

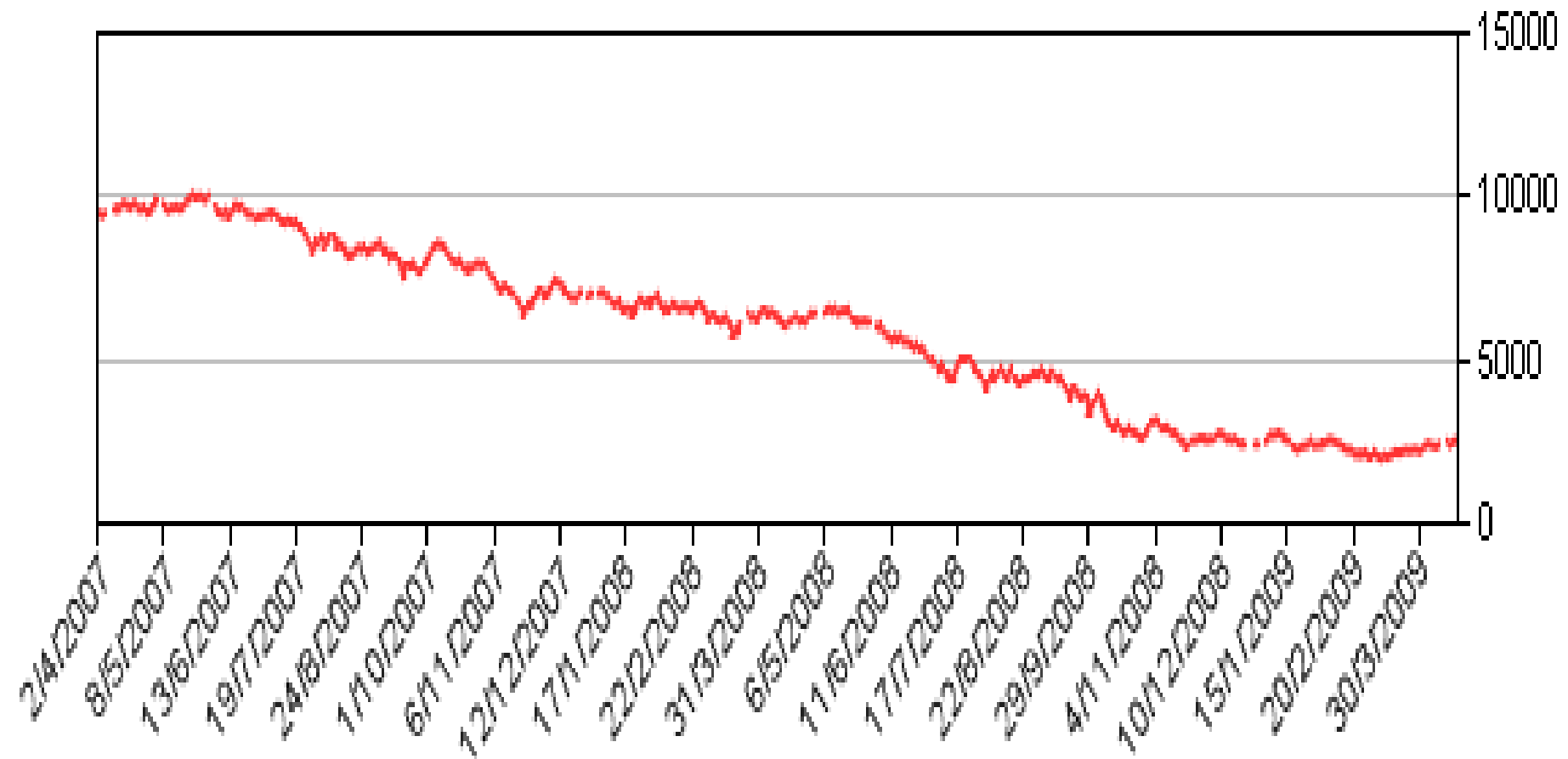
**KENNELLY  
& TWOMEY  
L I M I T E D**

**Planning for High Net Worth  
Individuals with Trusts in Difficult  
Times**

**22 April 2009**

**Jane Florides**

ISEQ® Overall



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“Any tax cost, even one based on today’s  
low values, is unpalatable”

