Watch Out for 'Boiler Room' Scams

Research by the Financial Services Authority has found that 'boiler rooms' are alive and well and preying on the UK public.

Boiler rooms are offshore-based (and unregulated) 'share-pushers', who usually market shares by the making of unsolicited telephone calls. They offer shares and investments, often using the magic words 'tax free' as an inducement.

Most of the shares recommended by such operations are completely worthless. The research indicates that the average lost by investors in such scams is £20,000 per person.

Interestingly, most of the victims were mature people - the majority being experienced investors, with over 50 per cent being over the age of 50. Three respondents had lost in excess of £100,000 each. Over ten percent had been conned more than once.

The usual tactics of the scammers do not involve making an immediate sales pitch. The first objectives are to ascertain that you are an investor and to win your trust. The sales pitch comes later. Just because they are (ostensibly) operating in a European country (most use accommodation addresses and automatic telephone forwarding to maintain the pretence) does not mean they are legitimate.

If you are offered shares through the medium of an unsolicited marketing approach of any kind, be very wary. 'Investments' made other than through a properly-regulated organisation are likely to result in financial losses.

Avoiding Inheritance Tax with Discounted Gift Schemes

Discounted gifts can be made by a donor setting up a discretionary trust (this is usually done with a single premium investment bond) with a flexible power of appointment.

For IHT purposes, the valuation of assets gifted is based on the 'loss to the estate' as a result of the transfer of the property and is calculated on the value when the assets are transferred into the trust. HM Revenue and Customs (HMRC) will estimate the amount that is likely to be returned to the donor through the income they draw, based on their age and health. With discounted gift schemes, the valuation HMRC then place on the transfer will be less than the amount actually invested, creating a discount. This discounted amount is the valuation of the transfer of assets for IHT purposes, creating an immediate potential tax saving.

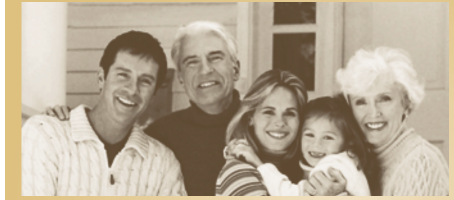
Discounted gifts are Potentially Exempt Transfers (PETs), meaning that if the donor survives seven years after making the gift, the trust property drops out of the estate altogether and becomes exempt from IHT. Any growth in value is also exempt from IHT liability.

As well as the IHT saving, this type of arrangement has the advantage of providing regular income payments for the donor during his or her lifetime. Also, because the assets are no longer within the estate, the trust beneficiaries can receive the trust funds on the testator's death and will not need to wait for probate.

The downside, however, is that such schemes are not very flexible. The donor will lose all rights to the capital invested once the trust has been drawn up and will not benefit from any investment growth, although they will be able to receive a regular income.

Discounted gift schemes are best suited to people who have some certainty about their financial status. They are also more advantageous where the donor is confident of surviving seven years, in order to utilise fully the tax saving. As with any tax planning device, especially where trusts are being created, it is important to seek professional advice as to whether it is the best option, given your individual circumstances.

FAMILY WEALTH SEMINAR



When we explore our clients' values and discuss what is truly important to them, supporting their family is often high on the list. Our previous seminars have considered inheritance tax planning and ways to reduce the Chancellor's share of your money, but what about now? What actions can you take today to leave a lasting legacy?

If you want to leave your family in great financial shape, the best thing that you can do for them is to be a great example. In our experience that means creating an environment where money and its uses can be discussed in an open, non-critical environment. It doesn't mean that you have to reveal everything about your own finances; it is more about understanding what's important to you and where money fits into your views.

