

Sandra Daniells



OVERVIEW

Sandra owns a successful care home business which regularly has excess cash sitting dormant within the company account. With two sons, it was imperative Sandra to find mitigating the Inheritance Tax (IHT) her sons would otherwise be liable for.

The key for Sandra was protecting both her own and her late husband's legacy, for their children. Whilst Sandra already has previously purchased investment property, she is keen to continue with property investments in the a tax efficient manner and protect existing assets for her family.

THE SITUATION AND GOALS

As protecting her late husband's legacy was one of Sandra's key priorities, she started her journey with some general research into IHT and how to reduce this liability. At this point, Sandra explains she "couldn't find much information. I spoke to a few companies about mitigating IHT, but they were not useful. A couple suggested I take out life insurance, but the premiums versus the returns were far from favourable."

Sandra had been investing in property for several years, so she was familiar with the asset class and knew it to be a profitable option. Additionally, with excess cash sitting unused in her limited company, she knew there could be a better use for these profits.

Sandra was looking for a solution that achieved three main goals:

- 1. Protecting her late husband's legacy and her own for their children**
- 2. Protecting her company surplus and investing it profitably, but without huge tax liability**
- 3. Increasing investment opportunities to grow her own wealth for use within her own lifetime**

WHO?

Each client receives their own dedicated consultant who takes the time to assess the client's situation and advise on whether the structures that TLPI offer would be appropriate, and if so, how to best tailor them to the individual's circumstances. Sandra and her accountant were next invited to attend a Zoom consultation of which she recalled:

“ Jordan gave me the knowledge and information to decide if I felt comfortable with the product. He explained, “If the product is not right for you, we don’t pursue it,” which gave me a degree of confidence – he wasn’t pushy! ”

WHY?

The Family Investment Company is designed to protect family wealth from excessive IHT charges by separating it from the estate and putting it in trust, which was exactly what Sandra was looking for. In addition, it facilitates moving the excess cash from her successful business into this ring-fenced environment. As a result, the Corporation Tax bill for her company is minimised and the threat of losing Business Property Relief (BPR) and paying a 40% HMRC bill is gone. Unlike a traditional trust, the FIC offers more flexibility and control over the funds and what to do with them. Using this pot, Sandra can also invest and grow her wealth. She was already familiar with property investment from previous experience with buying and owning property but added that:

“ Jordan was great in explaining the other different HMRC compliant asset classes and types of investments that could be made using a FIC. ”

HOW?

Sandra used her excess company cash, which at the time was sitting dormant in her company, to start her FIC. As a limited company director, Sandra was also eligible for a Small Self-Administered Scheme (SSAS) which she took out at the same time as her Family Investment Company. Combining the two innovative products creates the ultimate tax planning solution. The SSAS can receive profits from the FIC without facing tax penalties, among other benefits of integrating the two.

THE APPROACH

TLPI's aim is to understand an individual's situation through an initial free consultation. This covers what the client is trying to achieve and how we can remove the pain points taking up their time, energy, and resources.

After speaking to Jordan and explaining her situation, it became obvious that the FIC would be the perfect vehicle to help Sandra achieve each of her goals. She would be able to retain control of her funds and assets, whilst continuing to invest accumulate and protect wealth. By naming her sons as beneficiaries, they become part of Sandra's FIC, thus removing IHT liabilities.

THE RESULT

Sandra has started using her Family Investment Company to make further property investments. She recently purchased a holiday let in the Isle of Wight which now earns her income as a sub-let, but can also be used for her own stays as and when she chooses.

Most recently, Sandra explored the option of hands-off property investment. This can include loans to developers or other less time consuming and complex ways of leveraging the knowledge of those with more experience. Typically, this form of investment offers fixed returns over a set number of years.

Whilst property is the asset class Sandra is most familiar with, having had previous property investment experience, she is also open to other investment options going forward and is learning about the choices available to her.

The investment capabilities of the FIC are certainly an attractive factor, however, as mentioned, Sandra's priority was mitigating Inheritance Tax for her sons. Through the FIC, Sandra has peace of mind that her assets and wealth are held outside her estate, thus free from Inheritance Tax for her sons. As beneficiaries of the FIC, their interests are protected should the worst happen.

Going forward, Sandra hopes to also integrate her husband's investment property into the family tax planning strategy.

SUMMARY

“ I bought a holiday let in the Isle of Wight with some of the company cash in the FIC.” ”

For those in a similar position, especially those looking to avoid a IHT bill for their families, Sandra recommends that the FIC is well worth learning about:

“ My accountant didn't know about this product, so it is worth doing the research, and speaking to people like TLPI if you have questions. Good advice saves you a lot of money in the long run! ”

Jordan suggested Sandra invite her accountant to join the Zoom meeting to save her time explaining the product to him and allowing him to ask his own questions. *It is paramount that the client is comfortable with the strategy and fully understands the products before making the decision as to whether or not it will suit their personal financial situation*

“ I wish my husband had known about the FIC. If you don't do this early enough, you could lose out.” ”

WORKING WITH OUR CLIENTS, WE AIM TO:

1. Understand their personal situation
2. Apply expertise and knowledge of over one thousand tax benefits and subsidies available to company directors
3. Provide the knowledge and understanding needed to make informed decisions about ALL their wealth assets and options
4. Apply 360° strategies to mitigate tax liability
5. Achieve the control and flexibility required to leverage current wealth to grow the business and assets
6. Free up time, by consolidating the many areas of the business and personal financial situation into one strategy for optimising tax and growth