

ioma info

IN FOCUS: FLEXIBLE INHERITOR PLAN

Product Objective

To provide an immediate reduction in your estate's Inheritance Tax liability, with further savings after seven years, whilst allowing you to retain some flexible access to your money for your own purposes, as well as to maintain control over who may receive your assets on your death.



How does the Product work?

Step One

Single settlor sets up whole of life unit-linked offshore bond (e.g. £100,000 premium).

Step Two

Bond has a non-surrenderable guaranteed sum assured – typically 80% of the premium.

Step Three

Bond is assigned into trust*; the sum assured (e.g. £80,000) is reserved for named beneficiaries (not settlor). It is eligible for a discount for Inheritance Tax purposes because the £80,000 is a future value (the sum assured is not surrenderable and only accessible by the beneficiaries on death of settlor). The £80,000 can therefore be discounted to a net present value based on the life expectancy of the settlor (e.g. discount for 75 year old male is 34.6% reducing £80,000 to £52,317).

Step Four

The balance of the bond (i.e. £20,000) plus investment growth on the entire bond is retained for the use of the settlor and can be used for any flexible withdrawals, rainy day fund, and future gifts under the annual IHT allowance.

Step Five

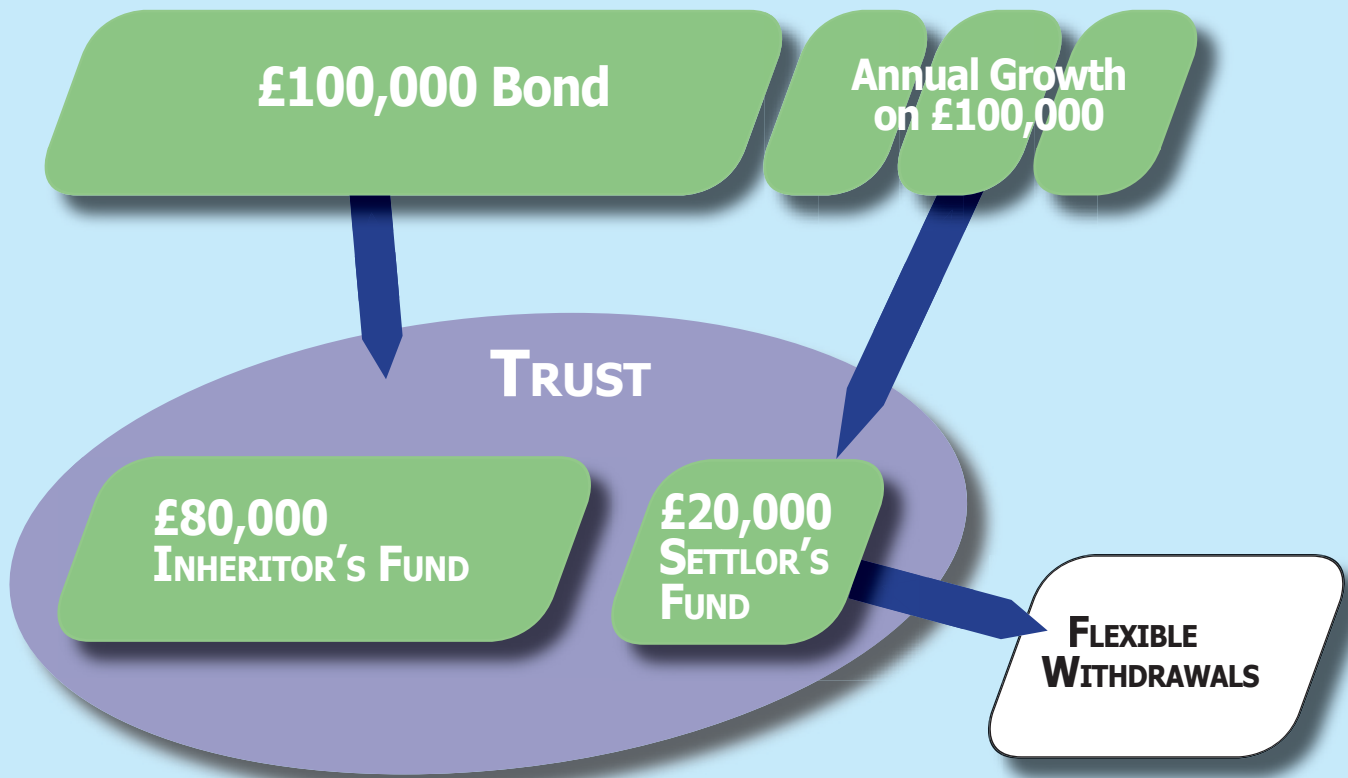
On death of settlor, bond matures. Trustees pay sum assured to beneficiaries, and balance falls into the estate and paid to trustees for distribution to the beneficiaries of the will.

* Trusts

1. Bare Trust: Assignment into a Bare Trust is considered to be an absolute gift from the settlor to the beneficiaries and is therefore a Potentially Exempt Transfer (PET) for Inheritance Tax purposes.
2. Interest In Possession Trust: Assignment into an Interest In Possession Trust (IIP) provides the settlor the flexibility to appoint/remove beneficiaries now and in the future. Transfers into an IIP Trust falls under the Chargeable Lifetime Transfer (CLT) regime for IHT purposes.

For further information on which trust arrangement best suits your individual needs, please contact your financial adviser.

FIP ILLUSTRATION FOR 75 YEAR OLD MALE



INHERITOR'S FUND - FEATURES

- Accessible on settlor's death
- Discounted (£52,317) for IHT purposes during 7 years
- Outside estate after 7 years

SETTLOR'S FUND - FEATURES

- Funds any need for withdrawals flexibly
- In Estate

INCOME TAX CALCULATION ON DEATH

After ten years client dies, having taken £50,000 of untaxed capital withdrawals.
Bond matures at £100,000. Original investment was £100,000.

Surrender value immediately before death:	£20,000
Untaxed withdrawals:	£50,000
Initial Premium:	(£100,000)
Chargeable Gain:	(£30,000)

Income Tax: £0

Isle of Man Assurance Limited a member of the IOMA Group.
Registered office: IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP, British Isles.
Telephone: 44 (0) 1624 681200 Facsimile: 44 (0) 1624 681391 email: ioma@ioma.co.im Website: www.ioma.co.im
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