To explore these issues in more detail, we have created a programme of events. As an introduction to this, we are holding a 'compact version' to cover some of the main points and provide a framework for action. You are cordially invited to come along to **QUORN COUNTRY HOTEL** on the evening of **Wednesday, 2nd May, 2007** to find out more. We plan to start 7pm prompt and can promise you an inspiring and informative event that will give you some great ideas for building your family's wealth. The Seminar will include sessions on:

- How wealth is created and basic money principles
- The Seven Stages of Money Maturity and how to determine which stage you are at
- Common money concerns affecting people at different stages in their lives
- Why your money beliefs are likely to be very different from those of your parents and your children
- How to communicate in a meaningful way across the generations
- How to bring family skills together to create enhanced results

The Seminar will work best for you if you involve other members of your family, whether they are your parents, children, nephews, nieces or other family members, however this isn't compulsory.

We sincerely hope that you will be able to join us, and we look forward to seeing you there. You can reserve your place by calling our office, e-mail, via our website or by completing the reply-slip.

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COURT REJECTS SISTERS' INHERITANCE TAX PLEA

Under UK law, transfers between spouses and civil partners do not incur any Inheritance Tax (IHT) liability, but transfers to other family members do.

Two elderly sisters, who have lived together in the family home since they were children, recently lost their claim that they should not pay IHT when the first of them dies. The family property is of sufficient value to cause the surviving sister to face a considerable IHT liability when the other dies.

The sisters, both of whom are in their 80s, argued that the way the law works was a breach of their rights under the European Convention on Human Rights and took their case to the European Court.

IHT law permits only transfers between civil partners and spouses to be IHT-free. Transfers between other people living in the same house - even between couples who have cohabited for substantial periods - do not benefit from the IHT exemption.

At the time of writing, it is uncertain whether the sisters will attempt to appeal the ruling by seeking a hearing before the EU's Grand Chamber.

picture is posed by models

STOP PRESS

The deadline for making an Enduring Power of Attorney has now been extended from April to October. After October you will only be able to make a Lasting Power of Attorney, which will be a lot longer, more complex and more expensive.

Contact us for more details.
Telephone us on **01509 217770**

TAX RETURNS

As the new tax year is now upon us, don't forget we can assist you with your personal tax returns. Typical questions that can be answered are: **What is a Tax Return? Who should complete a Tax Return? How do I complete the Tax Return form?** and **When do I need to send the form back?**

Contact us for more details.
Telephone us on **01509 217770**

Contested Wills - Costly, Unpleasant and Avoidable

A surprising number of cases arising out of contested wills come before the courts each year and the large majority of these are avoidable. Such cases can arise for a variety of reasons, one of which is that a will is known to have been made, but cannot be found.

Recently, a 'lost will' case was heard in which the original of the will was said to be lost and a photocopy of the alleged will was put before the court for verification.

Behind the case was a not uncommon story. A father died and the copy of his will favoured one of his sons, with whom he had lived for several years. The main asset of the estate was the family home and this was left to the son, with the residue of the estate divided between the other children. If the will was ruled to be invalid, they stood to inherit far more, under the intestacy rules, and they contested the validity of the will. They argued that the will was forged and that if it was not, then the deceased must have revoked and intentionally destroyed the original. They argued that their father hoarded documents and that he would have kept the original of the will if it still represented his wishes.

The evidence of a handwriting expert, concerning the authenticity of the will, was inconclusive. However, the court heard a great deal of independent evidence that confirmed that the deceased had indeed intended to give the family home to his son on his death. Furthermore, witnesses were produced who recognised the photocopy as being that of the original will which they had been asked to witness.

The judge ruled that the photocopied will be accepted as valid.

This is yet another example of a case which resulted in unnecessary costs and no doubt a considerable amount of ill-feeling in the family. The legal proceedings also delayed the administration of the estate for a very considerable period. This circumstance could easily have been avoided had the original of the will been prepared with the benefit of professional advice and retained in a safe place which was known to the family. Making a will using a solicitor is not expensive and can avoid a great deal of unnecessary cost, delay and, possibly, acrimony between surviving members of the family.

Who Decides Your Final Resting Place?

