Joint Life Second Death Term

Rising house prices and frozen tax thresholds, alongside the decision to include pensions within estates for Inheritance Tax (IHT) estate planning from April 2027, are likely to mean more estates will fall into the taxable bracket for IHT, unless actions are taken.

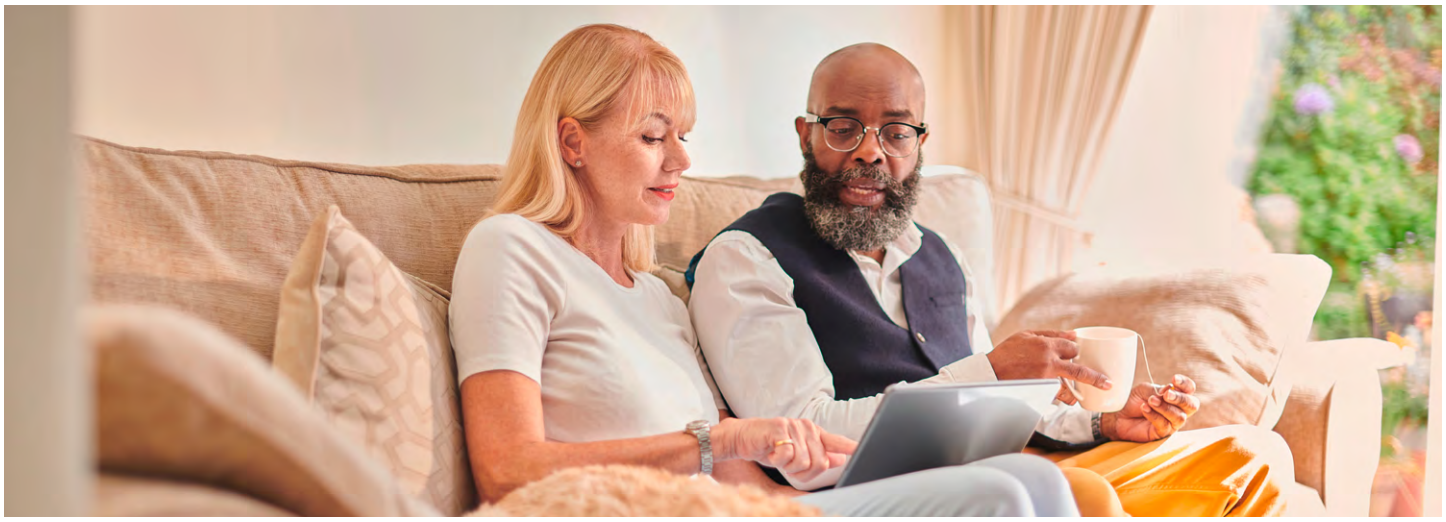
Joint Life Second Death (JLSD) Term is part of the Personal Menu Plan and is designed as a more affordable alternative to Whole of Life (WOL) for IHT estate planning. It provides a payout on the second person covered if they die during the term of the cover.

- It targets customers who have substantial assets but limited cash.
- It will also appeal to customers who have a high IHT liability and are intending to reduce this by gifting their assets to their family during their lifetime.

Adding to the Royal London suite for IHT planning

JLSD Term further enhances the proposition of existing solutions for IHT planning, adding value to an already extensive range of options.

- Guaranteed WOL
- Reviewable WOL
- Gift Inter Vivos



Product features

- Cover increase options* are available for IHT liability increases up to £1m and age 70.
- Gifting option*: carve out a portion of the sum assured when the customer gifts part of their estate/assets.
- A joint life separation option is available if the people covered separate.
- Notional decline: We could still offer the joint life second death policy you originally recommended. It's a normal policy with the same benefits, but the premium will be increased to reflect the increased risk.
- A conversion option* is available for the second life to convert the policy to a single life cover, if the first person dies during the term of the policy.
- Underwrite Later available on sum assured between £1m and £3.5m.
- Online Trust option available, allowing our Discretionary Trust to be set up signature-free and paperless.
- For full terms and conditions of all product features, please refer to the plan details.

*Only available for clients who are accepted on standard terms from the outset.

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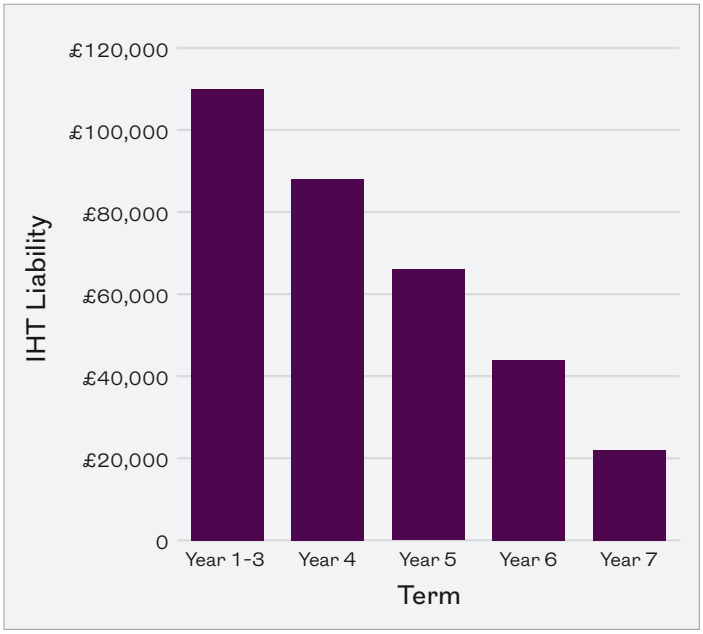
An example of how it works

Donna and Kevin take out JLSD cover for £1,000,000 to cover their IHT liability. A few years later, they each decide to give their son and daughter a gift of £600,000 for each of them to buy a home.

As they have made these gifts during their lifetime if they die within the next 7 years then their children could face an IHT liability. Each gift is worth £275,000 more than the current nil rate band which both Kevin and Donna are entitled to, this means their son and daughter could each be liable for £110,000 of IHT liability, reducing by £22,000 from year 4 until year 7 with taper relief.



Kevin and Donna can use the gifting option within their £1,000,000 JLSD. This would mean reducing their cover by £220,000 (2x £110,000) to £780,000 with each taking out 5 level life covers of £22,000.

Cover 1 - £22,000 for 3 years
Cover 2 - £22,000 for 4 years
Cover 3 - £22,000 for 5 years
Cover 4 - £22,000 for 6 years
Cover 5 - £22,000 for 7 years

If either Donna or Kevin dies within the first 3 years then all 5 policies would pay out the £22,000.

Conversion option

Donna and Kevin are aged 40 and 55 respectively at the time the cover is started.

The **term of the cover** is 35 years, taking Kevin to the maximum age of 90. Kevin dies aged 75 leaving the full IHT liability with Donna who has 15 years remaining on the term. Donna can now exercise the conversion option to replace the existing JLSD cover to a new single life cover without the need to provide further medical information. She can also choose to change the **term of the cover** up to a new maximum term of 30 years, taking her to the maximum age of 90. This conversion option allows the flexibility to support any possible changes to Donna's IHT planning after Kevin's death.

Joint Life separation option

If Donna and Kevin decide to separate, with their JLSD cover for £1m IHT liability they can choose how to split the cover based on their individual IHT liabilities. For example, two separate life covers for £700K and £300K respectively, if Donna's retained IHT liability was £700K and Kevin's £300K once the split of financial liabilities takes place.

These examples are for illustration purposes only. They don't represent actual customers.

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