

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 trust solutions offered by Quilter. There are many different options available taking into account individuals circumstances and this case study is purely illustrative.

Say hello to Ursula

Name:

Ursula

Age:

69

Windfall inheritance:

£850,000



After helping Quinn with his retirement plans, you learn at his annual review that his wife Ursula has inherited a large amount of money.

Meet other members of the Quilter family and access helpful client case studies at www.quilter.com/family.

Background

Ursula has received an unexpected windfall following the death of her mother. Before receiving the inheritance, she simply had emergency instant access savings of £20,000* with no personal pension. She is married to Quinn, age 67, who has recently retired and is receiving an annual income of £30,000. They have paid off their mortgage and their house is valued at £600,000.

They have two grown up children (Leanne, 37 and Thomas, 34). Ursula receives a state pension of £7,200 a year as she doesn't have a full National Insurance record.

Ursula wants the windfall to benefit the whole family, but she has concerns about control and the money being lost (because of bankruptcy, divorce, high risk investing, or silly purchases). Ursula is also concerned about having enough money in retirement and potential long term care needs.

Ursula has an immediate desire to go on a family holiday and to help fund private education for their grandson (Ethan, 10) and any future grandchildren.

Since having Grandchildren, she has also become more conscious that the world is changing and she wants them to grow up in a stable and safe environment, that enables them to thrive.

* Ursula's mother passed away over two years ago so a deed of variation is not possible.

Like Ursula, receiving an inheritance is a powerful trigger for clients realising they need advice:

80% Inheritance planning is the biggest driver for someone to seek financial advice
80% of people** would seek financial advice when inheritance planning

73% The biggest worry is making sure the right people receive the inheritance
73% of people** said ensuring the right person in the family gets the money is the most important consideration when gifting money

** YouGov Financial Concerns survey, 9-15 November 2022, commissioned by Quilter.

The behavioural risks of Ursula taking a DIY approach

A sudden and large financial windfall can be a very emotional time. Clients can be vulnerable, and this can lead them to making the wrong decisions or being taken advantage of. The pressure to make decisions can be overwhelming.

By being someone the family trusts, you can provide professional expertise when it is needed most and demonstrate the value of your advice.

- ✗ Ursula risks investing too much into cash and the value being eroded by inflation.
- ✗ Ursula risks not enjoying the money because of the emotional anxiety surrounding it.
- ✗ With such a large amount currently sitting in her bank account, Ursula is at risk to financial scammers who prey on those who struggle to make good financial decisions.
- ✗ Ursula doesn't have the knowledge to put the right controls in place to manage the money while she's alive or after she's gone.
- ✗ The windfall means the value of her estate has jumped up and there is suddenly a potential inheritance tax liability.

	Jointly owned	Quinn's estate	Ursula's estate
House (no mortgage)	£600,000		
ISA		£30,000	£20,000
Inheritance			£850,000

Ursula and Quinn's joint estate value post inheritance = **£1,500,000**

Joint estate potential IHT liability

Nil Rate Band £325,000 x2 = **£ 650,000**

Residence Nil Rate Band x2 = **£ 350,000**

£1,000,000
no IHT liability

£500,000 subject to 40% = **£200,000 tax**

HMRC could receive **over 13%** of the estate value

How Ursula's adviser can help

By understanding Ursula's circumstances and behaviour, her adviser can help her overcome the risks that Ursula is exposed to by taking a DIY approach.

When preparing for a meeting with a client in a similar position to Ursula, here are some important questions to ask to help ensure the family's finances are protected:

1. Do Ursula and Quinn have up-to-date Wills in place?
2. Does it need to be updated to take into account the inheritance Ursula received?
3. Do they both have Lasting Power of Attorneys in place?
4. Have they reviewed any beneficiary nominations or letters of wishes recently?
5. Have they spoken to family members about their wishes and goals for the future?

My mother lived modestly so she could help me financially when her time came. I'm worried about not being able to do the same for my loved ones.

Don't underestimate the importance of Wills to clients

Clients like Ursula recognise the importance of Wills in relation to financial advice. When asked whether they would possibly use financial advice:

79%

79% of clients said yes for planning a Will.

57%

Over half of clients (at 57%) didn't have a Will.

