The WAY Estate Transfer Plan

Factsheet

WAY Investment Services

The WAY Estate Transfer Plan allows the settlor to make a significant potentially exempt transfer (PET) into a bare trust for their chosen beneficiaries, achieve immediate inheritance tax (IHT) savings and also receive a series of annual capital payments, which the settlor can decide to postpone in part/total if the payment is not required in full at the time due.

Key details of the WAY Estate Transfer Plan

Minimum lump sum investment	£50,000
Maximum investment	No maximum.
Trust description	Flexible reversionary interest trust (bare).
Underlying investments	Structured as a series of annually maturing single premium offshore unit-linked endowment policies from Isle of Man Assurance (IOMA). The maturity dates are established at outset. The policies are non-surrendable.
Investment fund options	WAY-branded Portfolio funds only.
Single or joint settlor?	Single and joint settlors.
Age limits for settlor	18 minimum; 85 maximum.
Life/lives assured	The policies are written on the life/joint lives of the settlor(s).
IHT treatment of gift to trust	Since the death benefits are held on bare trust for named beneficiaries, this will give rise to a PET, which may benefit from a discount if the settlor dies within 7 years.
Medical underwriting?	Yes.
Can the settlor or their spouse/civil partner be a trustee?	Yes. The settlor is automatically appointed as a trustee.
Access to capital for settlor?	Yes. The settlor is absolutely entitled to the policy benefits on its maturity date (reversionary interest).
Can a reversion be deferred by the settlor?	Yes. The settlor has the option to extend the maturity date of the maturing policies. The trustees have no power to defeat or defer a reversion.
Any tax implications on extending the maturity date?	Yes. The settlor is treated as making a further PET. This may benefit from a discount if the settlor dies within the next 7 years. Extending a maturity date does not create a chargeable event for income tax purposes.
Trust income	Not applicable as a life policy is a non-income producing investment.
Trust capital	The settlor retains control over access to capital (ie maturity benefits) whilst alive. The death benefits are held on bare trust for the named beneficiaries.

Continued overleaf

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Factsheet (continued)

Flexibility to change beneficiaries	None. The trustees cannot alter the trust beneficiaries or their respective shares.
Capital payments/loans to beneficiaries	No. The policies cannot be surrendered. The trustees have no control over the point when a beneficiary is entitled to receive trust capital.
Income Tax— what constitutes a chargeable event?	Maturity of a policy or death of the sole/last surviving life assured.
Taxation of chargeable event gains	Payment of maturity benefits—the gain is assessed on the settlor for income tax at their marginal rate(s). Payment of death benefits—any gain will normally be assessed on the beneficiaries. However, no gain is expected to arise (under current legislation) as the policies are non-surrenderable before death.
IHT taxation of trust fund	A proportionate part of the trust fund forms part of the beneficiary (ies) taxable estates for IHT.
Death of a beneficiary	The deceased's share of the trust fund will pass according to their will or under the laws of intestacy.
Death of the settlor	The value of any PET(s) now chargeable will reduce the nil rate band available to the settlor's estate. If the settlor is the sole or surviving life assured, the death benefits relating to the remaining policies will be paid to the trustees on behalf of the beneficiaries.
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.

Please note

WAY Investment Services does not offer investment or tax advice and can accept no liability for any actions based on the contents of this publication. Information in this document is based on WAY Group's understanding of the law and HMRC practice as at December 2016. Every care has been taken to ensure that the material is correct. Legislation and taxation could change in the future.

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