CASTLE ACRE

Life and Care Insurance

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NO ORDINARY INSURANCE NO ORDINARY BROKER

Passing on your personal property and assets to your family becomes a more important consideration as you progress through life.

Inheritance tax and the high cost of Care in later life may reduce the value of inheritance for your beneficiaries.

Life policies in all their various guises may provide a solution to inheritance tax but insurance has traditionally not provided a solution to care costs, which can top £80,000 a year.

A Revolutionary Life Policy that Offers Help with Care Costs

At Castleacre we are always looking for innovative insurance solutions to help our clients.

In answer to the dual financial burden of Inheritance Tax and Care, we now offer access to a revolutionary Whole of Life policy. This unique cover provides substantial financial help with care during your lifetime as well as a lump sum to your beneficiaries after your death.

'We offer a life policy that deals with the reality of ageing – it not only helps your beneficiaries with inheritance tax – for the first time it also benefits you by helping with care costs in later life!'

ALI ADHAM, HEALTH AND LIFE ADVISOR CASTLEACRE INSURANCE

Inheritance Tax Costs

Is your Estate Eligible for Inheritance Tax?

Under current legislation, if you pass your estate directly to your wife, husband or registered civil partner there is no inheritance tax payable. However, if you leave your estate to your children, grandchildren, or other loved ones then inheritance tax is a consideration.

Currently, inheritance tax is only paid on an estate that exceeds £325,000, anything above this is subject to a substantial 40% tax rate. If you are married or in a civil partnership, then both partners can pass on their nil rate band of £325,000 to their heirs and the tax-free allowance increases to £650,000.

If you pass your main residence to children or grandchildren, there is additional tax relief of £175,000 (providing your estate is valued below £2 million).

Even taking this into account, high property values in the UK mean that many more families are landed with inheritance tax bills that run into thousands.

Life Insurance Can Help Mitigate the Impact of Inheritance Tax on your Family

If you have paid tax throughout your life, carefully setting aside savings and capital, in the hope of passing it on to your children, it can feel unfair to burden them with a large inheritance tax bill.

Inheritance tax must be paid before executors can access or distribute funds from your estate - this means that your family must find a large lump sum before completing probate.

A well-chosen life policy can help you protect your family, providing a cash lump sum to pay your inheritance tax when other funds from your estate are inaccessible.

Placing a Life Policy in Trust Gives your Family Timely Access to Funds

If you ensure that the lump sum from your life insurance is held in a discretionary trust on your death it will not be included as part of your estate. Holding the money in trust for your heirs also means that the money can be paid before probate is granted.

Which Life Policy Suits your Needs?

There are several forms of life policy and they all offer something slightly different with variations in cost.

Term Life Policies

- Protect your Income and Mortgage when you are Younger and Provide Help with Tax after your Death

Term Life policies will pay-out out on death or during critical illness but they provide cover for a limited period. People often take out a term life policy when they are in their twenties or thirties to cover mortgage costs and income for their family and a policy might typically last for around 25/30 years.

There is no limit to the number of term policies you can run simultaneously. Each policy is completely distinct so if a policy expires as you reach 65 years old you can take a new term life policy for a further ten, fifteen, or twenty years that potentially covers inheritance tax costs for your children.

These policies offer one of the most affordable solutions for families but they often expire before people reach retirement age - that means that in many cases families do not receive any benefit after death unless the policyholder takes out another policy as the first one ends.

Short-Term Life Policies

- Help Protect Gifts Given During your Life

If your estate is subject to inheritance tax and you decide to gift a proportion of your assets during your lifetime your heirs will have to pay inheritance tax if you die within seven years of the gift. In these circumstances, you might choose a short-term life policy that covers the inheritance tax liability during those seven years.

Whole of Life Policies

- Offer a Guaranteed Lump Sum to Help with Inheritance Tax

Whole of life policies guarantee that when you die your surviving heirs will receive a set lump sum.

Understandably this is an expensive option because the insurers are committed to paying out the full sum whether you die at 60 or 106. It is a high-risk policy for insurers because there is a chance that you could die soon after taking a policy out and the insurer would have to honour the agreement with very few premium payments.