One of the most common statements of wish in a will is a statement outlining how one's remains should be dealt with. Many people think such a wish is part of the will and is binding on the executor, but this is not strictly the case. In law, your executor has the right to make such arrangements regarding your remains as they see fit. The rights of the executor in this area override those of family and friends.

Clearly, where your wishes are strong, it is important to ensure that your executor is appointed with care, understands your wishes and will comply with them. It is also important to avoid, if possible, any dispute over the validity of the appointment of your executor(s).

If your will is ruled invalid, or you do not have a will, the strict letter of the law makes the person or organisation on whose property you die responsible for the disposal of your remains. Where this is a hospital or care home, the relevant authority will normally allow your family to make the necessary arrangements. If, however, a dispute over the validity of the will or the appointment of the executor(s) arises, the court would probably allow the person in lawful possession of the body to make such arrangements as they see fit. This may or may not accord with your wishes. In a recent case in which the validity of a will (and therefore the appointment of an executor) was in doubt, the court ruled that the local health authority had the right to decide how to deal with the body of the deceased: fortunately, in this case it was released to the family.

The key to ensuring your wishes as regards your funeral arrangements are met is straightforward. Make sure you have appointed an executor who understands and will comply with your wishes and make sure that the appointment of your executor and the validity of your will cannot be challenged. The easiest way to accomplish this is to get a solicitor to draw up your will and arrange for it to be kept in a safe place, the location of which is known to your next of kin. Always take legal advice if you wish to make any change to your will.

Overseas Assets - Will Warning

Over 2 million British people own properties overseas. The majority of these people are relatively wealthy and will have considered carefully the relevant issues as regards the impact of taxation, especially UK Inheritance Tax (IHT), when considering their wills.

How many, however, consider the impact of foreign inheritance laws and taxes? Many purchasers look at writing a foreign will as an extra and unnecessary expense. Whilst it is sometimes true that writing a will in the country in which you own property may not be necessary, it is more often than not a good precaution, for several reasons. The first reason is that in the UK your estate will pass to your beneficiaries indirectly, via an executor. In most European countries, however, the estate passes directly to the beneficiaries. This can cause problems if the country has an IHT regime which taxes transfers to non-relatives (which might include your executor) at a higher rate than transfers to relatives. The initial transfer of title to your executor may lead to the imposition of an otherwise avoidable and/or higher tax charge on the estate or at best unnecessary legal fees to sort the problem out.

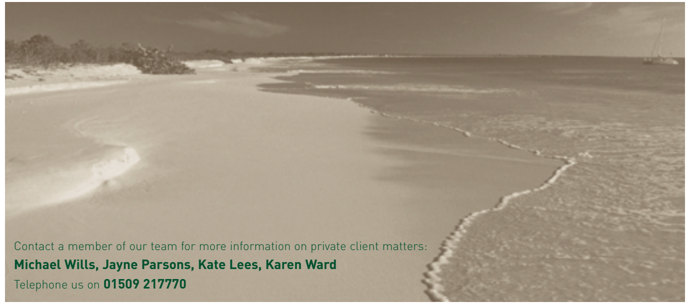
The second issue is that if a foreign will is not prepared, it may cause a great deal of extra work in preparing, notarising (in most countries the relevant documents will have to be notarised, not just witnessed) and having translations made of all the necessary documents. This can also cause substantial delay in dealing with the property in the estate. This can of itself cause problems as in some countries failure to pay the taxes due on death within quite tight time limits can lead to fines. Making sure that dealing with your estate is not prolonged unnecessarily is almost always a good idea.

The laws and taxes vary in each different country, so you should make sure you do your research carefully to ascertain what is needed. It is also essential that your UK executor knows that you have a foreign property and a foreign will. If you are domiciled in the UK when you die, IHT will be levied on the value of your worldwide assets. Most UK citizens will be UK domiciled on death no matter where they are resident. The submission of an incorrect IHT account can lead to big tax penalties being levied if errors are discovered at a later date, especially if it looks like IHT evasion was on the agenda.

