WAY One Page Guides® for IFAs

WAY Regional Managers

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Please Note:
This document is for the use of and is directed at Financial Intermediaries only. No reliance must be placed on this information by any other persons. This is an outline guide only. Full details of the Plan/Product described can be found in the appropriate WAY brochure. Copies of all WAY literature are available from your Regional Manager or at www.wayinvestments.com
All information correct as at 1st January 2010

The WAY " Gifts from Income" Inheritor Plan

Objectives

- To remove Surplus income from the Planholder's estate in order to mitigate Inheritance Tax (IHT).
- To allow the Planholder to retain access to scheduled capital withdrawals.
- To provide sufficient flexibility so that the Planholder can adapt the Plan to their changing needs
- To deliver good growth potential from a well diversified risk-graded international portfolio.

The mechanics of the plan

- The Planholder needs to identify that they enjoy an excess of net income over regular expenditure, such that they could gift away or spend this income each year without impinging on their standard of living
- Such qualifying income would be net of income tax- for example salary, pension, profits from self employment, interest, dividends and or rent received
- The Planholder uses this excess to make an annual investment into one or more of the risk graded WAY Portfolio Funds.
- Each annual investment is immediately gifted into a highly flexible Interest in Possession Trust under the control of appointed Trustees for the eventual benefit of chosen beneficiaries.
- The trust "carves out" two reversions of investment parcels to provide future access to capital – half of the trust fund value at the 5th anniversary and the remainder at the 10th anniversary
- When these anniversaries are reached the reversions may be postponed in whole or in part to any later anniversary by the trustees so that the Planholder only receives precisely what they need from each reversion, with the remainder staying within the shelter of the trust
- Trustees can appoint or lend capital to beneficiaries at any time.
- Trustees can appoint additional Beneficiaries or deny existing Beneficiaries if required.
- A spouse may be appointed as a potential Beneficiary after the Planholder's death and benefit from appointments of capital, or loans, which can help to mitigate their own IHT liability.

Tax benefits

- The initial gift is an Immediately Exempt Transfer and is therefore made without an immedaite tax charge, provided that the rules under the Inheritance Act 1984 s21(1) are met.
- The whole investment is therefore immediately outside of the estate for IHT purposes.
- The Planholder's investment can be made directly into WAY Unit Trusts or OEICs, or via an offshore bond wrapper. The Planholder may choose the most efficient tax regime for accounting for the gains – Capital Gains Tax or Income Tax – according to their circumstances.
- Periodic and/or exit charges on the trust may be avoided by monitoring the accumulating value in the trust and stopping contributions (if headroom under the nil rate band becomes an issue) or by establishing multiple trusts at the outset.

Further information and help

- Simply call your local WAY Regional Manager – see the list on the left.

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