Long term care & education fees planning

OPTIMUS

A generation ago, it was a reasonable expectation to retire at 60 or 65 with decent state and employment-related benefits to support you. You would also hope that your retirement funds would be earmarked for you, with the children grown up and in little need of support. Whilst that expectation has not entirely disappeared, there has been a definite shift, not least towards the aspiration to retire earlier and the likelihood that you will live longer in retirement.

The last generation has also experienced boom and bust like no other before it. The potential for immense earnings power followed by the fierce global downturn has made more than a few paupers out of princes. For those keen to learn the lessons of history, there is an increased awareness of the importance of building sustainable, asset-protected rainy-day funds whilst you can.

These days, those in, or approaching, retirement could still be facing significant financial commitments towards the generations either side of their own. School and university fees for their children and nursing home care or assisted living for their parents might conceivably exist simultaneously. Such costs are spiralling and therefore require ever-increasing contingency sums to support them, far beyond what a UK registered pension scheme, with the its inherent restrictions, can realistically cover.

Of course, such commitments might just as easily not arise at all, in which case your contingency funds must switch seamlessly into something that is highly tax-efficient in providing top-up pension income and efficient succession funds – hallmarks of a Qualifying Non-UK Pension Scheme ("QNUPS").

QNUPS are not restricted by the lifetime allowance, so significant levels of long-term prefunding are possible and, without the constraints of the annual allowance, contributions (which do not suffer an initial IHT charge) can be made on an ad hoc basis to whatever value is affordable.

To maximise returns, the scheme's investments can be structured to deliver gross roll-up and do not suffer periodic or exit IHT charges.

For most QNUPS, benefits are payable from age 55 and will comprise a 25% tax-free lump sum and a flexi-access capability. And if your rainy-day fund turns out to be more than you need, there will be no IHT on the remnant fund on death, so it can be passed on very efficiently too.

Restricted UK schemes may cover an income in retirement but will not also stretch to some of the high-value commitments the next generation of 50-somethings could face. Few tax-efficient vehicles exist for this kind of planning but a QNUPS may well fit the bill.

Significant levels of long-term prefunding are possible

Robust regulatory systems