



THORNTONS WEALTH

ENHANCING YOUR FINANCIAL PLANS AS YOU APPROACH 50

Steps you can take now to influence your retirement and overall financial security significantly



UNDERSTANDING THE GENDER PENSION GAP

Why do women often find themselves disadvantaged in retirement?

NAVIGATING LIFE EVENTS AND INHERITANCE

Research highlights a profound impact on financial security and life choices

BALANCING MOTHERHOOD AND FINANCIAL SECURITY

Juggling responsibilities can often push long-term financial planning to the sidelines

Thorntons Wealth

Whitehall House, 35 Yeaman Shore, Dundee DD1 4BU

T: +44 (0)1382 797600 **E:** enquiries@thorntons-wealth.co.uk **W:** www.thorntons-wealth.co.uk

Thorntons Wealth is a trading name of Thorntons Investment Management Ltd (SC438886) and Thorntons Wealth Management Ltd (SC241755). Both companies are registered in Scotland and the registered address is Whitehall House, 35 Yeaman Shore, Dundee DD1 4BU. The companies are authorised and regulated by the Financial Conduct Authority.



04 ENHANCING YOUR FINANCIAL PLANS AS YOU APPROACH 50

Steps you can take now to influence your retirement and overall financial security significantly

06 BALANCING MOTHERHOOD AND FINANCIAL SECURITY

Juggling responsibilities can often push long-term financial planning to the sidelines

08 NAVIGATING LIFE EVENTS AND INHERITANCE

Research highlights a profound impact on financial security and life choices

10 UNDERSTANDING THE GENDER PENSION GAP

Why do women often find themselves disadvantaged in retirement?

12 THE ROLE OF TRUSTS

Providing timely financial support to your loved ones when they need it most



Thorntons Wealth

Whitehall House, 35 Yeaman Shore,
Dundee DD1 4BU

T: +44 (0)1382 797600

E: enquiries@thorntons-wealth.co.uk

W: www.thorntons-wealth.co.uk

Thorntons Wealth is a trading name of Thorntons Investment Management Ltd (SC438886) and Thorntons Wealth Management Ltd (SC241755). Both companies are registered in Scotland and the registered address is Whitehall House, 35 Yeaman Shore, Dundee DD1 4BU. The companies are authorised and regulated by the Financial Conduct Authority.



WELCOME TO THE LATEST ISSUE OF THORNTONS WEALTH MAGAZINE.

Welcome to the December 2024 issue of Thorntons Wealth's monthly e-zine newsletter.

As you get closer to your 50th birthday, it's natural to feel anticipation and concern about your financial future. While financial planning might not seem urgent, the steps you take now can significantly influence your retirement quality of life and overall financial security. This period might represent your peak earning years, presenting a golden opportunity to enhance your retirement savings. Alternatively, you might be dealing with various financial obligations and the complexities of tax-efficient allowances.

Motherhood is a multifaceted journey, where the daily juggling responsibilities can often push long-term financial planning to the sidelines. Yet, dedicating just a small time window to review your finances could dramatically enhance your financial outlook. While managing finances is important for everyone, mothers encounter challenges requiring tailored financial strategies to ensure stability and growth.

In the current economic climate, the prospect of receiving an inheritance plays a crucial role in shaping major life decisions for many UK adults. More than one in five (22%) UK adults[1] who have received or expect to receive an inheritance[2] have delayed or are planning to delay a major life event because of the anticipated inheritance. This tendency is particularly marked among younger adults aged 18-34, where the figure rises to 27%.

Significant disparities continue to remain when it comes to retirement savings, with the gender pension gap standing out prominently. Even though the gap manifests across various demographics, including age, job types and income levels, however, it is women who bear the brunt of these inequalities, often

finding themselves at a financial disadvantage in retirement. This disparity is primarily due to lifelong differences in savings and the contributions made to pension plans.

Ensuring the financial security of loved ones is a paramount concern in financial planning. Your life insurance policy is a significant asset, and by putting it in an appropriate trust, you can manage how your beneficiaries receive their inheritance. This approach offers numerous advantages beyond the basic provisions of a standard life insurance policy, enhancing the efficiency and security of the payout for your beneficiaries.

We hope you enjoy this issue and find the articles featured interesting.

You can also forward this e-zine newsletter to someone else you know who would like to receive a complimentary copy.

