

# Preventing Later Life Crisis Virtual Seminar series

## Part 3: Preparing your knowledge, your advice and your clients for what happens at the end

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21 July 2022

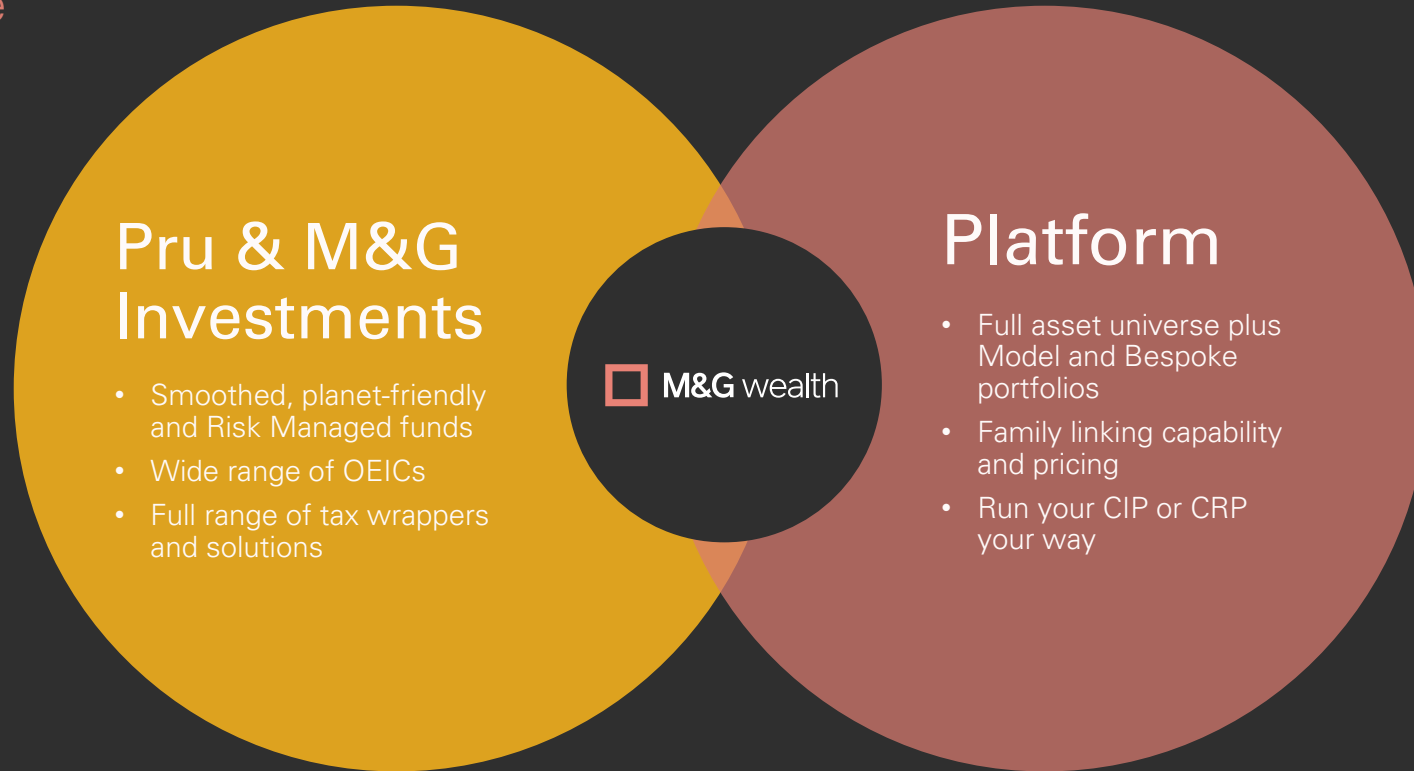
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# Who we are



Technical expertise

Thought-leadership



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# Preventing Later Life Crisis Virtual Seminar series

## Part 3: Preparing for bereavement



21 July 2022

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# Preventing later life crisis: 3-part series...

1. Attorneys – Do they have the power to support effective later life advice?
2. It's not going to be £86,000 – getting to grips with care costs.
3. Preparing your knowledge, your advice and your clients for what happens at the end & afterwards

# Important information - Pru

This presentation is for adviser use only, and is based on our current understanding of taxation, legislation and HMRC practice, all of which are liable to change and subject to an individual's own circumstances.

Please remember that past performance is not a reliable indicator of future performance. The rate of growth of funds and any income from them cannot be guaranteed. **The value of an investment can go down as well as up and your client could get back less than they have put in.** PruFund funds aim to grow your client's money while smoothing their investment journey.

The PruFund range of funds all invest in Prudential's With-Profits Fund, which is one of the largest with-profits funds in the UK. However, there are differences across the range of PruFund funds in their objectives and mix of assets, and how PruFund delivers returns to investors when compared to other With-Profits business, which means the returns received by investors will vary by fund choice.

