

# Alleviating the financial burden of inheritance tax

## About the client

Paul and Claire are in their late thirties and live in Surrey. Paul's wife Claire is a stay at home mum to their three young children, aged 2, 4 and 7. Paul works in London as a marketing manager. He has a large mortgage on his property and some credit card debt. He also desperately needs to move to a bigger house to accommodate his growing family.



Paul's parents were clients of Foster Denovo. Before Paul's mother passed away some years ago, Paul's parents took out a whole of life insurance policy as part of their financial planning. Unfortunately, Paul's father also died at the end of 2016, aged just 67. Paul was an only child.

## Their problem

Although not wealthy, Paul's parents did own their three bedroom detached home, also in Surrey, and had savings of around £30,000. Fortunately, Paul's parents had taken advice from us and had both written their Wills. They had planned ahead and thought about the issues that probate could cause Paul when he came to inherit. Paul was the sole beneficiary of their Wills.

When the time was right, Paul wanted to sell the property his parents owned, but before this could be done inheritance tax was due on the estate. This has to be paid before probate could be granted, and Paul could sell the house.

## Their solution

Not only had Paul's parents taken financial advice, they also had the foresight to plan and realised their home would most likely reach the inheritance tax threshold (£850k for a married couple with a home for 2017/18 tax year) and that Paul would not have the means to pay the inheritance tax when it was due. They were aware Paul had a large mortgage with little equity, and being stretched financially, he would need to arrange, potentially, costly finance to pay the inheritance tax due. That's even if he could secure it.

“After speaking to a Foster Denovo regulated financial adviser, Paul's parents took out a whole of life insurance plan to pay £150,000 on the second death, in this instance, on Paul's dad's death.”

It helped alleviate Paul's financial burden of paying a substantial inheritance tax bill, reduced the overall inheritance tax that was due (as they paid the monthly premium which reduced the value of their estate) but most importantly, they had organised their financial affairs for their son, and their grandchildren's benefit, in a simple and accessible way.

**If you'd like to learn more, contact your Private Client Partner, or call 0330 332 7866\*.**

\*Calls are charged at your standard landline rate.