Best Wishes,

Thorntons Wealth

The content of the articles featured in this publication is for your general information and use only and is not intended to address your particular requirements. Articles should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change, and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up, and you may get back less than you invested. Past performance is not a reliable indicator of future results.

ENHANCING YOUR FINANCIAL PLANS AS YOU APPROACH 50

Steps you can take now to influence your retirement and overall financial security significantly

AS YOU GET CLOSER TO YOUR 50TH BIRTHDAY, IT'S NATURAL TO FEEL ANTICIPATION AND CONCERN ABOUT YOUR FINANCIAL FUTURE. WHILE FINANCIAL PLANNING MIGHT NOT SEEM URGENT, THE STEPS YOU TAKE NOW CAN SIGNIFICANTLY INFLUENCE YOUR RETIREMENT QUALITY OF LIFE AND OVERALL FINANCIAL SECURITY.

This period might represent your peak earning years, presenting a golden opportunity to enhance your retirement savings. Alternatively, you might be dealing with various financial obligations and the complexities of tax-efficient allowances.

REASSESSING YOUR PROTECTION COVER

A rise in salary often accompanies ageing, providing a sense of increased financial security. This can lead to more significant expenditures, such as purchasing a larger home or funding private education. Despite these improvements, it remains crucial to prepare for unforeseen circumstances. An unexpected illness or accident could have severe financial consequences for your family.

Protection solutions like life insurance, critical illness cover and income protection are essential safeguards, ensuring your family's standard of living is maintained during challenging times. Review your existing policies to ensure adequate coverage for your current lifestyle and obligations. As your circumstances evolve, so should your protection. We can tailor your cover to meet your current family's specific needs.

STRENGTHENING YOUR PENSION PLANS

Turning 50 is an opportune time to reassess whether your retirement savings align with your future goals. Even if your retirement plans still need to be fully developed, having a general direction can shape your financial strategy. We can project your retirement income, factoring

in current savings, life expectancy, investment returns and inflationary trends.

If your pension fund is deficient, adjusting your contributions can dramatically increase your savings, bolstered by the tax advantages associated with pension contributions. We'll evaluate your pension portfolio's performance and fees to ensure your investments are optimised for growth. Diversifying your investments and recalibrating your risk exposure as you near retirement can also help secure your financial future.

OPTIMISING TAX ADVANTAGES

Harnessing available tax allowances can significantly improve your financial status as you approach this significant milestone. Up to £60,000 annually (tax year 2024/25) can currently be saved into a pension without paying tax. This is called the 'annual allowance', which resets at the start of each tax year. You might also be able to leverage unused allowances from previous years, adding flexibility to your financial strategy. Within the annual allowance limits which include any contributions from your employer, your own



contributions shouldn't exceed your earnings in the tax year of payment.

Individual Savings Accounts (ISAs) offer another efficient investment route, permitting savings of up to £20,000 annually (tax year 2024/25) without tax penalties on withdrawals or gains. Taking full advantage of these allowances requires strategic planning. We can help you navigate these opportunities, ensuring you capitalise on all available benefits.

SECURING YOUR LEGACY WITH A WILL AND LPA

Establishing a Will is prudent at any stage in life, particularly as you near 50. This document directs the allocation of your assets, safeguarding your family's future. A Lasting Power of Attorney (LPA) should also be considered, allowing trusted individuals to manage your affairs if you become incapacitated. This measure protects your interests, minimises family disputes and ensures your wishes are respected.

Review your estate plan regularly to account for changes in your personal or financial circumstances and ensure your arrangements align with your intentions.

GAINING CLARITY THROUGH PROFESSIONAL FINANCIAL ADVICE

The intricacies of financial planning can be overwhelming, especially as your financial

landscape grows more complex. Professional guidance demystifies investment choices and optimises your retirement savings strategy.

Is now the time to reassess your financial plan with our expert assistance? We can enhance the tax efficiency of your investments and verify your readiness for a secure and fulfilling retirement. ■

LOOKING TO START BUILDING A BRIGHTER, MORE SECURE TOMORROW?

Take the next steps towards securing a stable financial future for yourself and your loved ones today. Embrace the peace of mind that comes with proactive financial planning and expert guidance. Contact us now for personalised advice tailored to your unique needs and start building a brighter, more secure tomorrow.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH.

TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

THE TAX TREATMENT IS DEPENDENT ON INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN FUTURE.

THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAX ADVICE AND WILL WRITING.