Prudential set Expected Growth Rates (EGR); these are the annualised rates your client's investment would normally grow at. The EGRs reflect our view of how we think each PruFund fund will perform over the long-term (up to 15 years). Each PruFund fund has its own EGR and your client's investments into a PruFund will normally grow daily by the relevant EGR. Although we take a long-term view, we do review the rates every three months to allow for any changes, which may mean a change in EGR on a quarterly basis, up or down. While the EGR reflects our long term view, we need to check that the fund is performing as expected - if not we may need to make an adjustment to your client's fund value, either up or down. There are limits which set out when an adjustment would be required. The value of your client's investment in a PruFund fund is based on the Smoothed Price, this is the unit price, which grows daily by the EGR. We compare the Smoothed Price against the Unsmoothed Price – which reflects the value of underlying assets. If these move too far away from one another we need to adjust the Smoothed Price to narrow the gap. This could be a price increase or a price decrease. In certain circumstances we might need to suspend the smoothing process for one or more of the PruFund funds.

# Important notice:

## National Bereavement Service & Adroit Legal Services

Prudential has no association with The National Bereavement Services (NBS) & Adroit Legal Services, and it's your responsibility to carry out appropriate due diligence on the firms. Other services of a similar nature may be available, or may become available.

### Data sharing

As Prudential, The National Bereavement Services (NBS) & Adroit Legal Services have teamed up to run this seminar, event data and feedback from this seminar will be shared between Prudential (part of M&G plc) and The National Bereavement Services (NBS) & Adroit Legal Services accordingly. By registering and/or attending this seminar you have agreed to these terms. For more information on each company's data handling process, please visit their privacy notices on their websites.

# Our learning objectives for session three

## Bereavement - Preparing your knowledge, your advice and your clients for what happens at the end

To be able to demonstrate an understanding of:

1.

Identify the impact of death on a client's investment holdings across the main tax wrappers

2.

Describe the nature of bereavement and the needs of bereaved people

3.

Appreciate the overall work of the National Bereavement Service

4.

Assess the nature of support available to clients of financial advice firms from the National Bereavement service and other related organisations.

# Why are we here?

**Inherit and exit is advisers' next gen risk**

70% of heirs will change or fire their financial advisor once they inherit the wealth.

48% of people inheriting more than £250,000 did not approach their deceased relative's adviser for help managing their new wealth

Source: <https://www.fa-mag.com/news/how-advisors-can-avoid-getting-sacked-by-heirs-66495.html>

Source: <https://www.moneymarketing.co.uk/opinion/inheritance-succession-financial-advice/>



# Open-ended Investment Companies (GIA)

# General Investment Account



## Taxation:

- Capital gains
- Income tax
- Trusts & Estate return

## Uplift on death:

- Gains die with owner

# General Investment Account



## Options:

- **Sell holding**
  - AEA available for tax year of death plus 2 further years
  - No gain / loss if IHT loss relief claimed
  - Gain is growth since death
  - Tax 20%
- **Transfer ownership**
  - No disposal
  - New owner picks up at date of death value.
- **Joint ownership**
  - Passes to survivor
  - Acquisition cost on 50% of holding rebased.

# General Investment Account



- **Allowances**
  - No personal allowance for estate
  - No other allowances available
- **Type**
  - Interest – 20%
  - Dividend – 8.75%
  - Rental income – 20%
  - Exempt income e.g. premium bonds
- **Reporting**
  - Depends on income received.



# Individual Savings Accounts

# ISAs on death



Until sooner of:

- estate administration is complete, or
- ISA is closed, or
- three years from date of death

Investments:

- Life policies
- S&S

# ISAs are NOT Inherited



ADDITIONAL  
PERMITTED  
SUBSCRIPTION

## Eligibility:

- Available to spouse/civil partner
- Must have been living together

## Claim:

- Application to use APS with ISA provider
- ISA manager claims by contacting deceased's ISA manager for values

## Valuation :

- Higher of:
  - Value at death
  - Value when closed

# ISAs are NOT Inherited



ADDITIONAL  
PERMITTED  
SUBSCRIPTION

## Contributions:

- Can be made to any ISA
- Cash or assets (or both)
- In-specie only allowed to deceased's ISA manager


## Time limits:

- In-specie
  - 180 days from beneficial ownership
- Cash
  - 3 yrs from date of death, or
  - 180 days from estate closure, if later

A decorative graphic consisting of five overlapping triangles. The central triangle is a medium purple color. It is flanked by two larger triangles in a light peach or salmon color. Below the central triangle are two smaller triangles in a darker purple color, which overlap with the base of the central triangle and the bottom of the side triangles.

# Insurance Bonds

# Bond chargeable events



Death of a  
life assured  
giving rise  
to benefits

## Death of life assured (or last life assured)

- Bond ends
- Death benefit depends on T&Cs
- Taxed benefit is gain at date of death
- Owner(s) are liable

## Death of owner (not last or only life assured)

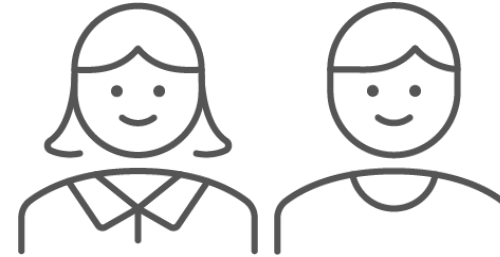
- Bond continues
- No chargeable event
- Bond passes according to set up

# Ownership



100%

Single Owner



100%

Joint Tenancy

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Will / Intestacy\*

Survivorship

---

Probate usually required

Probate not required

*\* Ownership normally passes to personal representatives initially*

# Case study

Mary's father Ted has recently died.

