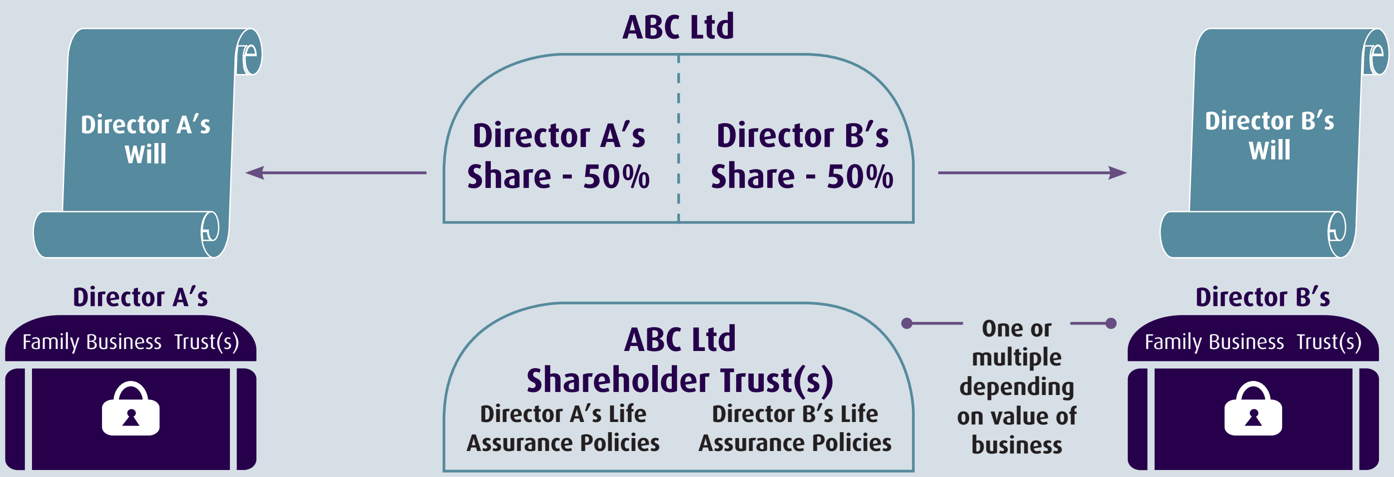
STRATEGIC ASSET PROTECTION
WEALTH & ESTATE PLANNING

KEY FEATURES AND BENEFITS 10

Cross Option Agreements

COMPANY WILL PLANNING

Note: This sheet is applicable to limited companies or partnerships. The examples illustrate a two partner business but are also applicable to multiple shareholders/partners.



(i) Each Director leaves their share of the business to their respective Family Business Trust(s) via a Business Clause in their Will.

(ii) A Cross Option Agreement is established to enable one Director to purchase the other Director's share of the business in the event of their death.

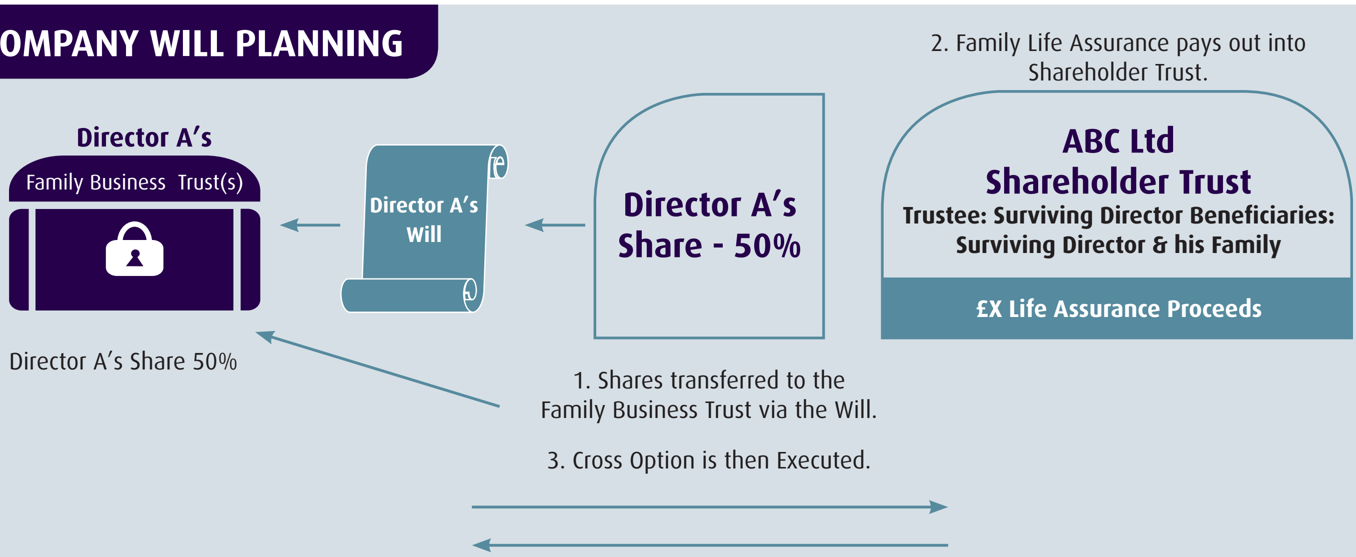
(iii) Life Assurance Policies are taken out in order to fund the purchase of the Deceased Director's share.

