

GIFT INTER VIVOS

Gift inter vivos is a specialist life insurance product. It's sometimes referred to as inheritance tax insurance but this is smudging the boundaries slightly with whole of life assurance, as they are two different products, for two different needs entirely. Deciding on the amount of cover via your gift inter vivos plan requires specialist advice and it's recommended that you seek the guidance of a fully qualified Financial Adviser who can then in turn seek further guidance from a tax specialist or a solicitor specialising in estates and trusts if required.

To give you an overview however to help you determine whether you are on the right track, gift inter vivos is in essence a 7 year plan. The plan is usually set up when a donor makes a gift to someone where there exists at that point a potential inheritance tax liability. Inheritance tax liability is set by the government and is currently on a sliding scale between one and seven years, hence the seven year term of a gift inter vivos plan. The cover reduces as per the following table –

Policy year	% of Initial Cover
1	100%
2	100%
3	100%
4	80%
5	60%
6	40%
7	20%

The plan has level premiums throughout the term and does not contain terminal illness benefit or critical illness cover. So, using the table above, if you had received a gift from someone where the potential tax liability was £100,000 and that person died 4 years later then using our table we can see that 80% ie £80,000 tax would be owed and our gift inter vivos plan would pay out 80% ie £80,000 in that year. The plan is of course set up on the life of the person making the gift (the donor) and not the person receiving the gift (the donee). Therefore it is also very important to consider putting the policy into trust so that any benefit paid falls outside of the donors estate thus not compounding an already complex tax issue.