Ted was widowed and as an only child Mary is inheriting all his estate.

His estate includes an onshore bond that has continued as Ted had added Mary as a life assured when he set it up.

The executors are wondering whether to cash in the bond or assign it to Mary.

It is currently showing a gain of £69,000 and a slice of £11,500.

Mary only has a salary of £30,000 and no other income.

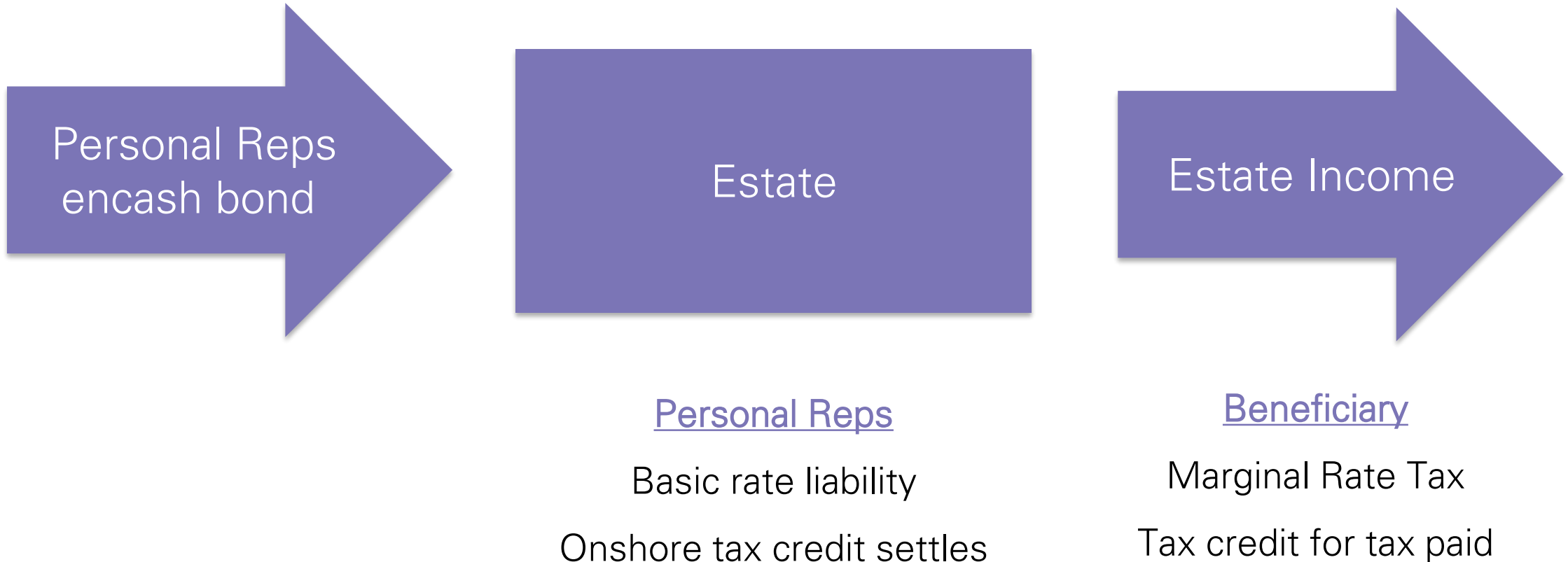
What should be done?

Mary



Is inheriting a bond  
*(inter alia)*

# Estate cashes in



# Mary – bond is assigned

	Amounts		Tax
Salary	£30,000		
Personal Allowance	<u>£12,570</u>		
Taxable income	£17,430		
Salary	£17,430 @ 20%		£3,486
Bond	£500 @ 0%	£0	
	£19,770 @20%	£3,954	
	£48,730 @ 40%	<u>£19,492</u>	<u>£23,446</u>
	Step 5 Total		£26,932
Tax credit	£69,000 @ 20%	£13,800	
Top slicing relief		<u>£9,646</u>	(£23,446)
	Tax liability		£3,486

# Mary – estate cashes in bond

	Amounts	Tax
Salary	£30,000	
Estate Income	<u>£69,000</u>	
Personal Allowance	<u>£12,570</u>	
Taxable income	£86,430	
Salary	£17,430 @ 20%	£3,486
Estate Income	£20,270 @ 20%	£4,054
Estate Income	£48,730 @ 40%	<u>£19,492</u>
	<b>Total</b>	<b>£27,032</b>
Tax credit from estate	£69,000 @ 20%	(£13,800)
	<b>Tax liability</b>	<b>£13,232</b>

Tax liability  
£3,486

Assign to Mary!