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“I need to keep my cash intact because I don’t know how long it will be until my other investments become liquid again”

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“I don’t want to have to sell out of any of my investments at today’s low values to fund a tax bill”

# What can we do for this client?

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- ▶ Identify potential tax charges
- ▶ Postpone them
- ▶ Keep capital base intact for longer

# Your client - Fred

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- ▶ 70's
- ▶ 1 son (40)



# Client dies

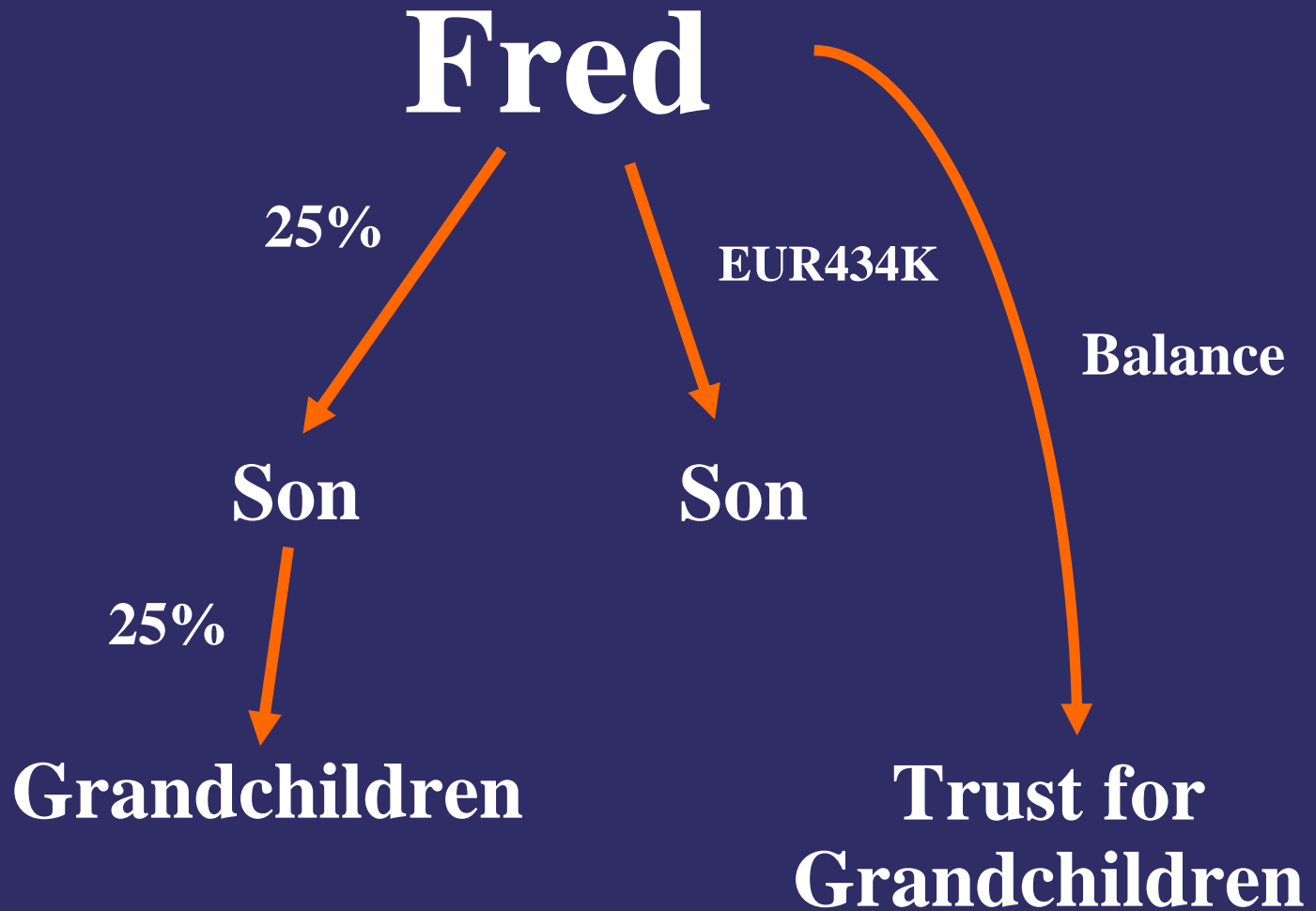
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- ▶ Son gets EUR434K
- ▶ Balance taxed at 25%
- ▶ Cost of EUR2.4m – on an estate worth EUR10m
- ▶ Is there cash?
- ▶ Is there a better way?