BALANCING MOTHERHOOD AND FINANCIAL SECURITY

Juggling responsibilities can often push long-term financial planning to the sidelines

MOTHERHOOD IS A MULTIFACETED JOURNEY, WHERE THE DAILY JUGGLING RESPONSIBILITIES CAN OFTEN PUSH LONG-TERM FINANCIAL PLANNING TO THE SIDELINES. YET, DEDICATING JUST A SMALL TIME WINDOW TO REVIEW YOUR FINANCES COULD DRAMATICALLY ENHANCE YOUR FINANCIAL OUTLOOK. WHILE MANAGING FINANCES IS IMPORTANT FOR EVERYONE, MOTHERS ENCOUNTER CHALLENGES REQUIRING TAILORED FINANCIAL STRATEGIES TO ENSURE STABILITY AND GROWTH.

BUILDING A FINANCIAL SAFETY NET

For mothers, establishing a solid emergency savings fund is not merely advisable – it's essential. Unexpected expenses, like urgent car repairs or household emergencies, can arise without warning and impact your financial wellbeing. By maintaining an emergency fund that covers at least six months' worth of essential expenses in an easily accessible savings account, you can safeguard against the financial strain these costs might impose, ensuring your long-term financial goals remain on track.

Consider setting up an automatic monthly transfer to your savings account to build this fund gradually. This approach makes saving more manageable and ingrains a habit of prioritising financial security.

PROTECTION FOR YOUR LOVED ONES

It may be prudent to secure an income protection policy in families where your income contributes significantly to bills, childcare or educational costs. This insurance cover offers a financial lifeline if you cannot work due to a long-term illness, ensuring your children's lifestyle remains unaffected by financial instability. Similarly, life insurance is essential, providing a financial safety net to your family in case of your premature death.

Life insurance can cover critical expenses, such as mortgage repayments, alleviating financial burdens and offering peace of mind. When exploring insurance options, assess the cover that best suits your family's needs and consider the premiums in

relation to your budget, opting for policies that provide comprehensive protection.

SECURING YOUR RETIREMENT FUTURE

Taking time off work to raise children can significantly impact your pension savings, making it imperative to focus on bolstering your retirement funds. A fundamental step is to ensure you qualify for the full State Pension by maintaining National Insurance (NI) contributions. Mothers who are not currently working can still earn NI credits by claiming child benefit, protecting their State Pension entitlement.

Furthermore, consider topping up workplace or private pensions, which come with tax benefits, making them a cost-effective saving method. The tax relief on



personal pension contributions means you gain more from your savings, substantially boosting your retirement fund. For instance, if you receive cash gifts or inheritances, if appropriate, directing them into a pension could significantly enhance your financial security in retirement.

INVESTING IN YOUR CHILDREN'S FUTURE

If it's within your means, investing in your children's future can offer them substantial long-term benefits, potentially aiding with university fees or a first home deposit. Investing in the stock market can yield greater growth compared to traditional savings accounts. A Junior Individual Savings Account (JISA) allows tax-free growth and locking funds until your child turns 18. This structured investment approach can help in

securing their financial independence.

When investing for your children, consider diversifying the portfolio across various asset classes to balance risk and return, and regularly review the investment performance to ensure it aligns with your financial objectives. ■

READY TO TAKE CONTROL OF YOUR FINANCIAL FUTURE?

Professional financial advice lets you confidently concentrate on your family, knowing your financial future is secure. Please contact us for personalised financial advice crafted to meet your unique needs. We'll help you secure a financially brighter future for both you and your family.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

THE TAX TREATMENT IS DEPENDENT ON INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN FUTURE.

NAVIGATING LIFE EVENTS AND INHERITANCE

Research highlights a profound impact on financial security and life choices

IN THE CURRENT ECONOMIC CLIMATE, THE PROSPECT OF RECEIVING AN INHERITANCE PLAYS A CRUCIAL ROLE IN SHAPING MAJOR LIFE DECISIONS FOR MANY UK ADULTS. MORE THAN ONE IN FIVE (22%) UK ADULTS^[1] WHO HAVE RECEIVED OR EXPECT TO RECEIVE AN INHERITANCE^[2] HAVE DELAYED OR ARE PLANNING TO DELAY A MAJOR LIFE EVENT BECAUSE OF THE ANTICIPATED INHERITANCE.

This tendency is particularly marked among younger adults aged 18-34, where the figure rises to 27%. Such life decisions often revolve around purchasing a first property, with nearly one in five young adults planning to leverage their inheritance for this purpose.