These policies, though expensive, can be cost-effective for your heirs because inheritance tax due can be covered by the policy on your death and the premium payments can also reduce the overall value of your estate during your lifetime, indirectly reducing IHT.

‘Unlike healthcare, social care is rarely free. Most people who need residential care in later life will have to pay some or all of their costs themselves.’

APRIL 2022, ‘WHICH?’

Care Costs

Is your Estate Eligible for Inheritance Tax?

The unanticipated cost of care can diminish your estate during your life just as inheritance tax does after your death.

While we may avoid thinking about care requirements as we age, it is beneficial to plan ahead - just as we do with pensions and inheritance tax.

Life expectancy has increased and most of us, as we become older, will require social or nursing care. Care may start with just a few hours every week but can often escalate to a live-in carer or residency in a care or nursing home in the long term.

If you have Assets over £100,000 you will probably have to Self-fund most of your Care in Later Life

If your estate exceeds £100,000, Care Support from the government is minimal and available benefits may not be sufficient to maintain quality of life. The private sector does provide care but annual bills are a very significant financial commitment, starting at around £40,000 per annum and rising to over £80,000 for top-end care homes.

A government spending cap designed to help protect individuals against spiralling care costs will only be applied to assessed personal care needs and not to residential and daily living expenses. **Your family will need to use assets from your estate or fund your care costs themselves for several years before receiving any financial assistance.**

The First Insurance Solution to Directly Tackle the Cost of Care

This unique Whole of Life policy offers the benefit of up to £250,000 of cover for your care, as well as a lump sum to help your family with inheritance tax.

This policy enables you to maintain quality of life if your health declines without the financial worry of finding large lump sums to deal with care issues.

You also have the freedom to choose how you use some of the capital set aside for care during your life, so for example if you find you have a life-limiting illness you may decide to use your care fund to take your family abroad.

Whole of Life with Care Cover provides:

- ✓ **A payment of up to £250,0000** to fund the cost of your care during your lifetime, or to use to improve the quality of your life
- ✓ **Care payments can be activated** if your health has deteriorated but you want to live at home and have difficulties with at least three basic functions, such as mobility, getting dressed and being able to wash
- ✓ **Substantial financial support** activated whenever a Doctor agrees you can no longer look after yourself without help
- ✓ **Funding for care at home**, care in a nursing or residential care home, or to buy an immediate needs annuity
- ✓ **A tax-free lump sum** to your beneficiaries after your death

Whole of Life and Social Care Examples

A widower decides to take out a whole of life policy to offset an inheritance tax bill for his three children, which he calculates will amount to £500,000 after his death.

For a proportionately small percentage increase in monthly premiums on this Whole of Life policy he asks to include the add-on Social Care package for the maximum amount of £250,000, plus protection so that if he makes a claim his beneficiaries will still receive £500,000 on his death.

A year after taking out the policy he suffers a stroke which unfortunately leaves him unable to dress, wash and cook, activating the Care Cover on this policy.

He now has staged access to the £250,000 tax-free capital sum to help with his personal care. He initially decides to stay in his own home, bringing in a part-time carer. Later he moves into a comfortable private nursing home close to his children where he stays for two years until he passes away. Following his death, his children find that all his care has been fully covered by the policy and that they also benefit from a tax-free lump sum of £500,000 to help pay their father's inheritance tax bill.

A divorced woman in her sixties has concerns about selling her family home if she needs care later on and, the burden this will place on her daughter. She would also like to help her daughter with inheritance tax costs.

She takes out a whole of life policy for £300,000 but adds the Care option. She is primarily concerned about the cost of care so chooses not to include protection for the whole of life sum which reduces the cost of monthly premiums.

Ten years later she suffers a sudden deterioration in her health following a vascular dementia diagnosis. She spends 11 months in full residential care before her death. The cost of the nursing home is £60,000, which is paid by using part of the Whole of Life pot, but her daughter still receives £240,000 towards inheritance tax and has not been forced to sell her mother's home to pay for the care.

For impartial advice on insurance solutions that can help with your Care costs and Inheritance Tax

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