



The value of advice

*How can you ensure
the best outcome
for your clients
and business?*



Please note the following case study is fictional and only considers products and solutions offered by Quilter. There are many different options available taking into account individual circumstances and this case study is purely illustrative.

Quilter
Where families prosper
The home of the family office

Say hello to Ruby and Ethan

Age:

Ruby, 88 and Ethan, 10

Family situation:

Ruby is Ethan's great grandmother

Aspirations:

"All I want to do is make sure I have enough money and to leave the rest to my family to help them when I'm gone."



Background

Ethan is a very clever child who is exceeding academic expectations for someone of his age. He is about to start senior school. He is passionate about animal welfare and wants to study animals when he is older.

Isaac & Leanne (Ethan's parents) want him to be able to go to university without becoming burdened with student debt.

Ruby is Quinn's mother (Quinn is Leanne's father), and a doting grandmother and great grandmother. She cherishes her close relationship with her great grandson Ethan and has taken great pride in witnessing him grow into a caring and curious boy, delighting in their conversations about animals and conservation.

Ruby lives comfortably, with a generous pension, and is keen to help her family when she can but wants to make sure their futures are secure beyond the years she has left. She mentions to Quinn her desire to put something away for Ethan to enjoy, as she thinks he is too young to really benefit any time soon but doesn't know where to begin.

Quinn confirms Isaac and Leanne have been thinking about Ethan and their growing family's future too, and it would be a good idea for them all to get together and discuss with you what options there are.



*“I want to be a
biologist like
David Attenborough
and Jane Goodall.
Or a YouTuber!”*

The costs of university

These costs are only getting bigger

Former university students making their first repayment in 2017 had an average outstanding student loan balance of £34,800. This was more than double the amount in 2012 (£17,000) and triple the amount in 2008 (£10,870). Student Loans Company and Department for Education Statistics publication (SLC SP 01/2018).

The forecast average debt among the cohort of borrowers who started their course in 2023/24 is £42,900 when they complete their course. ([SN01079.pdf \(parliament.uk\)](#))

Tuition fees are capped for UK undergraduate students for the academic year 2024-25 at £9,250.

Ruby's financial situation

Ruby currently has a Basic State Pension of £7,300 pa, a final salary pension of £15,000 pa, and an Inherited scheme pension of £8,000 pa. This means she has a combined net income £26,700 pa.

Ruby's outgoings have reduced in recent years due to a drop in her activity levels. Currently her outgoings are £12,700 pa. Therefore, she has excess income (£14,000 pa) and would like to put some of this aside for Ethan and other future great-grandchildren to enjoy.

Ruby owns her own house (the mortgage is paid off) and the house is valued at £425,000. She also has cash savings of £50,000. She views this wealth as there to protect her against emergencies and to look after her if she needs care.



Your discussions with Leanne, Isaac and Ruby

Ruby's granddaughter, Leanne, and her husband, Isaac are very grateful for Ruby's willingness to support Ethan with savings out of her excess income. They agree that setting up a fund that will aim to ensure Ethan doesn't have to get himself into debt if he goes to university, is a great idea. After learning about the size of debt a typical student leaves university with, they realise that any savings will need to be invested to give Ethan the best chance that a university education could be achieved debt free.

Given Ethan's enthusiasm for animals and the natural environments they live in, Leanne, Isaac and Ruby think that the investment should reflect his views. They would like the money to be invested in a way that supports the environment.

You raise the question about whether they would be concerned about Ethan having direct access to the invested amount at age 18. This could be a large amount of money for someone at that age. After some discussion, they state they are comfortable for things to be kept simple and they have no concerns.

How your advice can help

Your recommendations cover the following three areas:



Ethical investing



Tax-efficiency



Value

1

Ethical investing

With Quilter's help, Ruby's adviser has implemented the preference for an investment that supports the environment. The adviser agrees a suitable risk of 7 with Ruby for Ethan's investment. The adviser then identifies WealthSelect Sustainable 7 as the most suited portfolio.

Why is WealthSelect Sustainable 7 recommended?

- 1 It's a multi-asset investment solution, made up of building blocks that are available at a highly competitive cost.
- 2 It is risk targeted, so that the investment is invested in a way that's designed to match the appetite for risk.
- 3 It aims to achieve capital growth whilst managing the ESG risk of the portfolio including seeking to support sustainable solutions to environmental challenges.
- 4 It allows the adviser to provide a personalised quarterly portfolio report and a responsible investment report, which they can co-brand with their logo.
- 5 It's part of the WealthSelect Managed Portfolio Service, which is trusted with more than £13.7bn of customers' money from more than 2,200 financial adviser firms*.

*As at 31 December 2023.



2

Tax-efficiency

Normal expenditure from income

Lifetime gifts are gifts made by Ruby while she is alive. To benefit from this exemption the gifts need to be made regularly (e.g. yearly) and out of income (e.g. pension income, dividends and interest from investments). Provided they do not affect your usual standard of living, they should be exempt from IHT. There is no maximum limit on the amount which can qualify for this IHT exemption, however this amount is only confirmed (or not) as exempt on death. Therefore, there is a risk that some gifts may still be classed as being within Ruby's estate for IHT purposes if they do not meet the conditions of the exemption.

Based on Ruby's excess income, her adviser recommend that she makes a regular gift of £500 per month to be invested for Ethan.

3

Value

As Ethan's family already has about £1.5m invested on the Quilter platform, the adviser recommends that either Isaac or Leanne open a Junior ISA on the platform in Ethan's name. With Ruby's regular contribution of £500 per month being invested into the Junior ISA you demonstrate that in 8 years' time, based on the mid-growth rate of 4.57%, the fund value would be £54,200. This value is likely to meet the costs of university for Ethan without him having to take on debt.

You are also able to show that because of family linking the platform charge for the Junior ISA is only 0.19% per annum.

The difference financial advice can make

- ✓ Ethan now has an ethically invested financial plan to meet the costs of university in 8 years' time.
- ✓ Ruby is making gifts to Ethan which are exempt from Inheritance Tax.
- ✓ The family are benefiting from value for money by making the most of family linking.

Please remember that past performance is not a guide to future performance.

The value of your client's investments may fall as well as rise and they may not get back what they put in.

Investment involves risk. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Because of this, an investor is not certain to make a profit on an investment and may lose money. Exchange rates may cause the value of overseas investments to rise or fall.

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Please be aware that calls and electronic communications may be recorded for monitoring, regulatory and training purposes and records are available for at least five years.

This document is based on Quilter's interpretation of the law and HM Revenue and Customs practice as at March 2023. We believe this interpretation is correct, but cannot guarantee it.

Tax relief and the tax treatment of investment funds may change.

The value of any tax relief will depend on your individual circumstances. The tax treatment and efficiency of these options will depend on your individual circumstances. Tax rules and their application may change in the future.

Please be aware that calls and electronic communications may be recorded for monitoring, regulatory and training purposes and records are available for at least five years.

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VAT number 386 1301 59.

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