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Don't get rid of your old NRB Trust Wills in favour of simplicity.

It has come to our attention that a lot of couples of choosing to remove the Nil Rate Band Trusts in their Wills in favour of making new simple Wills usually leaving everything to each other.



Wills with Nil Rate Band (NRB) Trusts in them used to be the only way that couples could ensure they used both of their available NRB Inheritance Tax allowance and were very popular. However, since the law changed in October 2007, a transferable NRB for married couples and Civil Partners was introduced, which appeared to make the old Nil Rate Bands trusts in Wills redundant.

We at Cornerstone Wills have never been in favour of taking these NRB Trusts out of our client's Wills.

As circumstances change, it is best to have the most flexible Will possible leaving all options open. In this way the final decision on saving tax, succession planning and wealth protection can be taken after first death. If, taking into account the circumstances at the time of 1st death, it is deemed detrimental for the NRB DT to run, then the trustees have up to 2 years to decide to appoint all trust funds to the survivor, with the same tax impact as if there had been no Trust. Therefore no immediate decision has to be made.

Some of the situations where it will still be desirable to use the NRB on first death include:

Indexed IOU

Historically the "growth" or index-linking of the IOU has outpaced the increase in the value of the NRB. You may feel that this will continue to be the case and want to implement the indexed IOU to increase the tax savings (as the growth of the IOU will be held in trust and, therefore, outside of the taxable estate of the survivor).

High Growth Assets

Some assets are likely to grow in value to be worth more than the anticipated rise in the NRB; this might include shares in a business or high-performing investment funds. If no use is made of the NRB on first death, investment growth will remain in the estate of the survivor.

Remarriage after first death

The pre-budget report states that only one NRB can be carried forward to second death, regardless of the number of times that you have been married. However, if a NRB trust is implemented on the death of each spouse then an additional tax saving of £130,000 can be secured per spouse.

Family Heirloom

You may view the NRB Trust as a family heirloom, to be passed down to benefit future generations. It can benefit the family without being in their estate for inheritance tax purposes.

Quiz on Wills, LPAs (Lasting Powers of Attorney) and Probate

Below is a quiz for you to test your knowledge based on articles we have covered over the last year. The answers to the questions are either True or False.



1. A Will must be dated?
2. Marriage revokes a Will?
3. Divorce revokes a Will?
4. Unmarried partners inherit from each other if they've been together for more than 2 years?
5. The threshold for payment of inheritance tax is £300,000?
6. Married couples automatically inherit everything from each other without a will?
7. Married couples inherit everything inheritance tax free?
8. An unsigned will is valid?
9. Wills MUST have two witnesses to the testator's (person making the Will) signature?
10. If a son murders his mother he cannot benefit from her estate?
11. A Will must be written on paper?
12. A testator leaves their Rolex watch to one son and their Cartier watch to another son in their Will, and the Cartier watch is stolen before the testator dies, then the first son must share his watch with the second son?
13. A husband and wife die at the same time without Wills, so their joint assets bypass each other and pass to their children equally?
14. A life assurance policy pays into a trust on your death, it's not taxed as part of your estate?
15. If you are married you do not need a LPA to manage your Spouse's affairs?
16. If you are unmarried you do not need a LPA to manage your partners affairs if you have been together for more than 2 years?
17. There are two types of LPA both dealing with Property & financial affairs?
18. Inheritance tax due on an estate must be paid within 6 months of death?
19. Without a Will that appoints a Guardian, orphaned children would be made wards of the Family court until Social Services decide where they live?
20. There is no need to apply for probate on an Estate if the deceased has left a Will?
21. If someone leaves more to one of their children than the others then the one who has less can contest the Will?
22. If a couple make a Will leaving everything to each other and then their children, the Children will always benefit from the joint estate?

Answers to the Quiz will be published in next months newsletter.

Testimonials

Cornerstone Wills has made a complicated situation easy and manageable. Excellent Service.

Mr Daoust, London



Thank You

We would like to thank the following clients for referring new clients to us and in recognition have received a £10 Marks & Spencer voucher.

Mike, Duncan, Sarah and Austin

**Cornerstone
Wills
Thanks
You**