CHALLENGES OF RISING PROPERTY PRICES

The dream of owning a home has become increasingly elusive due to escalating property prices and elevated interest rates. For many, achieving homeownership without financial support, such as an inheritance, seems formidable.

In light of this, it's understandable that individuals might defer other costly life milestones, opting to wait for more favourable financial conditions. These economic barriers are profound, affecting not just homeownership but other significant life events like starting a family or pursuing further education.

FINANCIAL PLANNING AND INHERITANCE

Anticipating an inheritance necessitates thorough consideration and strategic planning. It requires navigating the intricacies of inheritance and its broader implications.

Evaluating all potential avenues before committing to major financial decisions is crucial, especially considering that over a quarter of people receive less inheritance than anticipated. A well-structured financial plan can maximise the benefits of an inheritance, ensuring it contributes positively to one's financial wellbeing.

IMPORTANCE OF OPEN CONVERSATIONS

Discussing inheritance expectations openly with family members can foster transparency and enhance financial planning. These conversations help align expectations and facilitate informed decision-making for the future.



By engaging in dialogue, families can ensure that everyone is aware of what to expect, which can prevent misunderstandings and conflicts later on. Additionally, open communication can prepare family members to manage the responsibilities of receiving or managing an inheritance.

WRITING A WILL AND ESTATE PLANNING

For those wishing to leave a legacy, drafting a Will is a fundamental step in ensuring that your intentions are respected and your loved ones are cared for. Writing a Will involves detailing how your assets should be distributed and who will execute your wishes.

Inheritance can have a profound impact on financial security and life choices. Whether you anticipate receiving or intend to leave an inheritance, seeking

professional financial advice is crucial to making informed decisions. ■

DO YOU WANT TO DISCUSS PROTECTING THE INTERESTS OF BENEFICIARIES AND MINIMISING POTENTIAL LEGAL COMPLICATIONS?

We can help you craft a comprehensive and tax-efficient estate plan that protects the interests of beneficiaries and minimises potential legal complications. If you require further information or guidance on managing inheritance and financial planning, we can provide the support and insight you need to navigate these complex matters effectively.

Source data:

[1] Survey conducted by Opinium among a nat rep sample of 2,000 UK adults between 9–13 February 2024.

[2] All data come from questions that were asked to those who have received an inheritance in the past five years or expect to receive an inheritance in the next five years.

THIS ARTICLE DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

UNDERSTANDING THE GENDER PENSION GAP

Why do women often find themselves disadvantaged in retirement?

SIGNIFICANT DISPARITIES CONTINUE TO REMAIN WHEN IT COMES TO RETIREMENT SAVINGS, WITH THE GENDER PENSION GAP STANDING OUT PROMINENTLY. EVEN THOUGH THE GAP MANIFESTS ACROSS VARIOUS DEMOGRAPHICS, INCLUDING AGE, JOB TYPES AND INCOME LEVELS, HOWEVER, IT IS WOMEN WHO BEAR THE BRUNT OF THESE INEQUALITIES, OFTEN FINDING THEMSELVES AT A FINANCIAL DISADVANTAGE IN RETIREMENT. THIS DISPARITY IS PRIMARILY DUE TO LIFELONG DIFFERENCES IN SAVINGS AND THE CONTRIBUTIONS MADE TO PENSION PLANS.

The gender pension gap is not merely a consequence of individual choices but a complex issue influenced by societal norms and work patterns. Women are more likely to engage in part-time work or take career breaks to manage caregiving responsibilities, directly affecting their earnings and, consequently, their pension savings.

FACTORS CONTRIBUTING TO THE GENDER GAP

Despite similar pension scheme participation rates, women save less than men throughout their careers. This discrepancy is stark, with a 16% gap in their 30s widening to 43% by the age of 55, the research highlights^[1].

Historical perceptions painted women as less likely to engage with pensions, but recent findings contradict this,

showing women value pensions highly when considering job offers^[2]. However, many women take lower-paid, part-time roles to balance work with caregiving responsibilities. In fact, about one million women under 50 are outside the workforce due to such commitments^[3].

IMPACT OF CAREGIVING RESPONSIBILITIES

Care responsibilities, often shouldered by women, significantly affect their retirement savings. Statistics from the Office for National Statistics reveal that older female workers are twice as likely to have caregiving duties, which detracts from their ability to save for retirement^[4].

While two-fifths of workers enhance their pension savings through employer matching, fewer women than men take advantage of this opportunity. Affordability

is a common barrier, with half of the women citing it as a reason compared to 39% of men.

