

BPA Associates Ltd- Revocable Life Interest Trust Will

What is a Revocable Life Interest Trust Will?

A Revocable Life Interest Trust Will is a form of Will for High Net Worth couples which combines the benefits of protection and flexibility with maximum Inheritance Tax saving opportunities.

Here's how it works:

John and Mia are married and have two children and a joint estate of £1.5 million.



With Standard Wills (leaving their estates to each other)

John's estate passes to Mia with no Inheritance Tax to pay.

WARNING - If Mia remarries after John's death, her new husband could inherit everything, leaving nothing for the children of John and Mia.

WARNING - If Mia requires residential care in future then the inheritance she received from John's estate could be used entirely for care fees, leaving nothing for John and Mia's children.

What happens next:

- Inheritance Tax will need to be calculated on the value of Mia's estate
- Less the Nil Rate Band and Residential Nil Rate Band allowances (for John and Mia) of **£1,000,000**
- The Inheritance Tax rate is **40%**
- Therefore, if the value of Mia's estate is still £1.5 million then, after allowances, the Inheritance Tax liability payable would be **40%** of **£500,000**, meaning a tax bill of **£200,000** needs to be paid
- This would reduce their children's inheritance by **£200,000**

**TOTAL INHERITANCE
TAX DUE £200,000**

Sadly
John dies

Mia
passes away
more than
seven
years later



With Revocable Life Interest Trust Wills

John's estate goes into a Trust for Mia, meaning all assets from the estate are secured and Mia won't need to pay any Inheritance Tax.

Having the Trust in place means the estate can't be passed to a new husband (if Mia re-marries) nor can it be treated as Mia's money if she is required to pay care fees.

The Trust is managed by Mia and her children as the trustees*. The Trust allows the trustees to assess Mia's needs and advance any excess to the children.

What happens next:

- Inheritance Tax will need to be calculated on the value of Mia's estate together with the value of the Trust
- Less the Nil Rate Band and Residential Nil Rate Band allowances (for John and Mia) of **£1,000,000**
- The Inheritance Tax rate is **40%**
- The trustees have planned ahead and reduced the value of the Trust through a combination of paying for Mia's needs and advancing money to the children
- Therefore, the value of Mia's estate is still **£750,000** (half of the original joint estate of £1.5 million), which now falls within the Nil Rate Band allowances, reducing the overall Inheritance Tax liability to **£0**

**TOTAL INHERITANCE TAX DUE £0
SAVING £200,000**