Irish Life

Saving for Gift Tax – Life Advisory Services

How could saving €2,500* every month for eight years help your client transfer over €1,000,000 worth of assets tax efficiently to their family?

Just as it took your client time to grow the value of their assets, planning to pass it on in a tax efficient manner also takes time.

Planning to avail of Retirement Relief from Capital Gains Tax takes 10 years, it even takes 3 years planning to avail of Dwelling Home Relief from Capital Acquisitions Tax.

Many of your customers have amassed assets for which there are no reliefs available, i.e. investment based portfolios, property. There will inevitably be a tax bill, either gift or inheritance, when they pass them on.

If your client starts to save now in an Irish Life regular savings plan, and they continue to save for eight years, the full value of their savings plan, after eight years, can be used to pay the Gift Tax bill arising on the transfer of assets to their family, without increasing their Gift Tax bill.

Example

If your client saves **€2,500* per month for 8 years**, indexed, assuming a growth rate of 6% gross per annum, this will be **worth €326,352** after tax and charges.

This will allow your client to pay the gift tax bill on the transfer of assets worth <u>€988,945</u> to their family in a tax efficient manner.

How it works is, the policy is set up subject to specific Revenue rules to ensure that the proceeds are exempt from Gift Tax when they are used to pay a gift tax bill.

So, if your client gifts the €326,352 accumulated in their Irish Life Pinnacle Savings plan to their children to pay their gift tax bill on the transfer of assets, then this will <u>not</u> increase their gift tax liability.

* premium is exclusive of the government levy

Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment.

Warning: The value of your investment may go down as well as up.

The benefit of using a 'qualifying' life assurance savings plan to fund for the payment of gift tax is that, as long as certain conditions are met, the proceeds of the plan when used to pay your clients children's gift tax bill, will not increase their gift tax liability.

Whereas, if your client gives them money to pay the gift tax bill from their deposit account, this will be seen by Revenue as an additional gift, and will increase their tax bill by €107,696.

It is important to be aware that during the life of the savings plan, there are some revenue restrictions and requirements. If these rules are not satisfied for any reason, the plan will lose its exemption from gift tax and could actually increase the beneficiaries' liability. *

Some of the rules are around the premium your client can pay. They can't double the premium or reduce it by half in any eight year period. Also the proceeds of the plan will only be eligible for relief from Gift Tax after they have paid eight years premiums and the plan proceeds must be used to pay the gift tax within one year of the plan maturing.

So, if your client is considering gifting assets to their children in the future on which they will have a gift tax bill, with a little advance planning we can help your client fund for this in a tax efficient manner.

For more ideas on the use of life assurance policies to fund for the payment of both gift and inheritance tax please contact your Account Manager.

***The proceeds of such a Revenue approved savings policy, while eligible for relief from Gift Tax, will not be eligible for relief from Inheritance Tax on your client's death.**

Warning: If you invest in this product you may lose some or all of the money you invest.

We advise that your client seeks professional tax advice as the information given is a guideline only and does not take into account your client's personal circumstances.

Information is correct as at December 2012 but is subject to change.