

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:

Graham and Debbie are married and have two children and a joint estate of:

**£1.5 million**

Sadly Graham dies...

## With Standard Wills (leaving their estates to each other)



Graham's estate passes to Debbie with no Inheritance Tax to pay.

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

**WARNING** - If Debbie requires residential care in future then the inheritance she received from Graham's estate could be used entirely for care fees, leaving nothing for Graham and Debbie's children. Graham's estate goes into a Trust for Debbie, meaning all assets from the estate are secured and Debbie won't need to pay any Inheritance Tax.

## With Revocable Life Interest Trust Wills



Graham's estate goes into a Trust for Debbie, meaning all assets from the estate are secured and Debbie 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 Debbie re-marries) nor can it be treated as Debbie's money if she is required to pay care fees.

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

Debbie passes away more than seven years later...

## What happens next:

- Inheritance Tax will need to be calculated on the value of Debbie's estate
- Less the Nil Rate Band and Residential Nil Rate Band allowances (for Graham and Debbie) of £1,000,000
- The Inheritance Tax rate is 40%
- Therefore, if the value of Debbie'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**

## What happens next:

- Inheritance Tax will need to be calculated on the value of Debbie's estate together with the value of the Trust
- Less the Nil Rate Band and Residential Nil Rate Band allowances (for Graham and Debbie) 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 Debbie's needs and advancing money to the children
- Therefore, the value of Debbie'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**

\*Trustees are chosen by Graham and appointed in his Will. This illustration is for general guidance only and should not be regarded as legal advice.