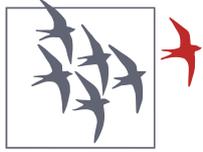


*WAY Investment Services*



## Key information about the WAY Gifts from Income Inheritor Plan

*Flexible wealth preservation for you and your loved ones*



*WAY Investment Services*

## **WAY Gifts from Income Inheritor Plan**

*Flexible wealth preservation for you and your loved ones*

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# Key information about the WAY Gifts from Income Inheritor Plan

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Please read this carefully and keep this brochure in a safe place for future reference. If you are unclear about any aspect, please refer to your financial adviser in the first instance.

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## What is the Gifts from Income Inheritor Plan?

The Plan is an arrangement that enables you to achieve immediate Inheritance Tax (IHT) savings by taking advantage of the 'normal expenditure out of income' exemption to make regular gifts from surplus income into trust for your beneficiaries but still have the ability to receive capital payments in the future without infringing the gift with reservation rules.

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## What are the main aims of the Plan?

- To immediately remove surplus income from your estate for IHT.
  - To provide potential for capital growth over the medium to long term. Any growth will also be outside your estate for IHT straightaway.
  - To allow you access to two separate capital payments (reversions) in the future unless your trustees decide to defeat or postpone them.
  - To permit your trustees to pay out or lend trust capital to your beneficiaries at any time.
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## What are my commitments?

- You are a UK resident and UK domiciled for tax purposes. If you are unsure, please speak to your financial adviser before proceeding.
- To invest a minimum annual sum of £10,000 for at least four consecutive years to establish a pattern of gifting.
- To enter into a formal agreement to register and hold all investments in the name of the nominee company, Plato Nominee & Investment Administration Service (Plato). Plato holds the investments on your behalf when you first acquire them and then for the trustees when they are transferred into the Trust. There are segregated accounts established for each trust within the nominee company. This convenient arrangement allows investments to be traded and managed electronically.
- To choose investments from a special range of funds offered by WAY (the 'traditional' Plan) or from a wide selection of unit trusts and OEICs available or acceptable to Plato (the 'managed portfolio' Plan).

The managed portfolio service is only available if the initial investment (gift) is not less than £100,000 or as soon as the cumulative total of regular gifts made reaches at least £100,000 or when the value of the trust fund attains a value of £100,000.

- To purchase the chosen holdings in your sole name and buy income units or shares only.
  - To transfer these investments into the WAY Gifts from Income Inheritor Trust once your cancellation rights have expired (see 'Can I change my mind').
-

## What are the risks?

When choosing to invest into the Gifts from Income Inheritor Plan, you should be aware of some of the risks:

### Capital reversions

- You have no potential access to trust capital during the first five years of the Plan.
- The trustees will generally allow future reversions to be passed to you, subject to your wishes and the needs of the other beneficiaries. However, absolute discretion over reversions is held by your trustees, who are obliged to act independently. Other than possible receipt of a reversion, you have no other access to the Plan investments.
- The value of a reversion is not fixed as the value of the underlying investments will rise and fall daily.
- If you receive a reversion, you cannot make any further gifts to the Plan.

### Investment performance

- The value of the Plan cannot be guaranteed as this will depend on the choice of investments, how well they perform and other influencing factors such as charges, currency movements and future changes in tax legislation. You and your beneficiaries could get back less than the amount you originally invested. Past investment performance is not necessarily a guide to future investment returns.
- In addition, the future spending power of money received from the Plan will be reduced by inflation if investment returns do not keep pace.

### Taxation

- It is not possible to say at the time a gift is made that it will qualify as exempt for IHT under the normal expenditure out of income exemption. This will not happen until confirmation is received from HM Revenue & Customs (HMRC), usually on your death, when full information will be required to verify that the exemption applies. The onus is therefore on you to maintain appropriate records to support a future claim by your personal representatives to HMRC. If, for some reason, any gift to the Plan is not treated as exempt, it will be regarded as a chargeable lifetime transfer for IHT purposes and could result in IHT implications.
- The tax position of the Plan cannot be guaranteed as tax legislation and the practice of HMRC may be subject to change. Furthermore, your own tax status or that of your trustees could also alter in the future. In these situations, you must rely on the advice of your financial advisers.
- Although the investment funds available for use with the 'traditional' Plan are designed not to produce a distributable income, this cannot be guaranteed. If a fund was to distribute income, the trustees may first offset any trust administration expenses before paying the remainder to the beneficiaries entitled under the Trust.
- Since you can potentially benefit from reversions, the Trust is regarded as settlor-interested for tax purposes. This means that all trust income will be assessed on you for income tax.

