



October 2015
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Foreign Property
The impact of Divorce



The good and bad news of the new Residential Nil Rate Band (RNRB)

In the Summer Budget 2015, the government announced it will phase in a new residence nil-rate band (RNRB) from 6 April 2017 when a residence is passed on death to a direct descendant.

THE RESIDENCE NIL RATE BAND



It will be:

- £100,000 in 2017 to 2018
- £125,000 in 2018 to 2019
- £150,000 in 2019 to 2020
- £175,000 in 2020 to 2021

It will then rise in line with the Consumer Price Index (CPI) from 2021 to 2022. The intention is to reduce the burden of Inheritance Tax for most families by making it easier to pass on the family home to direct descendants (including step-children) without a tax charge, so that by 2020 homes up to the value of one million could pass tax-free to children and descendants. This would utilise a couple's current Nil Rate Bands of £325K each and the maximum RNRB of £175K each, making a total of £1million.

The existing nil-rate band (NRB) will remain at £325,000 until the end of 2020-21.

However, there is a sting in the tail with the additional benefit of the RNRB in that there will be a tapered withdrawal of the value of the RNRB for estates with a net value of more than £2million. This will be at a withdrawal rate of £1 for every £2 over the £2million threshold. Therefore estates that have a value of £2.35 million will not benefit from the RNRB whatsoever.

For couples with larger estates effective inheritance tax planning is now even more important to ensure that the estate on 2nd death doesn't exceed the £2.35m value so the extra benefit of the RNRB is not lost. Basic Wills which leave everything to the surviving spouse on 1st death will not necessarily achieve this. Also, tax-planning options on other assets which could bypass the spouse/civil partner on 1st death (such as insurance proceeds, death in service benefits and lump sum pension death benefits) should definitely be considered.

Note that estates that pass to beneficiaries other than direct descendants will not benefit from the RNRB and as with the existing NRB, the new RNRB cannot be transferred between couples who are not married or civil partnered for use on 2nd death. Therefore planning recommendations for cohabiting couples is to preserve the benefit of both of these allowances for use on 2nd death so the extra the allowance is not lost. (Note that a 'direct descendant' will be a child and their lineal descendants where 'child' includes, unlike all other pieces of related legislation, step-children and foster children.)

The government also announced that legislation would be included in Finance Bill 2016 to make sure that those who wish to downsize to a less valuable property or cease to own their own home are not discouraged from doing so.

Note that the rules around the RNRB are still subject to government "tweaking" until it becomes law, and is not effective until April 2017, so there may be additional factors to consider which we will endeavor to keep our readers informed of in good time.

Brussels IV

August brought about the introduction of the European regulation 650/2012, also known more affectionately as Brussels IV.

This new law enables a person who dies after August 2015 who is normally UK resident and UK domiciled but owns a property in another EU country (excluding Denmark and Ireland who have opted out) to be able to make an election within their Will to have that property pass in accordance with UK Law.

Previously a person making a UK Will cannot direct property and land situated in another country. The new regulation provides that for deaths occurring after this date a single national law of succession will apply to the whole of the person's estate including property in a different EU member state.

The Regulation allows the person making a Will (the testator) to make a choice of law to apply to his estate which can replace the default application of the law of the State in which the property or land resides. This means that the normal "forced heirship" laws of most European states (often known as Napoleonic Law) can be bypassed. Napoleonic Law requires a person to leave part of his estate to his children, even though this can create a charge to inheritance tax. The part of the estate that must be left to children is dependent on how many children a person has. This is not always in line with the testator's wishes, especially if they are UK domiciled and not familiar with this law.

The new regulation will now enable to make a choice rather than be forced to go with the default law. This means that if a testator dies post August 2015 and is habitually resident in the UK but has a property in France (e.g. a holiday home) then it will be UK law which applies to all of his estate including the property in France.

Note that this new law does not apply to testators owning assets in countries other than EU member states and excludes Denmark and Ireland.



Company Expansion

Cornerstone Wills are pleased to announce that we are expanding our business operations. Business growth has come from several areas:

- Increased customer satisfaction leading to more recommendations to friends and family
- More commercial tie-ups with financial adviser groups
- Increase in estate administration work

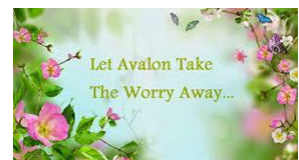
In anticipation of the growth of our business we have moved to larger offices within the Basepoint Business Centre in Camberley. Our next target in the business plan is to increase our staffing levels. Our first area we wish to fulfil is to recruit an Estate Planning Consultant.

Please contact us if this is of interest to you or any of your friends and family.

Avalon Funeral Plans

Cornerstone Wills are pleased to announce that we have recently signed a contract with the Avalon Trustee Company to provide Funeral Plans to our clients.

One of the key benefits of the Avalon Funeral Plan ties up nicely with the ethos of Cornerstone Wills – to give you and your loved ones peace of mind.



Purchasing an Avalon Funeral Plan with Cornerstone Wills provides the following key benefits:

1. Removing the additional worries and stress with having to make decisions on the funeral of a family member or friend
2. Buying at today's prices provides protection from the risk of rising funeral costs (Funeral Plans can cost in excess of £4,000 and are predicted to rise to over £10,000 by 2029)
3. Several options to suit your personal and financial needs
4. Flexible payment options

For further details please contact us.

Testimonials

It was a very good experience working with Cornerstone Wills on a couple of occasions. Very thorough and helpful on this important and complex subject. *Mr Hobbs, Surrey*

Cornerstone Wills have provided a user friendly & efficient service, I would happily recommend them. *Mr & Mrs Esplin-Jones, Surrey*

Sue, I always seem to be thanking you for your kind and patient attention to my family's affairs. *Mr & Mrs Wilcox, Essex*

Thank you so much you have made us feel more secure and helped our daughter to start her understanding of adult life !! *The Whelans, Buckinghamshire*

Cornerstone provide a very good service producing a Will and are great assistance for minor updates. Highly recommended. *Mr Williams, London*

We came to Cornerstone Wills because their website said they were experts in Property Trusts, and they are! An incredibly professional service with great advice and knowledge. Allowed us to sort our Wills quickly, easily and in comfort. *Mr Greenwood & Miss Van Laere, Surrey*

We are happy with the service provided, it was prompt, with the information we needed and the helpful suggestions, enabling us to write the Wills we wanted. *The Forey's*



Thank you

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

Tia, Karl & Vicki, Ben, Sally, Mark, John and Ed