# Does client have grandchildren?

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# Grandchild inherits age 30

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<b>Age when grandfather died</b>	<b>EUR1m in trust for</b>	<b>Saving 5% growth EUR</b>	<b>Saving 7% growth EUR</b>
12	18 yrs	102K	143K
15	15 yrs	139K	184K
20	10 yrs	177K	214K
25	5 yrs	195K	215K

# Generation skipping trust

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- ▶ Estate EUR20m
- ▶ EUR10m to son
- ▶ EUR10m to grandchildren at age 30
- ▶ Saving EUR1m → EUR2.15m

# Postponing tax charge



## Warehouse trusts

# Warehouse trusts – current uses

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1. Postpone tax charge
2. Reliefs (e.g. agricultural)

# Inheritance tax planning

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- ▶ Foreign tax costs
- ▶ Income tax

# Foreign investment funds

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**EU/EEA/certain  
OECD countries**

**28% tax**

**Other offshore funds**

**Top rate income tax**

# “Bad” offshore funds

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- ▶ Jersey property unit trust
- ▶ Bermudan investment fund
- ▶ Argentinean holding company
- ▶ Chinese holding company



# Offshore fund - death

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	EUR
Invest EUR100,000, grows to	500,000
Tax 55% on gain of EUR400K	<u>220,000</u>
Balance	280,000
Inheritance tax at 25%	<u>70,000</u>
Net	210,000
	=====
Effective tax rate on death	58%

# A simple solution?

**Sun Insurance Office**  
LONDON

W. J. HOBEN & CO.  
ESTATE AGENTS  
25, LYONS' ST.  
MELBOURNE.

VICTORIAN  
BRANCH:

34 QUEEN ST.,  
MELBOURNE.

No. 2174375

**Renewal Receipt for Policy No. 1299442**

Received of Catharine C. Savage 12 December 192<sup>3</sup>

of Catharine C. Savage the sum stated at foot

for 12 months' premium on an Insurance of £200 in the

SUN INSURANCE OFFICE, according to the particulars specified in the above-mentioned Policy, from

15<sup>th</sup> December 192<sup>3</sup> to 15<sup>th</sup> December 192<sup>4</sup>

Premium £ 17 10 ✓

W. J. HOBEN & CO.  
Sub-Agent at Melbourn

R. E. JARRETT,  
Manager for Victoria

Per [Signature]

NO RECEIPT IS VALID EXCEPT ON THE COMPANY'S PRINTED FORM.

# Discretionary trusts

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- ▶ Discretionary trusts can be expensive in tax terms
- ▶ 19% DTT by time youngest child is age 35
- ▶ Review as children grow older

# “Rainy day trust”

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**Fixed trust**

The diagram shows a yellow-to-orange gradient oval containing the text 'Fixed trust'. A white line extends from the bottom of the oval to the text below.

**EUR7m at 25**

**EUR1m at 30**

**Balance at 35**



**Discretionary  
trust**

The diagram shows a yellow-to-orange gradient oval containing the text 'Discretionary trust'. A white line extends from the bottom of the oval to the text below.

**Float**

# Conclusion

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- ▶ Conserving cash is priority
- ▶ There are always opportunities!