

Pass Your Pension to your Grandchildren!

A brand new development from AXA Sun Life will allow grandparents to move some of their pension fund into pension funds for their grandchildren (or any other family member) with no Inheritance Tax or Income Tax implications.

This only applies to un-crystallised benefits (i.e. before pension benefits have been taken), but all that is needed is for the family members to join the special pension arrangement (known as the Family Suntrust) and, for minors, the usual £100 per annum member charge is waived.

At the end of each year, any growth within the scheme's fund can be applied to any of the members regardless of the relative size of their funds. For instance, if grandfather had a fund of £500,000 and his grandson had a fund of £1,000 (the minimum), if there was growth of £25,000 during the course of the year, this could all be added to the grandson's funds so that they now stand at £26,000.

Because this is a pooled arrangement, this is merely allocating growth, and does not rank as a gift from the grandfather and therefore has no Inheritance Tax implications.

Pre-crystallisation benefits can be made subject to an 80 year Discretionary Trust, which would mean that in the event of the member's death, the funds would fall into the Trust, normally with no Inheritance Tax implication, and Trustees would have the power to release moneys to any beneficiaries including grandchildren.

This is a highly specialised area, and no action should be taken without seeking further advice. The information contained in this article is correct as at 1st August 2009.

For further information, please contact Kersi Deboo or Roger Spearing on 01279 658304.