### Death

- If your death occurs during the cancellation period (see 'Can I change my mind'), the investments you have purchased for gifting to the Trust will still be an asset of your estate and pass according to your will or under the laws of intestacy.
- If, according to HMRC, a gift to the Trust does not attract the 'normal expenditure' exemption, it will be treated as a chargeable transfer and have potential IHT implications for your estate and the Trust.

## Can I change my mind?

- You have the right to change your mind and cancel the investments you have bought for gifting to the Trust within 14 days of receiving the individual Cancellation Notices. Full information is contained within the Notices.
  - We will deem the Cancellation Notices to have been received two working days after they are dated and despatched. The 14 (calendar) day Cancellation Notice Period will then be calculated from that date.
  - Provided you have not exercised your cancellation rights within that time period, we will date and settle the Trust as at the next business day following the end of the Cancellation Notice Period.
  - If you choose to exercise your cancellation rights, you will not get back more than the sum you originally invested. If there has been a fall in the value of the investments since their purchase, your refund will reflect this.
  - Any initial adviser charge that you instructed Plato to pay direct to your financial adviser will not be refunded. You will need to discuss the availability of a refund direct with your adviser.
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## What are the charges?

- Charges can be categorised as Fund charges, Plan charges, Administration charges, Adviser charges and, where relevant, Professional Trustee charges.
  - Fund charges consist primarily of a possible initial charge, when you buy the investments, and an internal annual management charge. Relevant information will be provided to you by your financial adviser.
  - WAY will make an initial charge for setting up the Plan and an annual Plan charge for providing Plan administrative support. These will be charged automatically to the trustees' cash account.
  - WAY Plan charges are reviewed on a regular basis and three months notice will be given to the settlor and trustees of any changes.
  - Details of all these charges are shown in the relevant terms of business/fee schedules.
  - If appointed, you will agree with your adviser on how to pay for the initial adviser charge. If you wish, this can be deducted from the amount paid by you to WAY and paid direct to the adviser firm before the balance is then invested in the chosen funds. Thereafter, ongoing adviser charges can also be facilitated on behalf of the trustees by deductions from the trustees' cash account.
  - If you decide to appoint a professional trustee other than WAY's own default trustee service (eg your solicitor, accountant or trust company), you must agree the basis of their charges, which will be payable from the trust fund, prior to their appointment.
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## What is the structure of the Plan?

- The Plan consists of you making annual gifts of investments specifically purchased out of your surplus income to a WAY Gifts from Income Inheritor Trust. For a 'traditional' Plan, you will invest in WAY-branded Portfolio Funds whereas under a 'managed portfolio' Plan, you can invest in any of the unit trusts and OEICs available or acceptable on the Plato service. As creator of the Trust, you are referred to as the settlor.
  - The WAY-branded Portfolio Funds are specially designed to be held within the Trust. Their investment focus is on capital growth, which can maximise Capital Gains Tax (CGT) efficiency for the trustees and beneficiaries alike. They are also managed with the intention of not paying out an income, the absence of which can greatly simplify trust administration.
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- If your preference is for a 'managed portfolio', capital growth is still likely to be a main investment objective, again for CGT reasons but also to minimise any income tax issues for yourself, bearing in mind all trust income is taxable on you even though you will not receive it. Having to deal with trust income also increases your trustees' administration duties (see 'Who shall I appoint as trustees?' and 'What are the main duties of the trustees?').
- Once you have transferred the investments to the Trust, your appointed trustees take over the legal ownership from you. Thereafter, Plato and WAY can only act on the instructions of the trustees regarding the investments and administration of the Plan.
- Under the terms of the Trust:
  - You retain the right to receive two capital payments (reversions) if you are alive on their respective due dates unless the trustees decide to exercise their discretionary powers in favour of the beneficiaries;
  - The trustees have power to postpone a forthcoming reversion to a later date and can pay out or lend trust capital to a wide range of beneficiaries at any time;
  - In the meantime, income received by the trustees is payable to the beneficiaries named by you.

