

Securing The future

A guide to inheritance tax planning using whole of life



Your clients who are thinking about inheritance tax (IHT) want peace of mind that their families and businesses will be protected after they're gone.

Our Pegasus Whole of Life plan makes it easy for you to offer that peace of mind along with a first-class experience.

The benefits and uses of these plans are almost as varied as your clients. At its simplest it can be an ideal way to leave a lump sum for loved ones.

IHT planning using whole of life

A whole of life plan is designed for your clients who want to mitigate an overall IHT liability on their death. The level of cover should be equal to your client's potential IHT liability after you've considered all appropriate allowances and reliefs.

You may have already discussed with your client how they can reduce their liability in future by making use of the allowances and reliefs, for example by making gifts or by making investments eligible for business property relief. But they may still need to consider how to pay their liability before these strategies take full effect and are looking for a cost-effective way to do this.

“Taking out a Pegasus Whole of Life Plan on a reviewable premium basis gives the highest benefit amount for the lowest initial premium.”

Mary plans to make gifts to her two grandchildren when they leave university. She's also in the process of gradually changing some of her ISA investment to invest in AIM shares to diversify her portfolio and hopefully provide a better return (investments can fall as well as rise so this is not guaranteed). Both will reduce her liability to IHT over time. But in the meantime, she wants a cost-effective way of making sure there's money available to pay this if she dies before this can happen.

Taking out a Pegasus Whole of Life Plan on a reviewable premium basis gives the highest benefit amount for the lowest initial premium. Mary's premium will stay the same for the first 10 years, but will be reviewed every five years after that. Premiums will increase significantly at each review.

Did you know?

If your clients need a joint life plan but one of them isn't accepted, what do you do? Doing nothing could have serious financial consequences for the couple's beneficiaries when they're faced with an IHT bill. A single life plan for the accepted life could work, but if they die before the non-insured partner, it comes with potential headaches for everyone involved. We could still offer a joint life second death plan. It's a normal plan with the same benefits - we'll simply base the premium on the single life rates for the healthier life.

The next steps

We have the tools available to help support your ongoing conversations:

Trusts

- Use our 'Find the right trust' tool to help you identify the right trust structure and form for your client
- Has your client thought about who the trustees should be? Here are some things to consider:
 - A trustee should be someone your client trusts to carry out their obligations (e.g. partner, other family member, friend)
 - Trustees must carry out certain obligations and duties so the position shouldn't be taken lightly
 - The client should ensure that the trustees are fully aware of their intentions
 - Trustees must be over 18 (16 in Scotland), mentally able and mustn't be bankrupt

Underwriting

- Use our pre-sale underwriting tool to get an accurate, indicative decision
- For enquiries involving more complex medical scenarios, you can contact our underwriters directly to discuss the case ahead of submitting an application to help manage your clients' expectations
- Check our medical and financial underwriting limits - we'll ask your client to take certain medical tests and provide financial evidence depending on the amount of cover they want
- We may need to go for something called a 'capacity check' - this is for larger cases where we need to consult our reinsurer before deciding on whether to accept it

Case Study - Mary (age 65)

Our Pegasus Whole of Life Plan with reviewable premiums could be an ideal solution.

Here's an example:

Mary is recently widowed. Having been left everything by her husband she now has an estate of £1.5m. This consists of her house, some investments (including an ISA) and some cash. Having not made any previous gifts, she's able to take advantage of both her own and her husband's nil rate band as well as the full amount of both of their residence nil rate bands. This gives a total nil rate band of £1m. She therefore has a current IHT liability of £200,000.

However, in the periods between these reviews there may be an opportunity to reduce the sum assured on the plan as her liability changes over time. This would reduce the impact on the premium.

You can also take out a Pegasus Whole of Life Plan on a guaranteed premium basis. With a guaranteed premium, we calculate the premium at the start of your client's plan and this won't change unless the amount of cover changes. This may be more suitable for someone who has no ability or desire to reduce their liability or just wants the certainty of knowing how much their cover will cost throughout the rest of their life.

This information is based on our present understanding of current law and HM Revenue & Customs practice for the tax year 2024/2025. It may be affected by future changes and individual circumstances.

For more information on inheritance tax planning, speak to
your usual Royal London contact or visit

adviser.royallondon.com/protection



Royal London
royallondon.com

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