ADDRESSING THE SAVINGS DISPARITY

Auto-enrolment has boosted savings among women, yet the interruptions caused by parenthood and caregiving continue to affect their pay, career advancement and, ultimately, their pension savings. Decisions to reduce work hours for family care have long-term financial implications.

While men and women save similarly for pensions early in their careers, the gap widens significantly with time, culminating in women having roughly £60 for every £100 saved by men at retirement. Compounding this, women typically live longer, necessitating more substantial savings for a more extended retirement period.

EMPOWERING WOMEN IN FINANCIAL PLANNING

Dispelling the myth that women are less interested in pensions is crucial, as many are now more empowered and proactive in managing their long-term finances. Starting to save early is vital for overcoming gender-specific barriers. Establishing a retirement fund as soon as possible allows small contributions to grow over time. Regularly reviewing



pension savings is also essential, ensuring alignment with retirement goals.

Consider increasing pension contributions when receiving a pay rise, especially if employer matching is available. This can significantly amplify retirement savings. Planning for retirement involves more than just financial considerations; it requires envisioning how you wish to spend your time post-retirement. Whether enjoying leisure activities or travelling, understanding these desires helps estimate retirement costs more accurately.

COLLABORATIVE PLANNING FOR COUPLES

If you are part of a couple, joint planning is beneficial. Contributing to each other's pensions and maximising State Pension entitlements ensure both of you can enjoy a comfortable retirement. Managing pensions can seem complex, but we can provide guidance. We can help demystify pension schemes and build confidence in handling your retirement savings. ■

TIME TO PLAN TO ENSURE YOU HAVE A FINANCIALLY SECURE RETIREMENT?

For further personalised advice tailored to your current circumstances, please contact us. Let us help you navigate these challenges to ensure a financially secure retirement.

Source data:

[1] Royal London's research is based on nearly two million workplace employees, with a 41% female and 59% male split – data at the end of H1 2024.

[2] The research was conducted between 31 July and 5 August 2024, and 3,693 UK workers had workplace pensions.

[3] <https://www.bbc.co.uk/news/business-52660591>

[4] <https://www.ons.gov.uk/people-population-andcommunity/births-deaths-and-marriages/ageing>

AUTO-ENROLMENT HAS BOOSTED SAVINGS AMONG WOMEN, YET THE INTERRUPTIONS CAUSED BY PARENTHOOD AND CAREGIVING CONTINUE TO AFFECT THEIR PAY, CAREER ADVANCEMENT AND, ULTIMATELY, THEIR PENSION SAVINGS. DECISIONS TO REDUCE WORK HOURS FOR FAMILY CARE HAVE LONG-TERM FINANCIAL IMPLICATIONS.

THE ROLE OF TRUSTS

Providing timely financial support to your loved ones when they need it most

ENSURING THE FINANCIAL SECURITY OF LOVED ONES IS A PARAMOUNT CONCERN IN FINANCIAL PLANNING. YOUR LIFE INSURANCE POLICY IS A SIGNIFICANT ASSET, AND BY PUTTING IT IN AN APPROPRIATE TRUST, YOU CAN MANAGE HOW YOUR BENEFICIARIES RECEIVE THEIR INHERITANCE. THIS APPROACH OFFERS NUMEROUS ADVANTAGES BEYOND THE BASIC PROVISIONS OF A STANDARD LIFE INSURANCE POLICY, ENHANCING THE EFFICIENCY AND SECURITY OF THE PAYOUT FOR YOUR BENEFICIARIES.

One of the primary benefits of placing a life insurance policy in trust is bypassing the often lengthy probate process. When a policy is written in trust, the payout can be made directly to the beneficiaries without the need for probate. This means that funds are accessible much more quickly, providing timely financial support to your loved ones when they need it most.

TAX-EFFICIENCY ADVANTAGES

Another significant advantage is the potential for tax efficiency. Trusts can help avoid or reduce Inheritance Tax on the payout, ensuring that a greater portion of the policy's value reaches your beneficiaries instead of being lost to taxes. This can make a substantial difference in the financial wellbeing of your dependents.

CONTROL OVER DISTRIBUTION

Trusts also offer enhanced control over how and when the proceeds are distributed. With a Discretionary Trust, for example, you can specify the terms of distribution, allowing the

trustees discretion in determining the timing and allocation of funds. This ensures that your intentions are honoured and provides a mechanism to support beneficiaries according to their specific needs.