A decorative graphic consisting of five overlapping triangles. The central triangle is a light purple color. It is flanked by two medium purple triangles. On the far left and right are two light orange triangles. The word "Pensions" is centered over the light purple triangle.

# Pensions

# The big freedoms changes

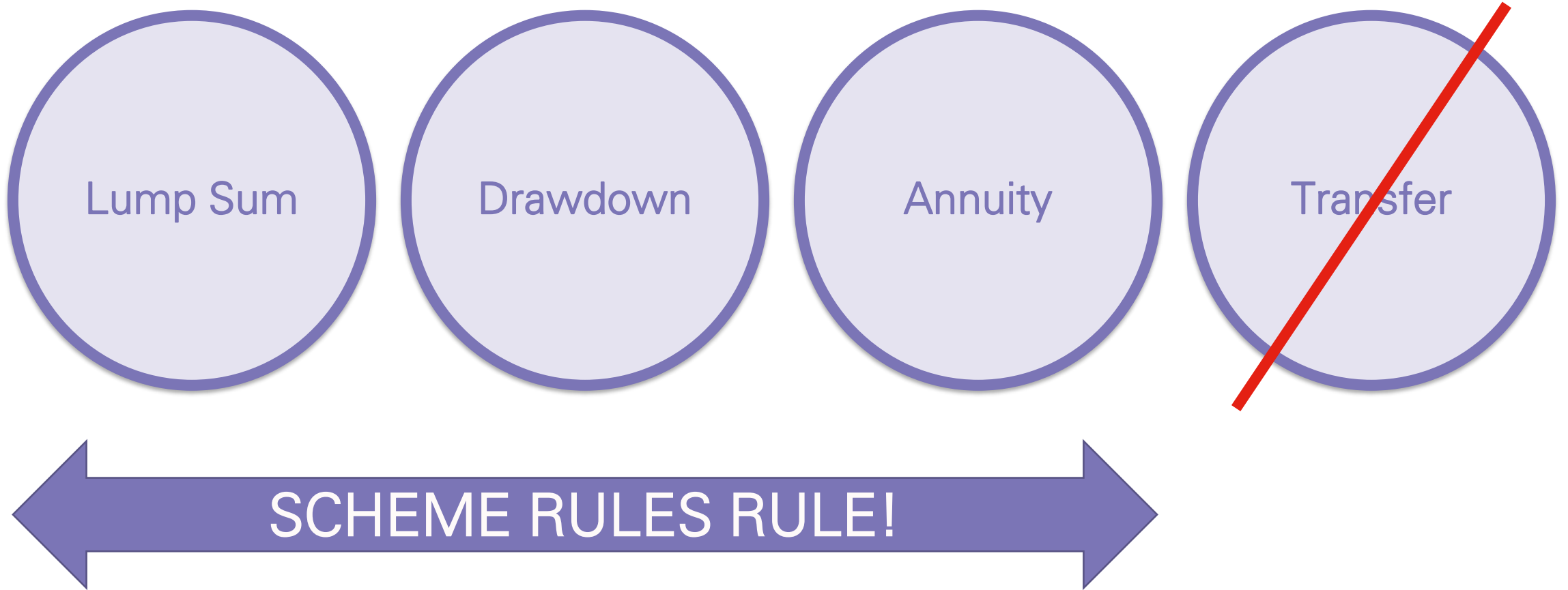


TAXATION



DISTRIBUTION

# Pension Death Benefits



# Who can get what?

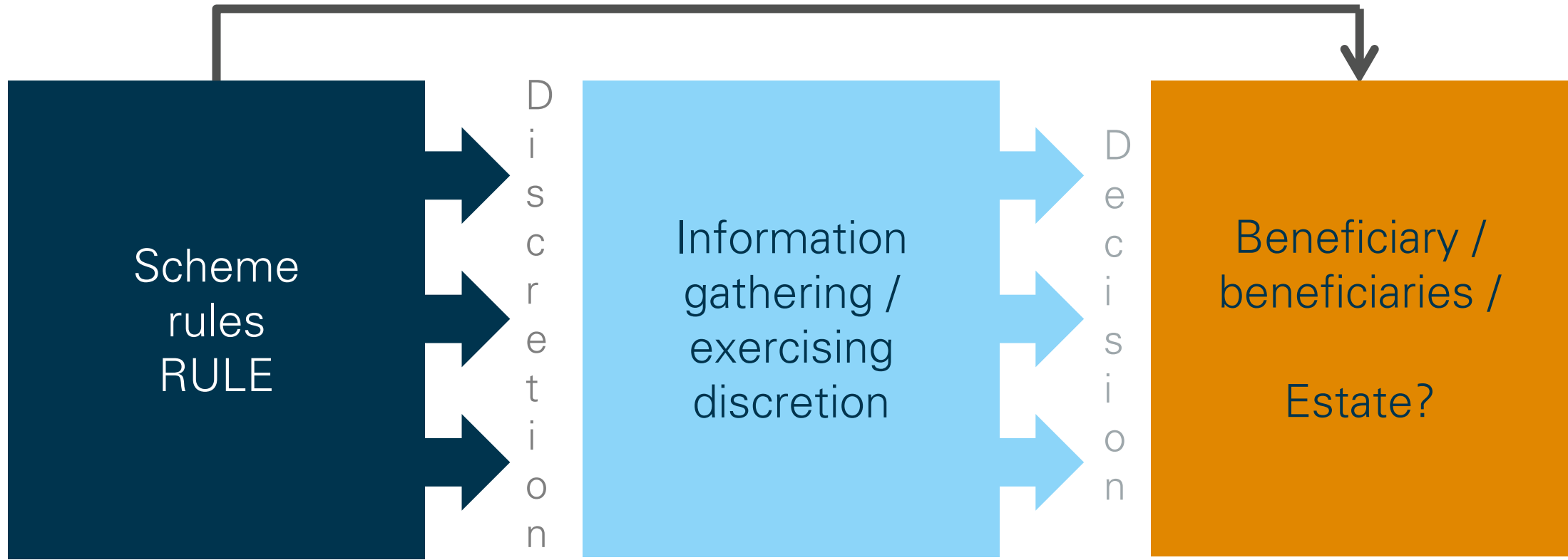
Assuming:

