. A professional trustee service is appointed by WAY at outset.
Access to capital for settlor?	The settlor will receive fixed monthly reversion payments for the first 8 years (funded by 40% of the trust capital). The settlor retains potential access to the remaining 60% by way of annual reversions.
Can a reversion be defeated by trustees?	The trustees cannot defeat the monthly reversions to the settlor. However, they can defer payment of a forthcoming annual reversion in part or in total to a later date or appoint the capital to the beneficiaries.
Any tax implications on deferral?	No. Deferring a reversion is not a disposal for CGT .
Trust income	Any trust income remaining after deduction of trust expenses is payable to beneficiaries named by the settlor in the trust deed.

Continued overleaf

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Factsheet (continued)

Trust capital	Held for a wide class of potential beneficiaries, who automatically include the income beneficiaries, their descendants and their respective spouses/ civil partners. The trustees have full control over who will benefit.
Flexibility to change beneficiaries later	Trustees can extend the list of potential capital beneficiaries but cannot change the income beneficiaries or their entitlement.
Capital payments/loans to beneficiaries	Whilst the settlor is alive and receiving monthly reversions, the trustees may only distribute/lend capital represented by any unpaid annual reversions.
Income Tax position of the settlor	Trust is settlor-interested so all trust income is taxable on the settlor.
Income Tax position of the trustees	Trustees pay tax at 7.5% on dividends received and 20% on interest.
Income Tax position of the beneficiaries	Beneficiaries receiving trust income will not be taxed on this whilst the settlor is alive.
CGT position of the trustees	Trustees pay 20% tax on gains realised in excess of their annual exemption.
What counts as a disposal for CGT by the trustees?	Selling investments, reversions made to the settlor and appointing capital to beneficiaries.
CGT position of a beneficiary	Holdover relief can usually be claimed to defer CGT when investments are transferred to a beneficiary, who can then use their full annual CGT exemption to minimise/eliminate tax on eventual disposal. The settlor cannot
IHT taxation of trust fund	Periodic charges may apply on every 10-year anniversary and exit charges may arise whenever capital is paid to beneficiaries. Reversion payments to the settlor and loans to beneficiaries do not attract an exit charge.
Death of a beneficiary	No IHT implications for the trust.
Death of the settlor	If death happens within seven years of setting up the trust, the discounted chargeable transfer will reduce the nil rate band available to the settlor's estate. Reversions now cease but the trust can continue.
Pre-Owned Asset Tax (POAT) and gifts with reservation rules	HMRC has confirmed that the Plan is not subject to these provisions.

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For more information please contact WAY on 01202 890895 or advisersupport@waygroup.co.uk.

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