PROTECTION FROM CREDITORS

Assets held within a trust are generally protected from creditors, safeguarding the financial security of your dependents from external claims. This protection ensures that the payout is more likely to reach your intended beneficiaries without being diverted to settle outstanding debts.

FLEXIBILITY AND ADAPTABILITY

Trusts provide a flexible and adaptable solution for managing life insurance policies. They can be tailored to meet your specific needs and adjusted as circumstances change, ensuring that your financial planning remains robust and relevant over time. This flexibility makes trusts a valuable component of any comprehensive financial strategy.

ENSURING FINANCIAL SECURITY

Writing your life insurance policy in an appropriate trust is a strategic decision that can significantly enhance the financial security and efficiency of the payout for your beneficiaries. By taking this step, you can ensure that your loved ones receive the maximum benefit from your policy in a timely manner, free from unnecessary delays and tax burdens.

CHOOSING THE RIGHT TRUST FOR YOUR LIFE INSURANCE

Options available, each with distinct features and benefits.

DISCRETIONARY TRUSTS

In a Discretionary Trust, your trustees are granted a high level of discretion concerning which beneficiaries receive the payout and when. This flexibility allows trustees to make decisions based on your letter of wishes, which guides them in administering the trust according to your intentions.

FLEXIBLE TRUSTS

A Flexible Trust includes both default and discretionary beneficiaries. Default beneficiaries are entitled to any income generated by the trust, though life insurance policies typically do not produce income. Discretionary beneficiaries, on the other hand, receive capital or income only if the trustees choose to allocate it during the trust period. If no distributions are made, default beneficiaries will ultimately receive the benefits.



SURVIVOR'S DISCRETIONARY TRUSTS

This type of trust is designed for joint life insurance policies, paying out to the surviving policy owner. For instance, if you pass away before your partner, they would inherit the policy. If both policyholders die within 30 days of each other, the beneficiaries can access the funds as per a standard Discretionary Trust.

ABSOLUTE TRUSTS

An Absolute Trust names specific beneficiaries who cannot be changed, even if circumstances such as new births or divorce occur. This trust type ensures quick payouts without lengthy legal delays and typically offers favourable Inheritance Tax implications.

ALIGNING WITH YOUR LONG-TERM FINANCIAL GOALS

While placing life insurance in an appropriate trust offers numerous advantages, it's crucial to weigh these benefits against potential downsides. Understanding the implications can help you make an informed decision that aligns with your long-term financial goals.

IRREVERSIBILITY OF THE DECISION

One of the most significant aspects of placing a life insurance policy in trust is the irrevocable nature of the decision. Once the policy is committed to a trust, it cannot be withdrawn or reversed. This permanence means that individuals must be absolutely certain of their

choice, as changing circumstances cannot alter the trust once established. The irrevocability demands thorough consideration and foresight, ensuring the decision fits your plans and intentions.

LOSS OF PERSONAL CONTROL

Another consideration is the relinquishment of control over the life insurance policy. Once in a trust, any decisions regarding the policy must be approved by the appointed trustees. This can be particularly challenging for individuals accustomed to managing their financial affairs independently. The need for trustee approval can introduce complexities and delays, especially if the trustees have differing views or interpretations of the trust's intentions.

DURATION AND FLEXIBILITY OF TRUSTS

Trusts are designed to be long-term arrangements. Technically, a trust can last up to 125 years, especially if established for charitable purposes. However, the duration of a trust is typically tailored to fit personal circumstances. For example, a trust might be set to last until a child reaches a certain age or milestone, such as marriage. This long-term nature requires careful planning to ensure the trust remains relevant and effective throughout its lifespan.

While the benefits of life insurance trusts, such as tax efficiency and protection against probate, are enticing, it's essential

to consider these potential drawbacks seriously. The irrevocable nature and loss of control may not suit everyone's situation, particularly if future flexibility is a priority. ■

LOOKING FOR A SOLUTION THAT BEST FITS YOUR NEEDS AND ENSURES YOUR FINANCIAL SECURITY GOALS ARE MET?

If you want to explore the benefits of writing a life insurance policy in an appropriate trust, we can provide guidance to help tailor a solution that best fits your needs and ensures your financial security goals are met. Please contact us for further information or personalised advice to take control of your financial future today.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH.

TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

THE FINANCIAL CONDUCT AUTHORITY DO NOT REGULATE TAX PLANNING.