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## How do I set up the Plan?

- You must be aged 18 or over and be of full mental capacity to apply for a Plan. You should also be in good health.
- You may only set up a Plan in your own name. If you are married or in a civil partnership, your spouse or civil partner can also take out a Plan.
- If the Plan meets your needs, the next stage is for you to complete a Plan application pack, which includes the trust deed. This will require involvement of your trustees and, if appointed, your financial adviser as well. Your financial adviser will normally act as investment adviser to the trustees. If you have any questions concerning the suitability of the Plan, you must speak to your adviser before proceeding any further.
- When progressing through the pack, you must strictly follow the Completion Notes as certain documents must be left undated or partially incomplete for WAY to insert the necessary information at a later date.
- The application process includes the set up of separate accounts with Plato for you and your trustees so that the Plan can be administered efficiently.
- The pack also contains the necessary instructions to facilitate the payment of initial and future adviser charges, if applicable.
- It is essential that the excess income set aside for gifting money to the Plan personally belongs to you. You can make payment by cheque or electronic transfer. Your remittance will be paid into your Plato account.
- The completed Plan documentation is sent to WAY for processing. If any of the documents is incomplete or incorrect, we will advise you that your application cannot be progressed further until the relevant information is received. WAY will not accept any responsibility for any loss incurred by you or the financial adviser (if appointed) resulting from such delay.
- Once your cheque has cleared, the investments will be bought on your behalf on the Plato nominee service. WAY will calculate a cash amount to reserve sufficient to cover the estimated total of first year's anticipated charges that are to be deducted from the trust account. This amount will be transferred into trust via a cash unit trust. The amount reserved will depend on the amount invested and the level of charges applying.
- In advance of each trust anniversary, you will be invited to make a further gift out of your surplus income to the Plan. The sum will again be used to buy investments in your own name.
- On expiry of your cancellation rights, the investments will be transferred to the Trust. The trustees will then sell the cash unit trust and deposit the proceeds in their cash account.
- You, your trustees and their investment adviser will have online access to view the trust investments and the cash account on the Plato service. As Plan provider and administrator, WAY, too, will have viewing access but will also carry out all online transactions on behalf of Plato to set up the Trust and when further gifts are made. Thereafter, any investment transactions and cash account movements will be conducted by Plato on instructions from the trustees.

## Who shall I appoint as trustees?

- The default trustees for the WAY Gifts from Income Inheritor Plan are WAY Tax and Trustee Advisory Services Limited (WTTAS), which firm is staffed by senior tax and trustee professionals who act in a conscientious and impartial manner for you and your family.
  - Trustees must be adults, have the legal capacity to act and should be resident in the UK. They should be responsible individuals. In normal circumstances, members of your family or close friends will often be suitable people, as may be your solicitor or accountant.
  - You and your spouse or registered civil partner cannot act as trustees.
  - If you wish to appoint a trust company or other professional trustee, you should bear in mind that any fees they charge will be payable out of the trust fund.
  - You must appoint a minimum of two individual trustees or a trust company. If a trustee is also a beneficiary, one of the trustees must be independent and cannot benefit from the Trust.
  - In the case of a 'managed portfolio' plan, where the role of a trustee is more onerous, it is strongly recommended that you appoint WAY Tax and Trustee Advisory Services Ltd to perform the necessary duties and provide you with peace of mind.
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## How do I complete the trust deed?

