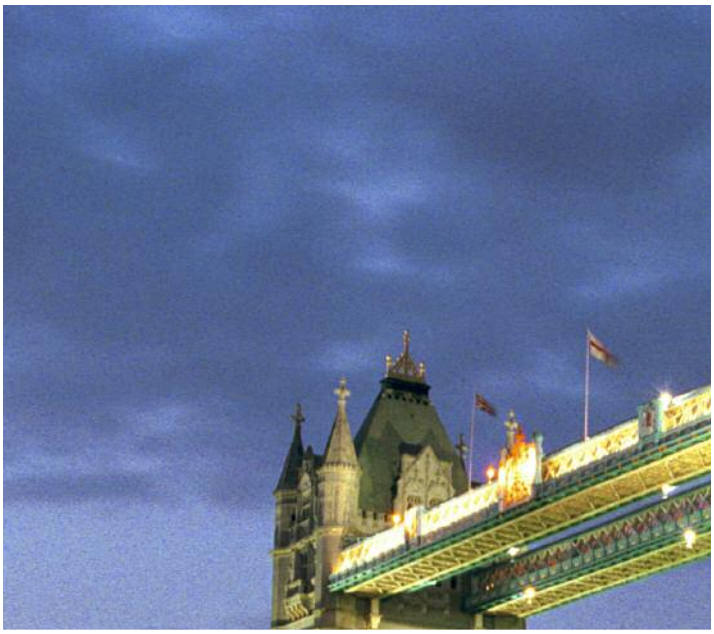
ascentric
the whole of market wrap

The WAY Flexible Inheritor Plan



Strategies for mitigating Inheritance Tax whilst retaining access to funds

Introducing the WAY Inheritor Plans on Ascentric

A range of flexible trust solutions to protect family assets from Inheritance Tax.

The Government has progressively retrenched from the previous 'voluntary tax' approach so eloquently summed up by Roy Jenkins in 1986 when addressing the House of Commons - *"IHT is, broadly speaking, a voluntary levy paid by those who distrust their heirs more than they dislike the Inland Revenue"*. Moves over recent years have increasingly targeted those wishing to mitigate this tax. Meanwhile IHT on death has become an effective wealth tax aimed at depriving successful accumulators of wealth, upon whom the UK is so dependent, of the ability to pass their hard-earned and after-tax savings and investments on to their chosen heirs.

WAY Investment Services offers a range of Inheritance Tax (IHT) mitigation structures which utilise bespoke trusts to assist investors in protecting their investment portfolios from this tax. These strategies have the benefit of putting assets beyond the reach of the tax man whilst retaining flexible access for the investor (the 'Settlor' of the trusts) and his or her family. Investors with portfolios managed on the Ascentric platform can now protect those assets from IHT by utilising one or more of the WAY trusts.

WAY offers trust structures to enable investors to 'effectively' remove assets from their taxable estates in a number of ways:

- Removing capital sums which are within their available IHT Nil Rate Band allowance. Such transfers into trust will generally fall out of account once the Settlor has survived 7 years from the date of the transfer (at which point a new allowance becomes available).
- Protecting regular annual sums from surplus after-tax income which, subject to strict conditions laid down by the Inland Revenue (now part of the merged HMRC), will achieve immediate exemption from IHT.
- Ring-fencing future portfolio gains, which over long periods of time can be substantial, whilst leaving the original portfolio value available to the Settlor.

This document is an introduction to the mitigation of IHT on capital sums (investment portfolios) via the WAY Flexible Inheritor Plan. Please note that important comprehensive technical detail and tax implications of this plan are incorporated in the associated document – WAY Inheritor Terms & Conditions.

WAY Investment Services Limited

In partnership with a number of specialist investment managers, wrap platforms and selected financial intermediaries, WAY Investment Services delivers a range of services and strategies designed specifically to encompass the wide-ranging investment and financial needs of wealthy investors. WAY Investment Services is an appointed representative of WAY Fund Managers Limited which is Authorised and Regulated by the Financial Services Authority.

Ascentric – the whole of market wrap

Ascentric is an independent asset consolidation, management and valuation service for clients of selected Independent Financial Advisers. A full 'whole of market' wrap platform offering access to a comprehensive series of investment products and tax wrappers (including ISA, SIPP, SSAS and offshore bonds) as well as straightforward investment in shares, OEICs, unit trusts, bonds and cash. Ascentric is part of the Royal London Group. Authorised and Regulated by the Financial Services Authority.