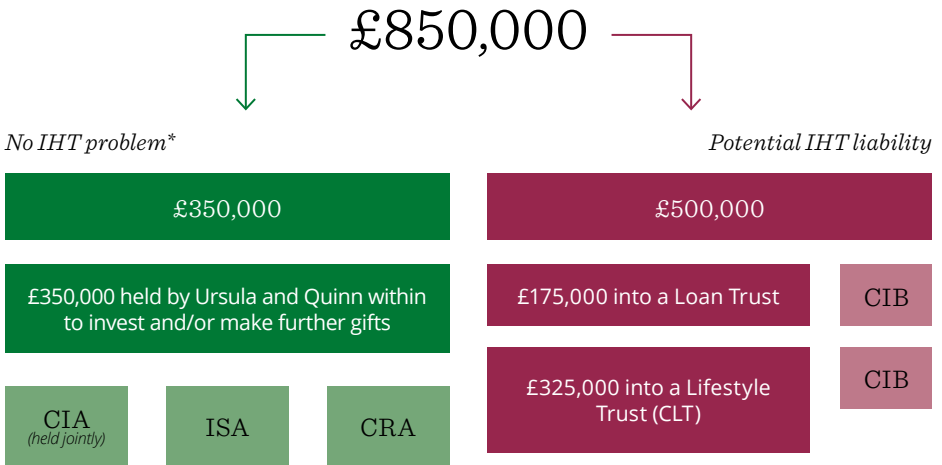
25%

Of those clients who did have a Will, only 25% had updated them in the last decade.

YouGov Financial Concerns survey, 9-15 November 2022, commissioned by Quilter.



Restructuring the inheritance



* Taking into account both Ursula & Quinn's IHT nil rate bands.

- Assuming full loan repaid over a number of years and spent
- 7 years since gifts made
- No IHT liability as all within NRB/RNRB
- The Loan Trust is declared prior to the investment into the CIB.
- The Lifestyle trust is declared after the CIB contract starts.
- See our technical insights pages on quilter.com to get more detail on the order of making a gift and on the trust proposition and taxation.

Ursula's objectives	Loan Trust	Lifestyle Trust	Outright gifting
Wants money to benefit the whole family	✓	✓	✓
Maintain control	✓	✓	✗
Money for retirement/long term care	✓	✓	✗
Family holiday	✓	✓	✓
Private school fees	✓	✓	✓

By using the Lifestyle Trust and Loan Trust, Ursula's adviser can help her reduce her inheritance tax liability and keep control over the money.

Loan Trust - £175,000

Settlor: Ursula

Trustees: Ursula and Quinn plus their best friend

Beneficiaries: Children and grandchildren

Trust property: Onshore single premium life assurance bond

Benefits:

- Frozen IHT liability.
- Ursula maintains access to the full loan amount for topping up her retirement income or for long term care needs.
- Ability to make gifts within or outside of the trust.
- The trustees have discretion over who benefits and when, giving control.
- £8,750 can be taken tax deferred for up to 20 years (5% allowance).
- Ursula can access the full amount of the loan if required.
- All growth is outside of the estate.

Lifestyle Trust - £325,000

Settlor: Ursula

Trustees: Ursula and Quinn plus their best friend

Beneficiaries: Children and grandchildren

Trust property: Onshore single premium life assurance bond

Benefits

- Flexibility to access the value of the policies in future.
- Adapts with Ursula's lifestyle - able to defer rights to receive policies in line with retirement for example.
- Ability to make gifts within or outside of the trust.
- Trustees have discretion over who benefits and when, giving control.
- The gift would represent a chargeable lifetime transfer but this would be within the nil rate band.

For more details on the individual trusts and tax treatment please see our brochures on the relevant trusts.

The right investment for Ursula

To determine the right investment for Ursula*, her adviser needed to understand her needs, including her goals and attitude to risk but also her views on responsible investment. We already know that Ursula has been thinking about the world her grandchildren will grow up in and this might affect her investment choice.

Much like risk profiling, understanding your clients' attitudes towards responsible investing isn't binary. That's why Quilter provides two, free to use tools, to help you have a structured conversation around responsible investment and to identify a suitable solution.

www.quilter.com/investments-and-funds/wealthselect/new-investment-tools/

WealthSelect Responsible Active 3

Using the client profiling tool, Ursula's adviser determined that it was important to Ursula that her investments had a positive impact on society and the environment. The Quilter Solutions Explorer tool then helped to identify the most suitable portfolio for Ursula, which was WealthSelect Responsible Active 3.

This was because the WealthSelect Responsible Active 3 portfolio aims to achieve capital growth whilst managing the Environmental, Social and Governance (ESG) risk of the portfolio. It does this by:

- Providing exposure to a diverse range of investments in the UK and globally.
- Investing over 50% in funds that are leaders in the integration and management of ESG factors.
- Maintaining a smaller carbon footprint than the MSCI All Country World Index

It also meant Ursula was investing in a low-risk portfolio that is designed to minimise volatility and would enable her to draw an income without the associated risks of doing so when volatility is high.

Keeping Ursula updated

As Ursula has chosen a responsible portfolio she also benefits from regular reporting that explains how her portfolio has performed against its responsible investing objectives. These reports are also available for the WealthSelect Sustainable portfolios and complement our regular quarterly reports that are available to all WealthSelect clients.



* This relates to products held in Ursula's name only. The investment strategy for the trust will need to be considered with the trustees.

The difference financial advice can make



Meeting the diverse needs of Ursula with the right plan.



Confidence in the plan. Ursula no longer has to worry.

£200,000

Potential IHT tax bill mitigated.

Value for money for the whole family

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.

www.quilter.com

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 February 2024. 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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