

9 THE REDUNDANT EXECUTIVE

The first consideration in the event of redundancy is the tax treatment of termination benefits and the possible availability of State benefits. This will trigger a review of investments. Then, consideration will need to be given to whether replacement life insurance should be arranged for the protection of dependants, and existing policies should be reviewed to check whether benefits might be claimed.

Ex-employees are usually able to retain their entitlement to pension benefits, but many wish to transfer to a different scheme and require a comparison of the respective benefits. Others may need guidance on whether to defer drawing benefits. Decisions may also need to be taken regarding share incentive plans and private medical insurance.

10 THE EXPATRIATE

Clients consulting their solicitors on property and tax matters prior to taking up residence abroad will be concerned also to ensure that their investments and pensions are geared to their new situation.

Individuals become exempt from UK capital gains tax and from UK tax on securities such as gilts after three years' residence abroad, but there may be advantage in holding investments in offshore vehicles, which can provide tax-free returns and a greater choice of underlying investments than is available in the UK.

As regards UK pensions (other than State Pensions and final salary schemes in payment), a recent change in the law permits these to be transferred to a Qualifying Recognised Overseas Pension Scheme ('QROPS'), and provided that no benefits crystallise within 5 years of the transfer, they will then become subject only to local taxation.

SOLICITORS INDEPENDENT FINANCIAL ADVICE

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10 clients in need of financial advice

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1 THE ESTATE PLANNER

It is said that some people neglect estate planning because they distrust their heirs more than they dislike the tax authorities. Most, however, are keen to ensure that their estates will not be subject to tax which could legitimately be avoided or reduced.

The Will is the key document and should be reviewed and up-dated on a regular basis. For wealthier clients there may well be merit in incorporating trusts in respect of assets up to the value of the nil-rate band of inheritance tax.

Making a Will provides the ideal opportunity to review and revalue property and assets, both personal and business, and to ensure that investments are held as tax-efficiently as possible. Enterprise Investment Schemes and shares listed on the Alternative Investment Market become exempt from inheritance tax after two years, and insurance-based tax mitigation schemes might also be considered. An option for pension scheme members would be to place the death benefits in trust for their children and thereby minimise inheritance tax on the estate of their surviving spouse.

2 THE BEREAVED WIDOW

Many widows are inexperienced in personal finance, having left such matters in the hands of their late husbands. They therefore need an adviser who can help them to plan their future, whether this might involve accommodation, ensuring a regular income, the possible need for Long Term Care, or making provision for dependants.

If a decision is taken to move into a care home, consideration will need first to be given to the availability of Local Authority assistance, but if means testing rules this out, consideration may be given to immediate needs annuities, which can be arranged so that if the payments are received by the home, they will be exempt from tax.

Legal and financial needs are closely inter-related in this situation, and solicitors are best able to work with financial planners, with whom they can liaise on questions of trusts, tax and property. Clients will usually be seeking not only security but also the simplest possible solutions, with the minimum fuss over taxation and bureaucracy, whether this be a unit trust, an Exchange Traded Fund, or an on-shore or offshore investment bond.

3 THE TRUSTEE

The Trustee Act 2000 introduced important new duties for trustees. They must ensure that the trust investments are properly diversified (this being one of the main ways of reducing risk) and are suitable to the objectives of the trust.

They must also ensure that investments are reviewed at least once a year and, unless they profess investment expertise themselves, the trustees must take advice from an appropriately qualified person. Different types of trust are taxed in different ways and it is also important to ensure that investments are held in the most suitable 'tax-wrapper', whether this be a unit trust, an Exchange Traded Fund, or an on-shore or offshore investment bond.

4 THE HOMEOWNER RELEASING EQUITY

When the "equity" value in a home is released, on the householder trading down to a smaller property, the cash which is realised might be applied to providing additional income, or establishing a trust fund, or funding some major item of expenditure. But the same options can be available even without the property being sold, if the householder uses an "Equity Release" scheme.

Such a scheme can present further tax-planning opportunities, because the value of the equity which is released is regarded as a debt against the estate of the householder, which reduces the value of the estate for tax purposes. Consequently, equity release may be of value to clients who do not require additional income, but can regard this as an estate planning tool.

5 THE BROKEN RELATIONSHIP

Whether a contentious or collaborative approach is adopted, a divorce or separation is likely to require a complete review of both parties' finances, and the legal and financial aspects will need to be co-ordinated.

Jointly-held assets such as residences and life policies may need to be sold or transferred; maintenance payments may need to be protected by insurance; provision may need to be made for children and their education; and the complications surrounding pension rights must be addressed. After the house, pensions are often a couple's most valuable asset, and the options of off-setting, earmarking and sharing may all need to be considered.

6 THE PERSONAL INJURY LITIGANT

Special considerations apply to the investment of sums awarded by the courts to those who have suffered personal injuries, and a Personal Injury Trust may be advisable to protect means-assessed benefits. As far as investment is concerned, the emphasis is likely to be on ensuring that the required level of income will continue to be paid over what could be very long periods of time and that the proposed solution should be acceptable to the court. Typically, the answer will be a cautious portfolio with a bias to income, but cashflow planning may be the dominant influence.

7 THE INVESTOR

Clients may find themselves in receipt of significant sums of money on the death of relatives, on the sale of a business, or as a result of divorce or litigation. In all cases it is vital to appoint an investment adviser who is totally impartial and fee-based and who can provide a structured plan which reconciles risk and return in a way which is appropriate to the individual client and will be monitored and reviewed on a regular basis.

Some advisers advocate index-tracking investments and others prefer to select funds. Some advisers offer an advisory service and others a discretionary service. There is a place for all these approaches, but the overriding concern should be to have a clear process for allocating investments between the main asset classes, i.e. UK equities, overseas equities, fixed interest securities, property, commodities and cash.

8 THE BUSINESS OWNER

It is often said that people are one of the most important assets of a business, and that human resources should be insured in just the same way as other business assets. Consequently, keyman and shareholder insurances should always be considered. In addition, many employers provide private health insurance schemes, which benefit both employer and employee should medical problems arise.

Another issue for business proprietors is pensions. For both executives and staff this will usually mean selecting a suitable personal pension variant, and decisions will be required as to the level of benefit to be provided. For executives, SIPPs have become popular and permit wider investment scope, property purchase opportunities and valuable post-retirement tax planning options.