The designer and trust administrator of the plan described in this document is:

WAY Investment Services Limited

Cedar House, 3 Cedar Park, Cobham Road,
Wimborne, Dorset BH21 7SB

www.wayinvestments.com
Telephone: 01202 890895
Facsimile: 01202 890894
Registered in England No 3181187

WAY Investment Services Limited is a wholly owned subsidiary of WAY Group Limited and an Appointed Representative of WAY Fund Managers Limited which is Authorised and Regulated by the Financial Services Authority.

The WAY Flexible Inheritor Plan

The WAY Flexible Inheritor Plan is a specially designed strategy for investing primarily for growth in a managed portfolio of collective funds whilst taking vital steps to protect one's wealth from future Inheritance Tax liabilities.

Inheritance Tax Mitigation

The most reliable method of reducing Inheritance Tax is for an investor to gift assets to his/her beneficiaries while still alive. So long as he/she then lives a further 7 years after the date of the gift, the assets are deemed to be outside the estate and will not suffer Inheritance Tax on the donor's death. However there are conditions on such gifts, the main one being that the donor may not retain any control over nor receive any benefit from the gifted assets (which would otherwise be 'gifts with reservation'). For an investor who relies on his/her capital to generate either regular or irregular 'income' this can therefore be problematical. The WAY Flexible Inheritor Plan overcomes this challenge.

The WAY Flexible Inheritor Approach

The WAY Flexible Inheritor Plan is an ideal strategy for mitigating IHT as it allows the investor to remove assets from their taxable estate but without losing access to those funds. The Plan uses an Interest-in-Possession trust, with independent corporate trustees, to enable Settlors to direct trust income and capital to their chosen and named beneficiaries in stated proportions. The plan offers sufficient flexibility to add further potential beneficiaries to a second appointed class to reflect real life changes in an increasingly uncertain world and to vary beneficiaries' interests. Any future changes to beneficiaries' interests will have no personal IHT implications for any of the beneficiaries.

Chargeable Transfers into Trust

As from 22 March 2006 any gift into trust constitutes a chargeable lifetime transfer. This means that most Settlors choose to make gifts limited to their available Nil Rate Band (NRB) to avoid incurring a lifetime transfer charge. Those wishing to achieve mitigation on values in excess of their NRB may make absolute gifts under the Potentially Exempt Transfer (PET) rules – contact WAY for suitable trusts – defer further gifts for 7 years, at which point the NRB will become available again, or consider the WAY Inheritor Loan Plan.

There are specific rules about the calculation of any potential tax at the time of making a chargeable transfer. Previous transfers may be brought into account – see the associated Terms & Conditions.

How the WAY Flexible Inheritor Plan Works

The investor decides how much of his/her assets should be placed within this tax mitigation arrangement and, via the Ascentric wrap service, initially purchases units in a cash fund to this value.

He/she then gifts these cash units into a special Inheritor trust for the benefit of their chosen beneficiaries. This gift constitutes a chargeable transfer (generally utilising the Settlor's NRB) and the survival clock starts ticking. Generally, so long as the Settlor survives 7 years from the time the gift is made, then the value of the transfer into trust will escape any Inheritance Tax which would otherwise have been payable on his/her death. The Settlor, with advice from the adviser, also specifies how he/she would like the portfolio invested once the transfer is complete (the corporate trustees arrange the sale of the cash units and subsequent portfolio reinvestment).

'Income/Capital' Reversions for the Donor

The trust is a very carefully constituted instrument in which the Settlor divides the whole investment into a series of defined 'investment parcels' which are to be progressively reverted (one each year) from the trust back to him or herself. The Settlor can utilise these reversions in lieu of 'income' and/or as capital withdrawals. Reversions are made via 'in specie' transfers of units/shares so that the Settlor may decide whether they should be kept and accumulated, passed on in part or in full to children or grandchildren or simply cashed in for value.

Family Flexibility built in

The trustees will take account of the requirements and wishes of the Settlor on an ongoing basis via formal 'letters of wishes'. This input from the original owner of the assets, together with the trust wording within the WAY Flexible Inheritor Plan, affords the trustees an exceptional degree of control over the level of actual reversions made available to the Settlor each year.

In considering the Settlor's wishes the trustees may, at their sole discretion, decide to defeat or defer all or part of each individual prescribed annual reversion - which the Settlor will have set at a generous level to take this into account. Deferred, or partially deferred, reversions are then re-dated by the trustees to potentially become available later.