Also, if you have a new will prepared, the standard clause in it which states that you revoke all former wills may have the effect of making your foreign will void, which could lead to your estate being distributed in a way which is quite contrary to your wishes.

All of the above assume the scenario of a family which gets along and is not arguing over the division of the estate. Add the sort of problems mentioned here to a 'warring family' and the result is likely to be a potential disaster.

There is no substitute for thinking through the relevant issues and making considered arrangements with the benefit of proper professional advice.



Contact a member of our team for more information on private client matters:
Michael Wills, Jayne Parsons, Kate Lees, Karen Ward
Telephone us on **01509 217770**

How Can You Help?

Have you ever felt the desire to help someone else financially? If so, it may have been in response to a television charity appeal (Red Nose Day?) or contact with someone doing great work for a charity or volunteer organisation. Or perhaps you wanted to assist someone who had a sound business idea, or needed practical help to get their career moving? Maybe your desire to help was motivated by a personal interest, such as helping a local youth group or hospice? Whichever it was, most of us feel the urge to help out sometimes, either with a gift of money or time.

And yet, over the last 10 years, the amount that we give as a nation has fallen as a percentage of GDP, whilst at the same time personal wealth has doubled. Measured in proportion, the more we earn the less we give. Yet the need for philanthropy has never been greater with a staggering 50% of the world's population living on less than £1.26 a day.

If the **Financial Plan** that we create for you is successful it will result in you experiencing surpluses of money (through proper financial management) and time (because you are financially independent). Whether or not you have reached this position it is important to consider how these surpluses might be used, and if you have had any dealings with us you will know that we don't believe in chasing financial reward for its own sake.

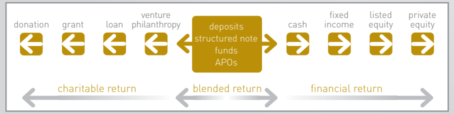
Wouldn't it be great to know that you have a structured, planned approach to giving and supporting the world in a way that is meaningful for you, as part of your long term Plan?

It is for this reason that we have introduced a separate Key Financial Planning Area - **Philanthropy** - to the six existing Areas that make up a complete strategy.

Philanthropy is defined by dictionary.com as **altruistic concern for human welfare and advancement, usually manifested by donations of money, property, or work to needy persons, by endowment of institutions of learning and hospitals, and by generosity to other socially useful purposes**. At its basic level philanthropy may mean simply making gifts to your favourite charity, and of course there are great tax advantages in doing so. For many of our clients, though, just sending a cheque in the post to a nationally-known institution is not satisfactory. Increasingly people want more and involvement and information before they will offer support, and as the needs of donors become more sophisticated, so do the avenues available to them.

The nature of charitable projects has also broadened considerably in recent years. The illustration below indicates the range of opportunities available, from pure donations at one extreme to the provision of private equity capital, with the aim of generating financial returns, at the other. Many people who have become wealthy as a result of their business or entrepreneurial skills are much more attracted by the ability to join projects in which the recipients of funds are encouraged to build just these sort of skills, especially in the areas of social deprivation and third-world development. 'Give a man a fish,' it is said, 'and you feed him for today. Teach him how to fish and you feed him for life.'

Of course, before you consider making large donations you need to make sure that your own financial security is in place, and different people will have different priorities at different times in their lives. But there is lots of evidence to indicate that creating a Plan for Philanthropy can have very positive effects on your attitude and approach to money - indeed, we have witnessed people who suddenly became re-energised about their Plan and the good that they could do as a result of this type of planning.



If you are already one of our clients with a Service Agreement, we will discuss this topic with you at your periodic Progress Meetings, but if not and **you would like to discuss your own Financial Plan and the part that philanthropy may play in it, just call our office on 01509 635467.**