- the scheme rules allow discretion over payment of death benefits
- the individual's are in a class of beneficiaries allowed under the scheme rules

Dependant?	Nomination?	Payable
Yes	Yes	<ul style="list-style-type: none"><li>• Income to dependant or nominee</li><li>• Lump sum to anyone</li></ul>
No	Yes	<ul style="list-style-type: none"><li>• Income to nominee</li><li>• Lump sum to anyone</li></ul>
Yes	No	<ul style="list-style-type: none"><li>• Income to a dependant</li><li>• Lump sum to anyone</li></ul>
No	No	<ul style="list-style-type: none"><li>• Income to anyone</li><li>• Lump sum to anyone</li></ul>

# Distribution of Death Benefits

No discretion / binding nomination / plan terms



# The Tax on death

Age 75

Unvested - LTA test

Benefits normally\* income tax free

Vested – No LTA test

Benefits normally\* income tax free

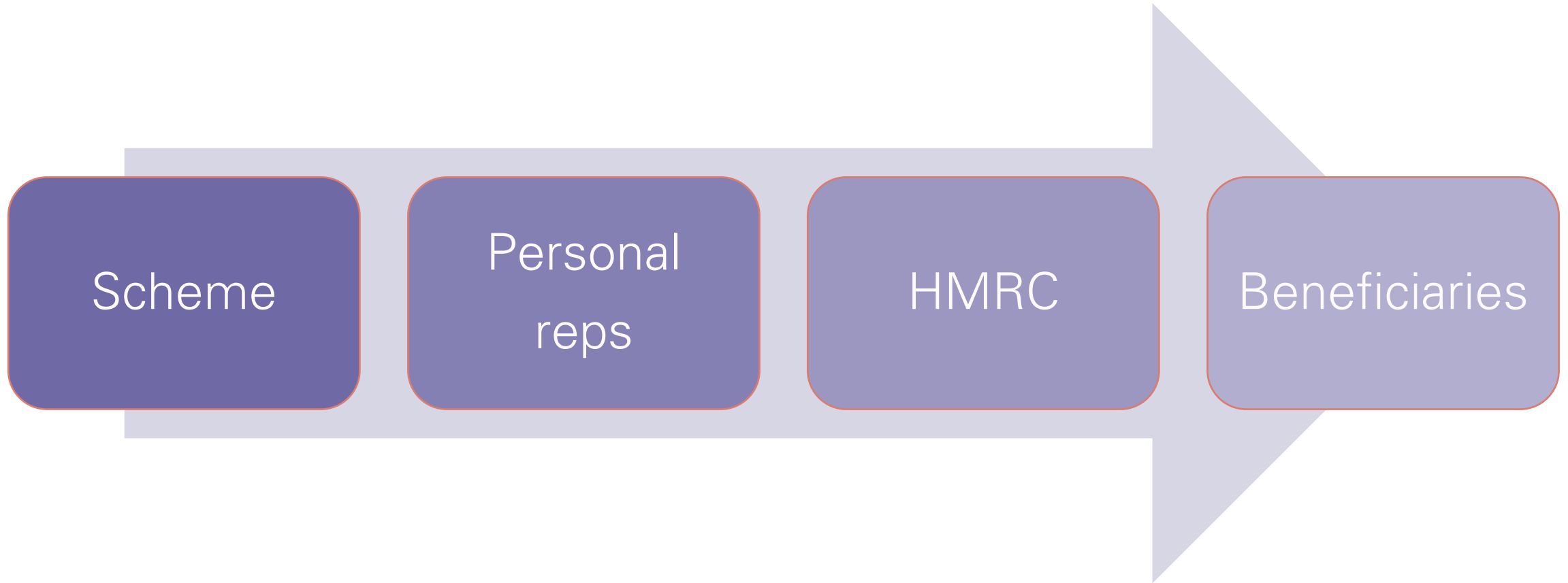
No LTA test

Benefits taxed at marginal rate (or  
45% \*\*)

