

FOR IMMEDIATE RELEASE

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7IM: The number of wills, and executors, are on the rise

The importance of wills and Inheritance Tax (IHT) planning is a regularly discussed topic. What is less frequently discussed however, is the actual mechanics of dealing with an estate, and the role and responsibilities of executors, says 7IM.

The pandemic has highlighted the need for planning for the future and, with that, enquiries about getting a will drawn up have increased by 76% since the start of the coronavirus pandemic*. Here Tom Bostock, Financial Planner at 7IM, reviews some key areas prone to pitfalls for those less experienced:

Watch out for the tax man

“Whilst calculating the IHT liability on an estate will likely be the focus of attention, it is important to also be aware of the Income Tax and Capital Gains Tax (CGT) liabilities. Dealing with an estate through to probate being granted can take many months, if not years, to be finalised.

“During this period, assets within the estate may continue to generate income (such as rental property and certain investment assets). This continues to be liable to income tax and as such, tax returns need to be completed and submitted. With respect to CGT, the current position is that underlying gains, for example within investments or property, are eliminated on death. As such, executors may completely disregard CGT. However, let us consider the scenario where markets rise rapidly, for example, recovering from the depths of a crisis as we saw in the second half of 2020. If an estate with large investment portfolios is being managed through this period, the gains realised from date of death to probate being awarded need to be accounted for. If these happen to breach the available allowances, CGT would be due.”

Unwrapping your investments

“Close attention needs to be paid to the types of investment held within an estate. Most people will be familiar with ISAs and pension funds, but as we try to help individuals build and structure their wealth in a tax efficient manner, there are additional structures or ‘wrappers’ that may be appropriate. An example of these is investment bonds. On occasion these are set up with ‘lives assured’ attached, meaning that in the event of the death of the last life assured in the policy, the investment would automatically be encashed. This would likely lead to a tax liability, a consequence that needs to be considered before an estate is finalised and distributed.”

A gift that keeps on giving...to HMRC?

“The rules around gifting can be complex, particularly when there has been a mix of direct gifts to beneficiaries, as well as gifts into trust, which are treated differently. We always outline the importance of keeping a detailed record of any gifts made during your lifetime, but this may not always be the case in practice. If an estate is handled without full and complete knowledge of previous gifts that have been paid, there is potential for challenges from HMRC, leading to difficulties later on, and potential tax penalties.

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“This is just a selection of the issues that individuals need to be aware of when acting as executors to an estate. If any of the above, or indeed a number of other areas, are not handled correctly, either through a lack of knowledge or deliberate negligence, there could be severe financial penalties.

As such, it is always sensible to seek professional advice and guidance in this respect. It may be the case that a couple of pointers are all that is required. However, for the more complex cases it could be worth investing in professional advice, to avoid potentially far larger penalties for getting things wrong.”

Tax rules are subject to change and taxation will vary depending on individual circumstances.

Any reference to specific investments are included for information purposes only and are not intended to provide stock recommendation or investment recommendations to individual investors. Please consult a financial professional before making any investment decisions.

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* <https://www.thegazette.co.uk/Wills-and-probate/content/103539>

For further information, please contact:

Henry Chan
Head of Communications & Content
Seven Investment Management
Henry.Chan@7im.co.uk
0203 823 8696
07786 000 313

Adam Walmsley
PR & Social Media Manager
Seven Investment Management
Adam.Walmsley@7im.co.uk
0203 823 8727
07790 655 584

Notes to Editors:

About 7IM

It all began in 2002, with seven of us in a basement establishing 7IM because we couldn't find anywhere we wanted to invest our families' money. Our assets under management now stand at around £17bn, and we have moved from 'basement' to 'Bishopsgate' in the City of London.

We manage money aiming to meet people's medium to long-term return expectations. Fundamentally, we believe in active asset allocation in both active and passive investments (where we were one of the first to offer actively managed passive portfolios). We build global portfolios based on that allocation, and include alternative assets where appropriate to manage the risk reward trade off. Active currency management is also at the core of what we do.

7IM provides investment services to professional wealth managers, planners, advisers and private investors. These include: discretionary investment management, a range of multi-asset portfolios, an

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investment and open architecture trading platform and a fantastic app, 7IMagine, which brings client portfolios to life.

Multigenerational investing

We do our best to pass on economies of scale, reducing fees so more investors within a family save with us. Grandparents, through to parents and their children can invest as individuals with one charging structure – whether they live under the same roof or not.

A story of continuous innovation.

In 2013, we launched 7IMagine, an app allowing investors and advisers to keep up to date with their portfolio. The brainchild of some clients – professional ‘gamers’ uninspired by their paper statements – 7IMagine was enriched in February 2016, with My Future. Again using gaming technology, My Future allows advisers and investors to capture details about family or individual finances, including any number of streams of income, properties, other assets and expenses, to help identify how sustainable their finances are and if / when their retirement income will run out.

Our funds

- Our **AAP fund range (Asset Allocated Passive)** is populated largely with passive structures to keep costs to a minimum. Asset allocation is actively managed to help exploit opportunities and reduce risk across the spectrum: **7IM AAP Adventurous, 7IM AAP Moderately Adventurous, 7IM AAP Balanced, 7IM AAP Moderately Cautious, 7IM Cautious and 7IM AAP Income.**
- Our **Multi-Manager fund range** invests in a range of active and passive vehicles. Costs still matter, but if we think an actively managed fund can outperform a passive alternative we have the freedom to choose it. Asset allocation is actively managed. There are different funds for different profiles: **7IM Adventurous, 7IM Moderately Adventurous, 7IM Balanced and 7IM Moderately Cautious.**
- We also have a selection of funds designed to meet specific needs, such as the **7IM Personal Injury Fund**, the **7IM Real Return Fund** or the SRI focussed **7IM Sustainable Balance Fund.**

Our Model Portfolios

The 7IM Model Portfolios are a range of risk rated portfolios and are available within our discretionary investment services and standalone on the 7IM platform and other platforms. The Models use the same investment process and asset allocation as our funds.

Our range of Model Portfolios are available across the risk profiles: **7IM Adventurous Model Portfolio, 7IM Moderately Adventurous Model Portfolio, 7IM Balanced Model Portfolio, 7IM Moderately Cautious Model Portfolio, 7IM Cautious Model Portfolio and 7IM Income Model Portfolio.**

In 2019, we launched **7IM Pathway**, a diversified range of passive multi asset model portfolios underpinned by our robust Strategic Asset Allocation (SAA) process. The Pathway Model Portfolios differ from our traditional offering and are built purely using a streamlined version of 7IM’s robust (SAA).

The 7IM funds and Model Portfolios are available through the 7IM Discretionary and Platform as well as on other platforms.

Important information: The information contained in this document does not constitute investment advice and if you are in any doubt about the suitability of the investment or service, you should consult a professional financial adviser. The value of investments, and the income from them, can fall as well as rise and you may not get back the full amount invested. Seven Investment Management LLP is authorised and regulated by the Financial Conduct Authority, the Jersey Financial Services Commission and the Guernsey Financial Services Commission. Member of the London Stock Exchange. Registered office: 55 Bishopsgate, London EC2N 3AS. Registered in England and Wales No. OC378740.