

Nil-Rate Band Discretionary Trust: Example for Blended Families



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Married couples or civil partners with children from former relationships may want to use an NRBDT in their wills to protect part of their estate for their own children and without creating an inheritance tax problem for their spouse.

Example: Sarah and Tim are married. Sarah has children from her first marriage. Sarah wants to be certain that her children do inherit some of her estate but does not want to create an inheritance tax liability for Tim

Option 1: NRBDT for children

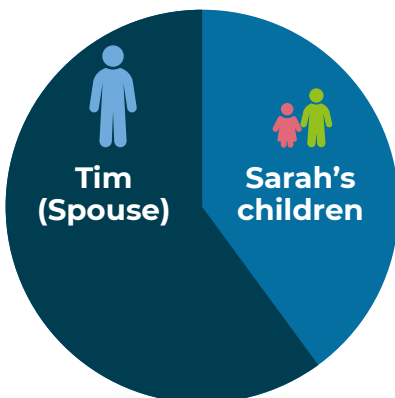
Sarah makes a will that includes an NRBDT and leaves the rest of her estate to Tim. She believes the remainder of her estate will be sufficient to meet Tim's needs.

Sarah names her children as beneficiaries of the trust.

By including an NRBDT in her will, Sarah has peace of mind that her children can benefit from what is left of her available NRB on death without triggering inheritance tax.

Her children do not need to wait until Tim dies to receive cash or assets from the trust fund.

Sarah's Estate



Sarah's children can benefit from her available NRB.

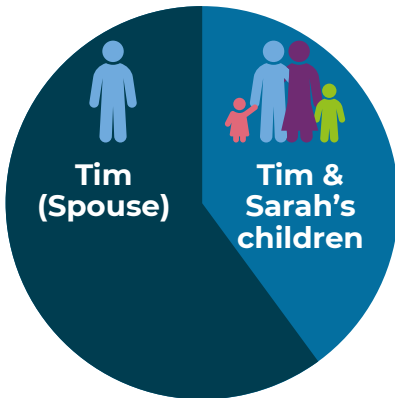
The gift to her children does not create an IHT liability for Sarah's children or her spouse, Tim.

- Remainder of Sarah's estate
- Available Nil-Rate Band

Option 2: Spouse / civil partner and children named as beneficiaries of NRBDT

If Sarah is unsure whether Tim may need access to the assets held on trust in future, she can name Tim as a beneficiary of the NRBDT in her will. The trustees can consider the needs of Tim and her children at the time and have flexibility over how they use the assets held in trust. The trustees can be guided by a letter of wishes that Sarah prepares.

Sarah's Estate



Tim and Sarah's children can benefit from Sarah's available NRB.

This does not create an IHT liability for Tim or Sarah's children.

- Remainder of Sarah's estate
- Available Nil-Rate Band



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