- The trust deed sets out the terms of the gifts made to your chosen beneficiaries, the powers of the trustees when managing the trust fund and details of the two reversions retained by you.
  - As already mentioned, the default trustees for the WAY Gifts from Income Inheritor Plan are WAY Tax and Trustee Advisory Services Limited. If you wish to select alternative trustees, please note that you must appoint at least two individuals or a professional corporate trustee can be appointed. Please refer to the previous section.
  - There are two types of trust beneficiaries - **named interest in possession beneficiaries and a wide class of potential capital beneficiaries**. In the deed, they are referred to as the 'Beneficiaries' and the Appointed Class respectively:
    - The interest in possession beneficiaries are entitled to receive any income produced by the trust investments, after deduction of trust expenses. You must name these particular beneficiaries and also state their share of any trust income. The trustees cannot change the entitlement of an income beneficiary, whose right to income on death passes to their descendants or to the other surviving income beneficiaries.
    - Members of the Appointed Class can only benefit from the trust capital at the discretion of the trustees, who will decide who, how much and when. The deed contains a list of the beneficiaries who are automatically included as a capital beneficiary, such as your named income beneficiaries and their families. You can extend this list when completing the trust form if you wish.
  - In Part Two of the First Schedule of the deed, the trust carves out two separate reversions in your favour if you are alive when due. Unless these are deferred or defeated by your trustees, 50% of the trust fund will be passed to you three days before the fifth anniversary of the trust and the balance will become due three days before the tenth anniversary. In the deed, a reversion is referred to as 'a Relevant Share' and its due date as 'the Relevant Date'.
  - Each reversion is made up of a proportion of the investments bought by you and subsequently gifted to the Trust. If you receive a reversion, this will be in the form of units and shares, which you can then sell. The proceeds will also include any capital growth to date. You have no other access to trust capital.
  - WAY will date the trust form and also insert relevant details concerning the initial gifted investments.
  - When the Trust has been set up, a certified copy of the deed will be returned to you. The original trust deed will be kept by the first named trustee.
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## How are reversions administered?

- To be eligible for a reversion, you must be alive on the due date.
  - Before a reversion is due, the trustees must inform WAY whether they wish to defer the reversion in part or whole to a future anniversary date. In this connection, about four to six weeks beforehand, WAY will send the appropriate paperwork to the trustees, which they must complete and return before the reversion becomes due. A copy of the accompanying letter and a current portfolio valuation will also be sent to you.
  - If the trustees take no action before the due date, a reversion will be deemed to have occurred and you will become entitled to the investments held in the reversion. However, you cannot sell these until the trustees have signed and returned the necessary forms to transfer the units and shares into your name. If you do not spend the proceeds or, instead, decide to keep the investments, they will form part of your estate for IHT and reduce the IHT effectiveness of the Plan. A reversion will also include a share of any capital cash account balance held by the trustees on the due date.
  - If you receive a reversion, you are not permitted to make any further gifts to the Plan.
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## What are the main duties of the trustees?

- As legal owners of the trust assets, the trustees are responsible for administering the trust fund in the best interests of the beneficiaries and in accordance with the trust deed.
  - They must be seen to exercise their duties seriously, impartially and must all agree when making decisions.
  - They must keep clear and accurate records relating to the Trust and are also responsible for dealing with the tax affairs of the Trust.
  - From time to time, they must consider whether to exercise their discretionary powers to appoint (or lend) capital to the beneficiaries. Before making a capital distribution or raising capital in the Trust, they should seek advice concerning any tax implications.
  - When a reversion is due, the trustees must decide whether to use their discretion to postpone it to a later date. They cannot bring forward the date of a reversion.
  - The Trustee Act 2000 requires that trustees must regularly review the trust investments (at least once a year with a financial adviser).
  - The trustees must also obtain professional advice where this is appropriate.
  - As well as the above, trustees of a 'managed portfolio' Plan will perform additional duties such as:
    - Operating a cash account on the Plato service to deal with all income and capital transactions relating to the Trust. The trustees must also be able to readily identify how the overall cash balance is split between income and capital. This may entail maintaining separate bookkeeping records.
    - Dealing with trust management expenses and ensuring that the cash account is always adequate to settle these. The trustees have power to charge expenses to income and/or capital. If further cash is required to prevent the cash account going overdrawn, the trustees must seek the advice of an investment adviser on which holdings should be sold to raise the necessary funds.
    - Determining and paying out trust income to the named beneficiaries according to their individual shares.
    - Preparing annual trust accounts.
    - Completing annual tax returns and paying tax when due.
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## What are the main tax implications?