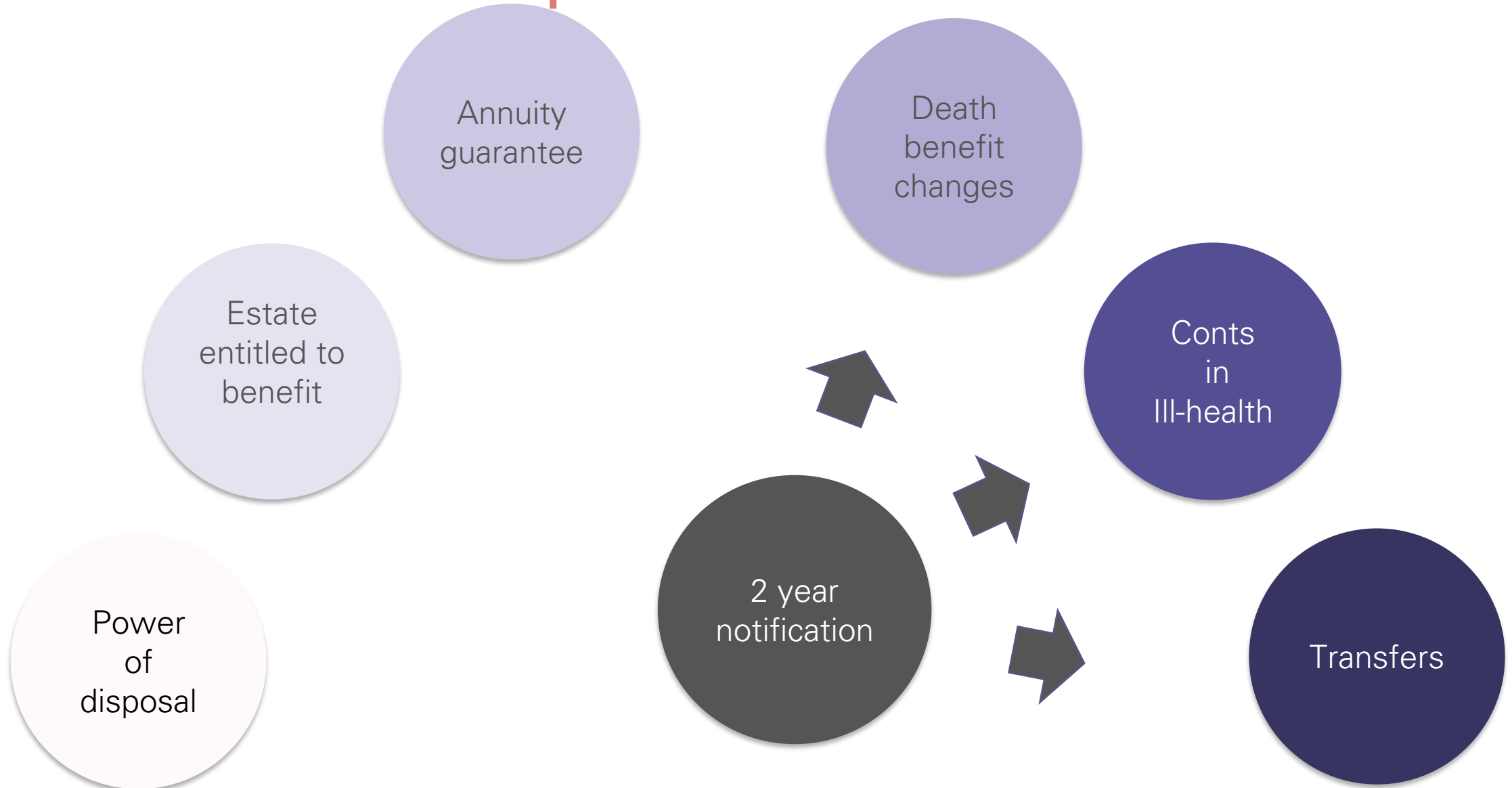
\*Set up within 2 years of scheme knowing about death

