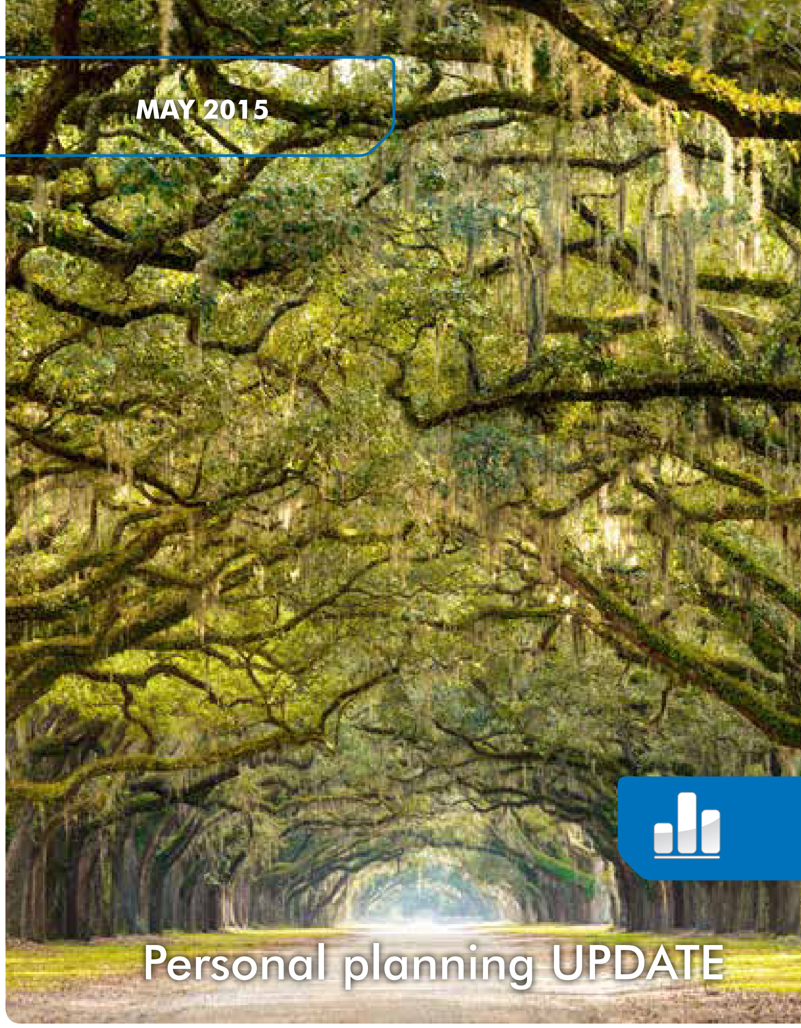

business services
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Estate planning

An overview of things to consider when planning how to pass on your wealth

What you are going to leave behind you at the end of your life is something that everyone needs to think about seriously at some point. Whether you want to guarantee that your extensive collection of Star Wars figurines get the care they deserve, or you want to make it as easy as possible for your family to convert your estate into assets that will help them reach their goals, estate planning is important.

But estate planning is not simply a matter of dividing up your possessions. It can also be about making sure your current assets are organised in the right way to help you achieve what you want to. You may not be aware of the potential utility of the assets you have been sitting on top of all these years.

In essence, estate planning involves working out what you have, where you want to go, and how you would like to get there. To make sure you get the process right, there are certain steps you are going to need to take.

Working out what you have

One of the easiest ways of finding out what you have - your net worth - is to use the tried and trusted format of probate. Although this may sound a little macabre to some, it helps to identify your assets, debts and tax liabilities, providing a snapshot that can be used as a starting point for discussion.

Your net worth can be deduced by using the following formula:

assets + gifts – debts = net worth

Your assets

Your assets are anything you own that have value including:

- money in a bank or building society account
- property and land
- personal belongings, such as jewellery
- furniture
- cars
- shares
- trusts
- pensions that include a 'lump sum' payment on death
- a payout from a life insurance policy
- jointly owned property, bank accounts or other assets.

If you don't own your home but have the right to live there rent-free under the terms of a will, this is counted as an asset.

Contact us today to talk about your assets.

Gifts

When thinking about gifts, you need to think about the market value of any cash or assets you have given away in the last 7 years.

Add your assets and gifts together, plus the value of any payout from a mortgage protection policy to the value of your estate. Then deduct your debts and liabilities.

3rd Floor Ivy Mill Crown Street Failsworth
Manchester M35 9BG
0161 219 1850 jholmes@strathmore1.co.uk

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Debts & liabilities

Remember you are creating a snapshot of a moment in time, so you can deduct anything you personally are responsible for paying such as household bills and bills for goods and services you've received but not yet paid for (e.g. building work) as well as loans, outstanding credit card balances and overdrafts.

Mortgages and joint property

Deduct your share of any mortgages or secured loans on a property from the property's value.

Debts owed to close friends or family

You can only deduct these if they're legally enforceable.

This is when either:

- the deceased person and the lender made a written or verbal agreement about repaying the loan
- there's evidence that the person was making repayments.

There are other debts and liabilities which can be deducted for probate matters, such as certain gambling debts and funeral expenses, but thankfully, we don't need to consider these now.

You now have a rough guide of your net worth as it stands today. You may be surprised that it's not more. This is because some insurance policies and death in service benefits are not included. However much they could all potentially enhance your estate for those left behind, they cannot be accessed by you and therefore do not officially form part of your estate for estate planning purposes.

Talk to us about the value of your estate today.

Where you want to get to?

This part of estate planning is less about the numbers, and more about identifying the obstacles. Everyone has different goals in life, and sometimes there are different goals within the same family.

In our experience, some of the goals which can cause difficulty include the following:

- becoming financially independent
- helping offspring to get on the property ladder
- whether to downsize the family home
- giving away assets
- paying for care home fees
- paying off debts for other family members.

As many clients have discovered, making decisions about these types of problems is much easier when a third-party, non-family member is involved. Particularly when that third-party is a professional and experienced accountant who can provide tax-efficient advice.

How you would like to do so?

In parts of the UK a property purchased for £8,000 in 1970 could easily be worth well over £500,000 today: a significant sum for anyone lucky enough to be in line to inherit all or part of it. The massive rise in house prices is just one of the reasons that estate planning is a must for even those of modest means. However, as the list of assets above shows, property is only part of the equation.

An essential part of the estate planning service is the time we spend with clients, discussing the various options to help clients achieve these goals. On paper, it could be that the most logical solution could be X, but how many of us are logical when it comes to our own family and finances? This is where a professional with experience can make a real difference.

Whether you are hoping for an inheritance, want a mediator for a difference of opinion for a family matter or would like to simply hang on to what you have, a little planning goes a long way.

Trusts

A trust is a way of managing assets (money, investments, land or buildings) for people. There are different types of trusts and they are taxed differently.

Trusts involve:

- the 'settlor' - the person who puts assets into a trust
- the 'trustee' - the person who manages the trust
- the 'beneficiary' - the person who benefits from the trust.

What trusts are for

Trusts are set up for a number of reasons, including:

- to control and protect family assets
- when someone's too young to handle their affairs
- when someone can't handle their affairs because they're incapacitated
- to pass on assets while you're still alive
- to pass on assets when you die (a 'will trust')
- under the rules of inheritance if someone dies without a will (in England and Wales).

Call us to find out more.