Money Matters with Les Conway

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Bloodline Protection – What's that?

As an example, think of your pension as a pot of money that is designed to provide you with your salary in retirement and potentially, in some cases, to provide some benefit to your dependants. As a result, there are very good reasons to have a trust arrangement in place to deal with your pension death benefits.

The benefits and the protection afforded to your family of using a trust in this way could be substantial where they're able to:

- Provide protection against the value being decimated at a later date, through one or more of your beneficiaries going through a divorce, becoming bankrupt or dying themselves
- Protect against 'third party' claims and is useful in supporting a surviving spouse who may go into care
- Be used for additional tax planning opportunities for beneficiaries

The primary benefit of any trust is to ensure family and bloodline protection, at the same time as ensuring your wealth is directed exactly where you want it to go. This is particularly important in situations which might involve future remarriages.

Trusts can also be used to create subsequent inter-generational tax planning opportunities and by extension, significant tax savings, where monies can be passed on from your pension pots.

Many people believe that the changes in pension rules introduced in the past few years automatically provide favourable tax treatment, to their beneficiaries on their death. This is true to some extent, but the position is still limited in terms of the opportunity to put in place robust protection against many future risks.

A son or daughter may inherit from a pension. They could then later be subject to divorce, bankruptcy or other social problems which could mean the value of the sum left to them could be subject to third-party claims.

By establishing a trust to receive any remaining pension benefits on your death, you can potentially protect against all of these threats. It can be straightforward, the pension stays where it is with your existing pension provider and the trust sits in the background.

Is that a risk people who have worked hard to accumulate such funds would want to take.

Investments can fall as well as rise and you might get back less than you invested.

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