\*\* non qualifying e.g. trust or estate

# Death “admin”



# Pensions IHT impact



# Support for you

Adviser to client material

Intergenerational Planning Hub

Trusts and IHT modeller

IHT calculator

**Techy Thursdays**

Family Wealth Unlocked Report

Talk to a Techy

MyView

Technical Hub

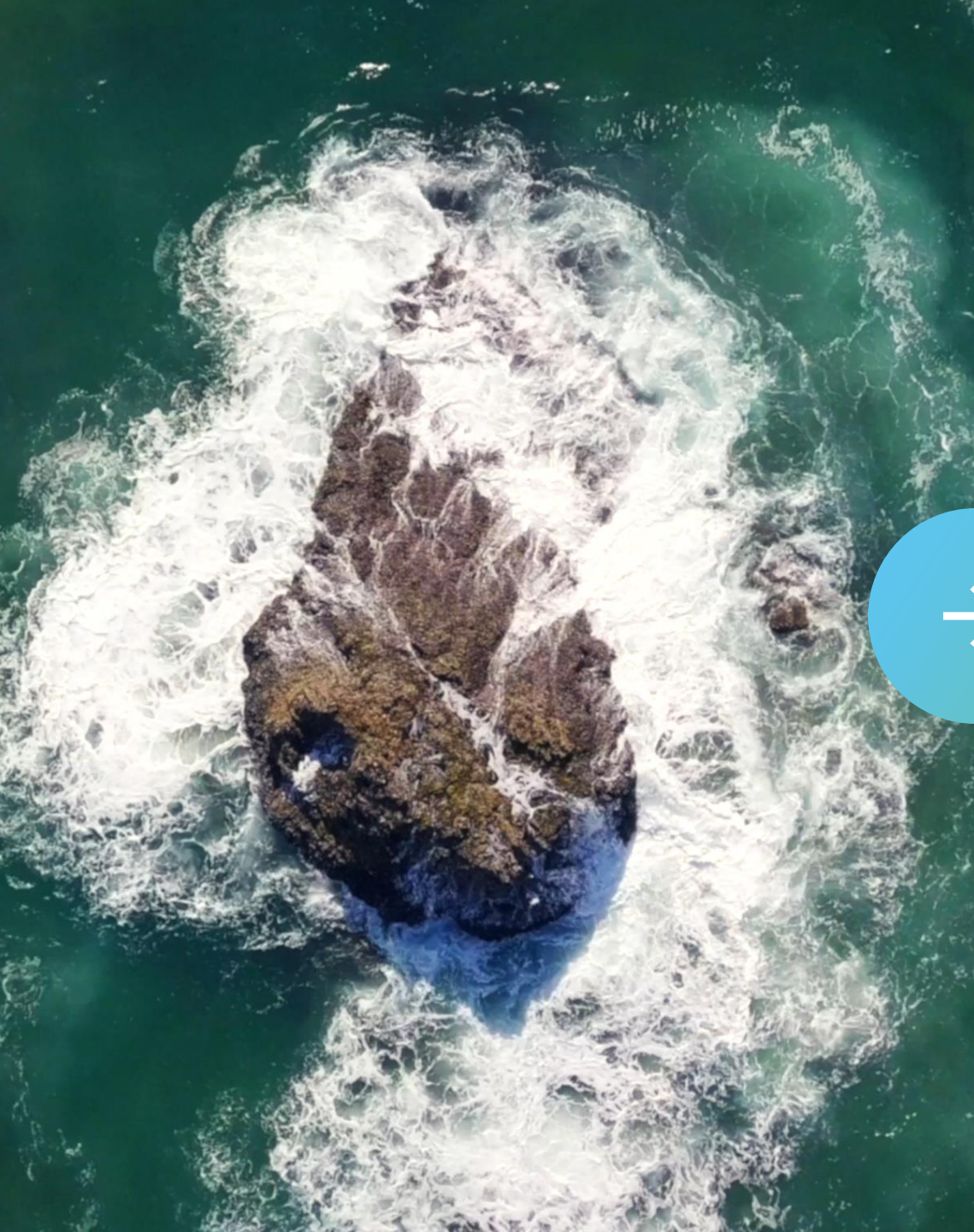


Lisa Lund  
Director, Adroit

Anne Wadey  
Senior Bereavement Advisor, NBS

# Preventing Later Life Crisis

## Session 3



WHAT IS BEREAVEMENT ?

A word cloud featuring various terms related to mental health and emotions. The words are arranged in a roughly circular shape, with 'lonely' being the largest and most central. Other prominent words include 'overwhelmed', 'sad', and 'tears'. Smaller words like 'guilty', 'poverty', 'self-neglect', 'relief', 'angry', 'afraid', 'self-confidence', 'insomnia', 'tired', 'exhausted', 'anorexia', 'confused', 'withdrawn', 'vulnerable', 'substance-abuse', and 'rumination' are also present. The colors range from dark blue to light teal.

rumination  
substance-abuse  
overwhelmed  
self-neglect  
guilty  
poverty  
relief  
angry  
lonely  
vulnerable  
confused  
withdrawn  
afraid  
anorexia  
self-confidence  
tired  
insomnia  
exhausted  
sad  
tears

assets administrator  
beneficiaries  
indemnify certified  
original contentious advertise  
creditors tax debts  
probate  
oath insurance threshold  
inheritance certificate lists  
executor copy  
notification  
forms


## **DECEASED and BEREAVED ARE ADJECTIVES NOT NOUNS**

To use deceased as a noun when communicating with bereaved people is to deny the personhood of the person who has died. To fail to use their name (if known) or relationship is to rob them of their individuality.

Unless the bereaved person chooses to use a euphemism eg 'passed away', use plain English words eg 'please tell me the date that Mr xxx died'.



