

Protective Gifting Trust

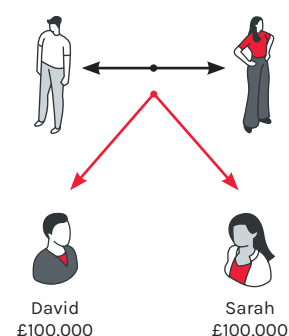
The Protective Gifting Trust is an uncomplicated but extremely effective estate preservation trust framework that is available to married couples and those that are single.

The main benefit to this exceptional planning is long term wealth preservation for your children by protecting lifetime gifts from taxation and other social impacts such as children divorcing. The Protective Gifting Trust can also be a valuable vehicle to reduce your own inheritance tax (IHT) liability with each gift made falling outside of your estate following a seven year survival period.



Gifting

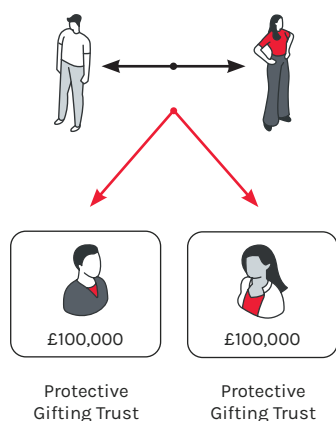
Gifts to children are often made absolutely with little consideration given to the **UNPROTECTED** nature of such gifts and the damaging effects social impacts can have on the gifted assets.



-  **Divorce or Separation - 50% POTENTIALLY LOST!**
Should children divorce then all assets may be divided 50/50 as part of the divorce settlement.
-  **Tax - 40% LOST!**
Any gift made forms part of your children's estates and therefore is potentially chargeable to inheritance tax at 40%.
-  **Bankruptcy - 100% POTENTIALLY LOST!**
Should any of your children ever be declared bankrupt then 100% of the gift made could be lost.
-  **Creditors - 100% POTENTIALLY LOST!**
100% of the gift made may be lost from claims by creditors.

Solution

A Protective Gifting Trust is established during your lifetime. The planning involves establishing a trust or trusts that will receive gifts immediately. Children now receive assets in a **PROTECTED** manner with many benefits.



-  **Divorce or Separation - UP TO 100% PROTECTED!**
Should your children get divorced then it is more difficult for the assets loaned from a trust to be included in any divorce settlement.
-  **Tax - 40% SAVED!**
The gift's do not form part of your children's estates and therefore could save inheritance tax at 40% for them.
-  **Bankruptcy - UP TO 100% PROTECTED!**
Should any of your children ever be declared bankrupt then the gifts made can be protected from bankruptcy claims.
-  **Creditors - UP TO 100% PROTECTED!**
Any gifts made to children can be protected from claims from creditors.
-  **Bloodline Protection - UP TO 100% PROTECTED!**
As the loans made by the children from the trust are repayable (typically on death) the money can pass down to your grandchildren or other chosen beneficiaries therefore **keeping the money in the family for up to 125 years!**

The above framework shows a trust established for each child. Children can now receive the gifts as **loans** from the trust.

Legal Services

Case Study

Julie Smith is single and has 2 children. One of the children is unmarried, and the other, David, is married but the relationship has had its ups and downs. David is now looking to buy his first house and Julie would like to use some of her own savings to help him get onto the property ladder. She wants to gift David £100,000 knowing that in 7 years this will be outside of her own estate for inheritance tax but she is very concerned that if David's relationship fails, some of the gift may be claimed by his spouse.

Julie establishes a Protective Gifting Trust and transfers the money to David as a loan, meaning that David benefits immediately from the funds. The loan is then assigned to the Trustees of the trust and a loan agreement drafted between the Trustees and David. David can now purchase a property and if a mortgage is involved their are providers that accept Trust loans as a source of funds. David will have a recorded debt back to the trust, which is exercisable by the Trustees should David's relationship run into difficulty in the future.



Case Study

Julie and Simon Smith have an estate valued at £1.3million including a buy-to-let (BTL) property that is valued at £300,000. They have established a Beneficiary Protection Trust structure to protect their assets following their death. They have excess income and do not need the income from the BTL to maintain their lifestyle. They are keen to reduce their own inheritance tax liability.

Their only daughter, Sarah is taking a career break to raise their grandchild. Julie and Simon establish a Protective Gifting Trust (PGT) and transfer the BTL into the Trust. The Trust will receive the income generated from the BTL which can then be directed to their daughter. **Julie and Simon will also save £120,000 in potential inheritance tax if they survive seven years.** The PGT will also provide bloodline protection should their daughter's relationship face difficulties in the future.



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