MEDICAL & DENTAL

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A guide to IHT: Life Cover

Outline of Features

Rather than use gifts or trust planning an alternative option is to pay for life cover to mitigate the IHT liability.

This is whole of life cover, depending on circumstances can be either joint life second death or single life basis.

The cost of this is normally paid by monthly premium.

Premiums can be either reviewable or guaranteed.

Reviewable Cover

The cost of Reviewable cover is commonly fixed for the first ten years, then every five years (the step ladder effect).

The reviewable cover is much cheaper at outset but becomes progressively more expensive as the client gets older (level of increase not known in advance)

There is nil or only a very notional investment element to this cover.

Guaranteed Cover

Guaranteed rate cover provides certainty of the annual cost of this type of planning.

Depending on age, it is much more expensive at outset, but unlike reviewable the cost does not increase in the future.

General

In both types of cover, the cover will be underwritten prior to terms being agreed, i.e., doctors report, health tests etc.

There are pre-underwriting teams at each life cover provider (eg Aviva, Zurich, Canada Life) who will discuss in generic terms any potential health concerns.

The life cover is written under a discretionary trust so that in the event of death the level of cover is not included in the client's estate.

Depending on individual circumstances, life cover can work well with other forms of planning.

There are many options that are appropriate to use and it is very much dependent on your own personal circumstances and objectives.

A qualified financial planner can assess your situation and review and plan what may arise in the future with regards to any IHT liability.