- The Plan can be affected by three taxes - inheritance tax (IHT), capital gains tax (CGT) and income tax. Their potential impact is now briefly summarised. You should speak to your financial adviser for further information.
- A charge to IHT may occur:
  - When you make gifts to the Trust - this should not be an issue provided your regular gifts are exempt from IHT.
  - On every ten year anniversary of the Trust whilst it is in operation (the periodic charge).
  - Whenever capital is distributed to beneficiaries (the exit charge).
- If the trustees realise profits (by selling investments or transferring them out of the Trust), they will be liable to CGT on any gains exceeding their annual exemption. Where investments are transferred to beneficiaries, holdover relief can usually be claimed to defer the tax and then often greatly reducing or even eliminating it when they are eventually disposed of by the beneficiaries.
- Income tax implications will arise when, as in the case of the 'managed portfolio' Plan, the trust investments create an income for the trustees. Since the Trust is treated as 'settlor-interested' for tax purposes, all income will be assessed on you whilst you are alive even though you will not receive it.

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## What happens to the Plan when I die?

- Your personal representatives or trustees must inform WAY as soon as possible. Any transactions occurring between your date of death and WAY being so informed cannot be reversed.
- The reversions will stop but the Trust does not automatically come to an end since it is capable of lasting for up to 125 years and can therefore continue beyond your death.
- The trustees can now decide whether to distribute the trust fund or retain the assets within the Trust. You will normally have indicated your wishes in a letter to the trustees. If appropriate, they can add your widow(er) or surviving civil partner to the list of beneficiaries who can potentially benefit from the trust capital.
- Gifts made by you to the Trust in the last seven years of your life must be reported to HMRC by your personal representatives, who will be required to produce proof that these meet the qualifying criteria for the exemption to apply.

## Important Note

**This brochure provides you with an overview of the Gifts from Income Inheritor Plan and its role as an IHT mitigation arrangement. If you require further clarification on any points or wish to raise any questions, please speak to your financial adviser.**

## Please note

Information contained in this brochure is based on WAY's understanding of taxation, legislation and HM Revenue & Customs practice as at May 2019, which may change in the future. Every care has been taken to ensure the material is correct WAY does not offer investment and tax advice and can accept no liability for any actions based on the contents of this publication. The investor must obtain professional legal, tax and other appropriate advice on his/her own individual circumstances before entering into a Plan.

Any investments held within the trusts that WAY provides are regulated by the Financial Conduct Authority however our range of trusts and associated services are not.

Past performance is not necessarily a guide to future performance. The price of units and the income from them can go down as well as up as a result of changes in the value of underlying investments. Changes in rates of foreign exchange may have an adverse effect on the value of and on the income derived from an investment. International investment includes risks related to political and economic uncertainties of foreign countries, as well as currency risk. An investor may not get back the amount originally invested.

## About WAY Investment Services

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WAY Investment Services ('WAY') is part of the WAY Group of companies which was founded in 1996 as an independently owned investment company offering innovative and tax-efficient solutions for UK investors. WAY launched its first wealth preservation and inheritance tax mitigation plan in 2003, and the flexibility of the plan's design made it immediately popular with estate planners.

Today WAY continues to focus on providing solutions that allow investors to pass on wealth to later generations whilst mitigating potential IHT liabilities. Importantly, access to the original investment is also possible.

## About the Plato Investment Administration Service

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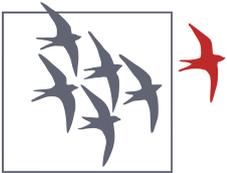
Plato is a nominee service which means that the units or shares in the selected investment funds are registered by Plato on behalf of the trustees. The nominee consolidates all holdings into a single account so that the account holder does not have to open their own account with each investment fund company individually.

Plato also provides an online service that allows valuations of the Inheritor Plan assets to be viewed daily by the settlor, the trustees and/or their financial adviser.

Although Plato nominees register the units/shares as the legal owner, the control over the holdings remains in the hands of the trustees (or the settlor/beneficiaries once assets have been distributed), and the beneficial ownership remains with the beneficiary(ies) subject to the terms of the trust and the trustees' discretion.

Plato is a trading name of Platform One Limited, a company registered in England No 06993268, whose registered address is Peartree Business Centre, Cobham Road, Wimborne, BH21 7PT.

WAY Group has a minority shareholding in Platform One Limited.



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