

# Financial Foundations

A flexible policy for protection and preservation



## How Financial Foundations can protect your clients...



Mr and Mrs Jones' main asset is their family home and they have little in the way of liquid assets. They wish to protect themselves against any potential inheritance tax (IHT) liability that may erode the wealth they wish to pass onto their son. Financial Foundations could provide the solution. When written on a joint life second death basis, the policy will provide a tax free lump sum on the death of the second life. The lump sum payment can either be used as a fund to pay any IHT bill and if written under an appropriate trust for their son, could be free of any IHT liability. The plan when initially written as a IHT mitigation policy, also includes guaranteed insurability options enabling sums assured to be increased (maximum limits apply) without further medical underwriting in the event of an individual's estate value increasing or changes to IHT legislation.



Mr and Mrs Adams are looking for an answer to their IHT planning needs. Having worked hard during their early years they are currently enjoying a happy retirement and wish to ensure their wealth is passed onto their children and grandchildren. Financial Foundations could be an ideal plan for the couple with its range of trusts which enable them to pass on their wealth. For example, a split trust<sup>1</sup>, carves out life cover from other benefits including critical illness, elderly care benefit<sup>3</sup> and income protection cover. In these instances a split trust can be used to allow the life cover to be paid to the trustees whilst leaving other standalone benefits, such as critical illness, payable to the policyholder(s).



Ali (45) approached his financial adviser to help him plan for being unable to work due to illness or disability. Financial Foundations proved to be a suitable solution for Ali, who initially took out the income protection and critical illness options within the policy. Two years later Ali got married and moved into a new home with his wife Sarah. At this point he decided to add the life cover option within Financial Foundations to cover his mortgage and increase his critical illness cover under the guaranteed insurability option for marriage. He also decided to add Sarah onto his policy creating a joint life first death plan. In the unfortunate event that Ali passes away, as well as Lincoln paying out the sum assured, Sarah has the option to start a single life policy, for up to the same sum assured, without the need for further underwriting<sup>2</sup>. In the event of divorce, their existing policy could be surrendered and two new policies (for the same level of benefits), created without the need for further medical underwriting.



Bruce (65), a widower, has no family or dependants and lives in a mortgage free property worth around £400,000. Although asset rich, Bruce only has a small retirement income. He is concerned that he could become ill in later years and has no family to look after him. He decides to take out an equity release plan and with some of the proceeds invest a single lump sum premium into a Financial Foundations plan selecting the elderly care benefit<sup>3</sup>. His precaution was justified when at age 78 he was diagnosed with motor neurone disease. The elderly care benefit paid him a tax free lump sum which he chose to use to cover the cost of home nursing care.

## Quotes and further information

- [www.lincoln-ifa.co.uk](http://www.lincoln-ifa.co.uk)
- 0845 075 3535
- Research available on Synaptics and Defaqto

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The examples shown above are for illustration purposes only and are not related to specific individuals.

<sup>1</sup> This trust is not suitable where the policy includes accelerated benefits.

<sup>2</sup> This may incur a change in premiums.

<sup>3</sup> Whilst this benefit can provide valuable pre-funded provision for elderly care financial planning, it is not designed, or classed as a 'long term care' product as defined under FSA regulations.

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