A note on  
language



There are two parallel  
journeys through  
bereavement

## **1. PRACTICAL**

National Bereavement Service (NBS) provides a 'general practitioner' type service with a comprehensive understanding of all the practical tasks that confront bereaved people. The majority of queries we answer ourselves, others we signpost to appropriate organisations, statutory, commercial and charitable.

## **2. PSYCHOLOGICAL**

NBS provides 'first aid' to service users requesting emotional support.

Many just need information, explanation and reassurance that their own experience of grieving is normal. Others we will signpost to organisations (mostly charities) whose service is the best fit for the circumstances and needs of the caller.

**BUT NEARLY ALL PRACTICAL DECISIONS & ACTIONS HAVE EMOTIONAL IMPACT**

# The role of financial advisors for bereaved people



## Finalised guidance

FG21/1 Guidance for firms on the fair treatment of vulnerable customers

**Table 1: Characteristics associated with the 4 drivers of vulnerability**

Health	Life events	Resilience	Capability
Physical disability	Retirement	Inadequate (outgoings exceed income) or erratic income	Low knowledge or confidence in managing finances
Severe or long-term illness	Bereavement	Over-indebtedness	Poor literacy or numeracy skills
Hearing or visual impairment	Income Shock	Low savings	Poor English language skills
Mental health condition or disability	Relationship Breakdown	Low emotional resilience	Poor or non-existent digital skills
Addiction	Domestic abuse		Learning difficulties



# The role of financial advisors for bereaved people contd.

To offer your professional expertise and service with empathy, and to signpost to appropriate sources of help for anything else.


When a high street bank surveyed its bereaved customers a few years ago about what they wanted from the bank, the overwhelming reply was that they wanted the bank to fulfil its normal role, with courtesy, acknowledging the circumstances and doing what is needed accurately and speedily.



Financial vulnerability  
and bereavement  
POLL

What percentage of bereaved people do you believe to be financially vulnerable in some way?

- A. 1-25%
- B. 26-50%
- C. 51-75%
- D. 76-100%



## Reasons for financial vulnerability in bereavement

- Lack of financial confidence
  - 45% MAPS 2021
- Lack of financial competence
  - Partner/Carer managed money by mutual choice
  - Partner/Carer managed money as coercive control
  - Impaired intellectual ability
- No financial reserves to meet costs of bereavement i.e. funeral
  - Working people
  - People on condition related benefits
  - People on income based benefits
- Being an older woman
- Making at need purchases i.e. funeral and legal services without due diligence

- National Bereavement Service ('NBS') is unique in providing a free helpline for bereaved people with no sales agenda.
- There is minimal research available on the public's general knowledge of what needs to be done after death and how people find out what to do. We are partnering with Sheffield University on a pilot to address this.
- NBS Bereavement Advisors are employees, they do not have sales targets nor financial incentives.
- There are no time constraints on calls to NBS (a UK based call answering service ensures overflow calls reach a real person)
- The sole aim for each service user is that they receive accurate and appropriate information for their individual circumstances.
- Service users are guaranteed anonymity unless personal data is needed for follow-up action.



Provide a free access service of information and advice to bereaved people – making sense of all that needs to be done



Explain procedural and practical aspects of death



Who to inform and how

## HELP FROM NBS ADVISORS 1



Identify a reputable funeral director & resolve problems paying for the funeral



Understanding if probate is needed and how to deal with it, including DIY and finding a solicitor



Immediate emotional support & signposting to appropriate support agencies



Planning ahead – Wills & Lasting Powers of Attorney, Estate Planning



Whatever else people ask us!

## HELP FROM NBS ADVISORS 2



- Callers to NBS who would like to explore professional legal services are able to take advantage of our partnership with Adroit Legal Services, who manage a panel of trusted and vetted legal practitioners.
- They offer fixed fees negotiated by Adroit on behalf of clients, ensuring highly competitive and transparent pricing together with excellent standards of client care
- For more information about Adroit contact [info@adroitlaw.co.uk](mailto:info@adroitlaw.co.uk)



JOHN LEWIS  
PARTNERSHIP

VS VICTIM  
SUPPORT

Taking  
Care  
Part of AXA Health

Travis Perkins

ROY CASTLE  
LUNG CANCER  
FOUNDATION

PUREGYM

ALDI

MONEY

EQ

- Adroit and NBS together offer customer and employee bereavement support packages to a wide range of corporate companies and charities
- The NBS Bereavement Training programme has recently developed due to demand
- Various charities who support bereaved people and others who are vulnerable, signpost to the NBS free helpline including Cruse, Homicide Service, Citizens Advice, Support After Suicide Partnership and At A Loss.



National  
Bereavement  
Service

## CONTACT US

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Email: [info@theNBS.org](mailto:info@theNBS.org)

Live webchat [www.theNBS.org](http://www.theNBS.org)

Open:

Mon-Fri 9am-6pm Sat 10am-2pm

Closed Sundays & public holidays

# Our learning outcomes for session three

## Bereavement - Preparing your knowledge, your advice and your clients for what happens at the end

To be able to demonstrate an understanding of:

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joining us today



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