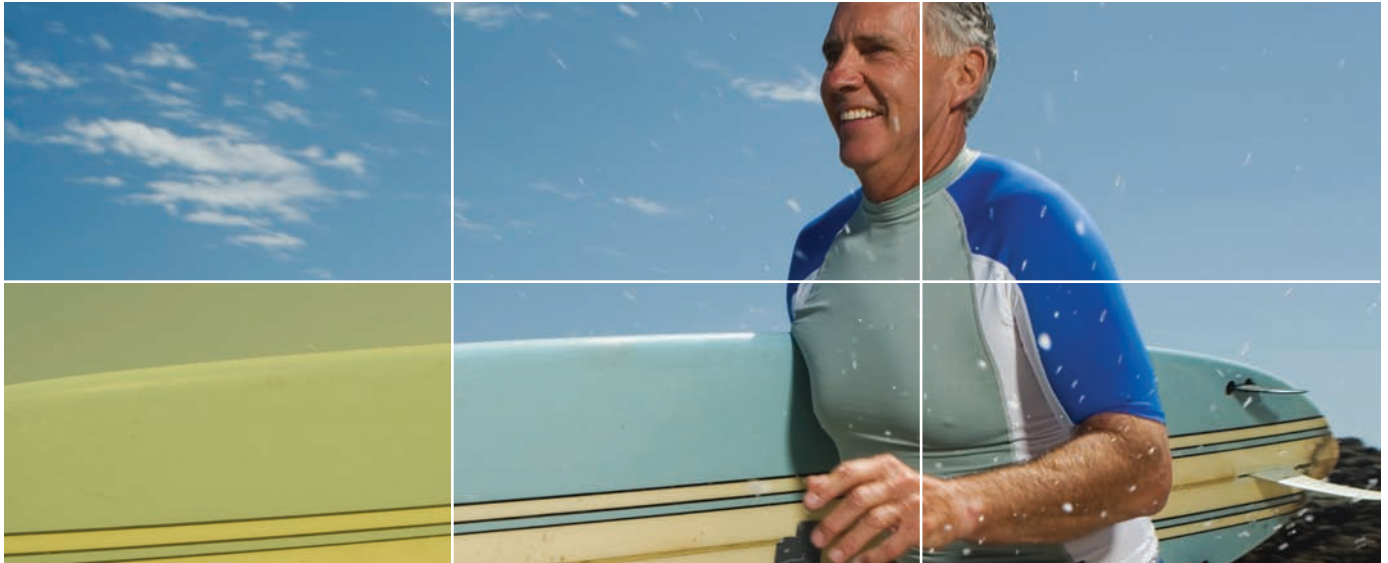


Strength through choice

Case study



Using Legal & General Loan Scheme
Absolute Trust



Alice's story



Alice Sewell is a 70 year old widow – her husband died more than 10 years ago and she has lived alone ever since. She lives in an affluent area and is reluctant to move because she has a well-established circle of friends near by. Even in the current climate her pretty cottage has been valued in excess of £450,000. She receives a widow's pension from her late husband's former employers that covers all of her current expenditure and allows her to take a couple of overseas holidays to visit members of her family. Additionally, she has capital of £200,000 in various banks and building society accounts that she rarely calls upon, allowing the interest to be cumulated.

Alice has one child from her marriage, a daughter, Janet, now aged 45. She is a shy lady and is self employed, working from home as a writer of children's books with a degree of success.

Alice is financially astute and aware of the corrosive effect of inheritance tax (IHT). She is anxious that any IHT liability should be kept to a minimum and understands that IHT may be minimised by making gifts of capital. She also knows that with her current good health she could live for another 15 or even 20 years but recognises that should her health deteriorate she could require private health care. With that overriding thought at the back of her mind she is reluctant to make significant gifts of capital even though she does not currently require the capital or even the income it generates.

Other than a few legacies to favourite charities Alice's will leaves everything to her daughter and she cannot envisage this ever changing.

Solutions

A loan scheme would be the most appropriate for the £200,000 that Alice has available deposited with various banks and building societies.

The trust structure/solution that would benefit Alice is:

- A loan scheme absolute trust – this would enable Alice to secure IHT savings without any loss of access to her capital. Because she has only one daughter who is the sole beneficiary of her estate, she does not require the flexibility (or complexity) of a discretionary trust.

The absolute trust would be the most appropriate trust structure for Alice.

The solution that would not apply is:

- Outright gifts of capital – Alice is not in a position to make these, neither is she looking to receive an income at the expense of loss of access to her capital.

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