As a result of, and linked to, this flexibility over reversions, the trustees are granted further important powers - to lend or appoint assets out to beneficiaries if and when they think fit. This permits the trustees, normally following an expression of wishes from the Settlor, to assist family members in times of need should it ever be necessary.

The Settlor

The Settlor is due to receive the annual reversions of capital (investment parcels) specified in the trust deed. The trustees may, however, use their powers to tailor these reversions to offer the Settlor only what is required each year. This will enhance the benefits for the other beneficiaries.

Because the Settlor has an interest in the trust (via future reversions) he/she is the tax point for any potential Income Tax which may arise in relation to investments held within the trust. Since the trust assets are generally invested in low or nil yielding growth funds, any such liability tends to be minimal.

The Beneficiaries

The interest-in-possession beneficiaries will receive any trust income which arises, after the deduction of trust expenses, but in most cases where trust assets are invested for capital growth this will be nominal.

The design of the plan is such that over time the value of the trust may grow at a faster rate than the value of the actual annual reversions to the Settlor. Any net increase in value will occur outside the Settlor's estate for Inheritance Tax purposes, regardless of the date of death.

In the event that the Settlor survives 7 years after making the gift then **the value of the initial transfer** will also fall outside the Settlor's taxable estate for Inheritance Tax purposes.

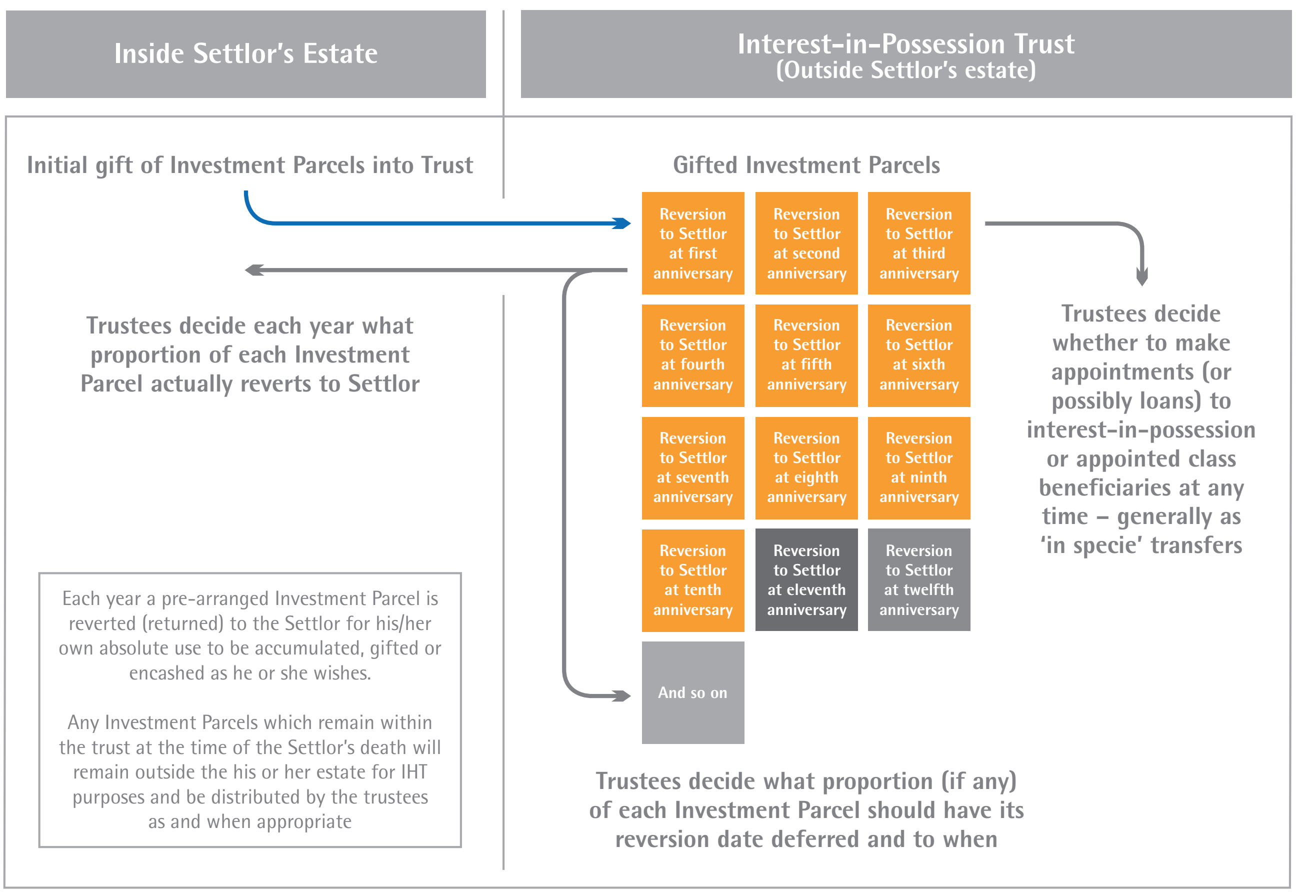
The death of the Settlor will not trigger any immediate Capital Gains Tax liability on the growth in value within the trust. However, throughout the life of the trust the trustees will need to account for CGT on any realised gains, including on the occurrence of reversions to the Settlor and any distribution of trust assets to the named beneficiaries. Any liability will be net of the trustees' annual exemption.

