

Save Tax & Keep What You Own Safe with a Property Protection Trust

1. For people whose Wills already Include Nil Rate Band Discretionary Trusts (NRBDT)

There are no disadvantages to keeping the NRBDT in your Will but many advantages as noted below. The wording used for the NRBDT is exactly the same as the Property Protection Trust (PPT) and is flexible enough for your Trustees to make the decisions to use it or not use it depending on what may be the best option at the time.

2. For people who have already done a Severance of Tenancy (SOT) to 'tenants in common'

There is also no need to change the way in which you own the property back from 'tenants in common' to 'joint tenants'. In fact, to ensure that the PPT would work as it needs to it must be kept as 'tenants in common'.

3. Using the New Transferable Inheritance Tax Nil Rate Band Arrangements may be difficult

Prior to October 2007 we would use a NRBDT in the wills of two people, married or in a civil partnership, to make sure that they received the full benefit of both of their Inheritance Tax (IHT) Nil Rate Bands (NRB). That would allow them to pay no IHT on a total of ~£650,000. The new regime allows spouses/civil partners to 'pass on' un-used Nil Rate Band to their spouses/civil partners on their death. To benefit from any un-used NRB on second death the tax authorities ask the executors to demonstrate that NRB was un-used on first death. This may be easy but it may be hard or impossible particularly if good records weren't kept concerning the financial affairs of the first to die or if many years pass between the first and second deaths. A Property Protection Trust (PPT) used on first death solves this problem completely.

4. Inheritance Tax Saving

Only one NRB can be passed on in this way. So widows/widowers who re-marry can't pass on the up to two NRB's they may have the use of on their death. In these circumstances PPT's can save IHT.

A PPT can also give IHT savings if the assets transferred into the trust are expected to grow in value at a faster rate than the anticipated future increase in the NRB. A house and land will often fall into this category!

5. Residential Care Fees

For spouses or civil partners after the first death if the survivor needs residential health care then potentially almost all of the survivors' wealth could be used up paying for it. A PPT can ensure that whatever is placed in the trust on first death is protected whilst still leaving it available to the survivor.

6. Keeping Assets 'Safe for the Children'

After first death the survivor can benefit from assets held in the PPT but whatever happens to the survivor, for example, re-marriage divorce or bankruptcy, the assets in the PPT are protected.

7. Keeping Control Of Assets Out of 'Unsuitable' Hands

A PPT can keep assets safe from, for example, children who would fritter the money away, whilst still allowing those children to benefit from the assets in a controlled way. A PPT could also be used for people who don't quite trust that their spouse/civil partner will pass the wealth on to the people 'agreed' today.

8. Unmarried Partners

A PPT can make the most of the Inheritance Tax (IHT) allowances available to unmarried partners and minimise IHT payable on second death.

9. Business and Agricultural Assets

Reliefs are available for business and agricultural assets that eliminate or substantially reduce IHT. Using a PPT can preserve that benefit so that it is not lost to people who in later life might sell their business or agricultural assets before death.

10. Children with Special Needs

If you look after children with special needs PPT's can be an effective way of providing for them in a way that does not stop any benefits the state or local authority may offer.