PROTECTION PLANS THAT CAN BE USED IN IHT PLANNING SOLUTIONS.

WHAT IS GIFT INTER VIVOS?

A gift (such as a cash lump sum to children) made during an individual's lifetime may be classed as a potential exempt transfer (PET) and only become IHT free if the donor survives seven years from the making of the gift. If the donor doesn't survive the seven years then the PET would likely form part of their estate and could result in an IHT liability on the gift (if there is no available nil rate band).

There is taper relief which should be available during the seven years so if the death occurred in the first three years then 100% of the value of the gift would be used, however this would reduce for deaths in years four to seven (see table below).

Policy Year	% of gift effectively attracting IHT
1 to 3	100%
4	80%
5	60%
6	40%
7	20%

A Gift Inter Vivos life assurance policy is one that provides a lump sum to cover the potential IHT liability that could arise if the donor of a gift dies within seven years of making the gift. The lump sum provided is in line with the potential IHT liability and reduces in line with taper relief available (as above).

The policies would be written under trust for the recipients of the gift to enable them to pay the IHT due in respect of the gift. There are stand-alone Gift Inter Vivos plans available in the market but we favour a more flexible and individual solution using a series of separate policies which can be applied in this specific tax scenario.

WHAT ARE THE BENEFITS OF OUR SOLUTION?

We offer this cover via a series of five individual term assurance policies mirroring the liability which means you benefit from:

- Multi-policy discount for all cases
- A single underwriting journey
- On average a substantially lower total premium paid over the full 7 year term than a traditional Gift Inter Vivos plan
- A premium that reflects the level of cover your client is receiving at any point in time
- Using five individual plans allows us the flexibility to address this IHT liability at any anniversary during the term.

HOW DO WE STRUCTURE A STANDARD 7 YEAR PLAN?

Example case – £1million Gift leads to a liability of £400,000.
The policies:

Policy	Sum Assured	Term	Premium
1	£80,000	7 years	£50
2	£80,000	6 years	£48
3	£80,000	5 years	£45
4	£80,000	4 years	£42
5	£80,000	3 years	£40

The multi-policy plan:

Policy Years	Cover	Premium
1	All five policies provide £400,000 cover	£225
2	Four policies provide £320,000 cover	£185
3	Three policies provide £240,000 cover	£143
4	Two policies provide £160,000 cover	£98
5	One policy provide £80,000 cover	£50

The use of five plans enables us to meet a PET liability at any point in the term.

HOW DO WE ADDRESS A LIABILITY DURING THE TERM?

A traditional plan aims to address the liability at the point the Gift is made and it is not flexible to amend the 7 year timeframe. Using independent policies for each portion of the liability enables us to address the liability remaining at any anniversary.

Example case - £2.5million Gift means £500,000 original liability however the client is addressing the need in year 4 where 60% of the liability remains. The policies:

Policy	Sum Assured	Term	Premium
1	£100,000	3 years	£25
2	£100,000	2 years	£20
3	£100,000	1 year	£17

The multi-policy plan:

Policy Years	Cover	Premium
1	Three policies provide £300 cover	£62
2	Two policies provide £200 cover	£45
3	One policy provide £100 cover	£25

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