Adding Beneficiaries

The trust wording includes a second class of beneficiaries (which includes the named beneficiaries plus their children and remoter issue) to whom assets may be appointed by the trustees on a discretionary basis. The trustees are empowered to add further named beneficiaries to this appointed class at any time.

(Please note that appointments of assets to beneficiaries out of the trust are potentially subject to a small exit charge for IHT, but only in instances where there was an initiation charge or a periodic charge at the last 10 year point for trusts older then 10 years. Such a charge is unlikely but please refer to notes on page 4.)

Trustee options within the WAY Flexible Inheritor Plan



Further Information

Trustees

A sophisticated trust comprising a managed portfolio ideally requires the services of a professional trustee. The default trustee for the WAY Flexible Inheritor Plan is WAY Tax and Trustee Advisory Services Limited which is able to act independently as corporate trustee of the Plan and will act in accordance with the terms of the trust and in line with the Terms of Business between it and the Settlor.

Single Investor Plans Only

The WAY Inheritor Plans are available as single Settlor plans only. This is because we passionately believe that such arrangements offer the maximum flexibility. As an example, the Inheritor Trusts empower the trustees to add further named beneficiaries to the appointed class at any time. This means that they may add a widow/er or civil partner as a beneficiary (but only) after the death of the Settlor - permitting appointments of capital or loans to be made to that person from their deceased partner's trust. This can further enhance the benefit of the plan.

Insuring the first Seven Years

Investors in the WAY Flexible Inheritor Plan may choose to arrange level term assurance (in trust for the beneficiaries) to defray any additional IHT payable by the estate on death within 7 years. Such cover is readily available within the market and should be arranged independently of any decision to invest in the WAY Flexible Inheritor Plan.

Other IHT considerations

With careful planning and the use of reversions, WAY Inheritor is unlikely to incur future periodic and/or exit charges. However, even where periodic charges apply, they will be at a maximum rate of 6% every 10 years, based on trust values at each 10 year anniversary, but only if applicable, on that element of trust value in excess of the then available Nil Rate Band. This compares favourably with the IHT death rate of 40%.

Remember also that 6% is equivalent to an annual compound charge of approximately 0.6% per annum which one would hope might be covered by the underlying performance of the trust assets.

Note that completion of the HM Revenue and Customs (HMRC) form IHT100 is compulsory where the value of the transfer, when accumulated with previous Chargeable Lifetime Transfers made in the preceding 7 years, is in excess of the currently prevailing Nil Rate Band for IHT purposes.

Completing more than One Trust

When completing trusts at or near the Nil Rate Band, investors might consider splitting their gifts so that each individual trust may subsequently have its own Nil Rate Band. In this case trusts should not be established on the same days and it may be prudent to have slightly different beneficiaries (e.g. one for son, one for daughter and one for combined).

PLEASE REMEMBER

It should be noted that tax legislation may change from time to time and the value of any tax relief may depend on the Settlor's individual circumstances. The information contained within this document is based on WAY's understanding of current law and HMRC practice as at April 2009. **Settlors should rely on their own tax advice. The stated tax implications cannot be guaranteed.**

Reversions will be withdrawals of the Settlor’s original investment. Depending on the rate at which reversions are taken and the growth of the Investment Parcels remaining within the trust, these 'drawings' may result in an erosion of the overall trust capital.

Past performance is not necessarily a guide to future performance. The price of units/shares 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.

The designer and trust administrator of the plan described in this document is:

WAY Investment Services Limited
Cedar House, 3 Cedar Park, Cobham Road, Wimborne, Dorset BH21 7SB

www.wayinvestments.com Telephone: 01202 890895 Facsimile: 01202 890894 Registered in England No 3181187