(iv) The Life Assurance Policies are assigned to the Shareholder Trust.

(v) Each Life Assurance Policy should not exceed the Nil Rate Band and should be on a Single Life Basis, rather than Joint or on the life of another. The number of Life Assurance Policies and Family Business Trusts required will depend on value of the Business.

On Director A's death his share of the business enters his Family Business Trust(s) via his Will. The Life Cover pays out into the Shareholder Trust(s). The surviving Trustees now have the funds to purchase the Deceased's share and the Cross Option Agreement can be executed.

COMPANY WILL PLANNING



Once the Cross Option Agreement has been executed, the proceeds of the Family Life Assurance will be held in the Family Business Trust(s) for the Deceased's Beneficiaries. The Deceased's share of the business will be held in the Shareholder Trust(s). The surviving Director is a Trustee and has full control of the whole business. He and his family are Beneficiaries.

COMPANY WILL PLANNING

The Result

Advantages for Director A's Beneficiaries

i.) The cash proceeds from the Life Assurance Plan are now held in Director A's Family Trust, not the Beneficiaries' estates. These funds cannot be assessed against anyone for IHT purposes.

ii.) The funds are now also protected from the risk of claims from Divorce, Remarriage, Bankruptcy and Long Term Care.

Advantages for Director B

i.) Director B still owns 50% of the company. The other 50% is owned by the Shareholder Trust, of which Director B with his family are both Trustees and Beneficiaries.

- If Director B now wishes to sell the business, only 50% of the sale proceeds will enter his estate and the other 50% will belong to the Trust.
- The 50% of sale proceeds owned by the Trust is protected and cannot be assessed against Director B for Inheritance Tax purposes.

i.) The 50% of sale proceeds owned by the Trust is also protected from the risk of claims from Remarriage, Bankruptcy and Long Term Care.

ii.) Half of any dividends paid would be to the Shareholder Trust.

These can be distributed to the Beneficiaries in the Trust. Hence the Shareholder Trust can be used as an Income Tax planning tool.

Example of potential Capital Gains Tax savings

If Company Sold: CGT on Trust share = **£0** CGT on share held by Director B = **£900,000** x 10% = £90,000, compared with a total of **£180,000** payable without our planning.

(See Key Features and Benefits Sheet 10 1/2: Cross Option Agreements)

Example of potential Inheritance Tax savings

Director A and Director B each own 50% of ABC Ltd which is valued at £1,800,000. Director A dies leaving 50% of the business to his Beneficiaries. The Cross Option Agreement is executed resulting in £900,000 entering the Director A's Family Business Trusts.

When the Spouse dies the IHT bill on these funds = £0 (compared with a potential bill of £360,000 without our planning). (See Key Features and Benefits Sheet 10 1/2: Cross Option Agreements)

Subsequently, Director B decides to sell the business resulting in £900,000 entering the Shareholder Trust and £900,000 entering his estate.

When Director B dies he leaves a potential IHT bill of 900,000 x 40% = £360,000 (compared with £720,000 without our planning, a saving of £360,000).

(See Key Features and Benefits Sheet 10 1/2: Cross Option Agreements)

With our planning, the potential saving on the Combined IHT bill = £1,080,000 - £360,000 = £720,000

Please consider the information in Key Features and Benefits Sheet 22 to understand whether using Multiple Trusts may be applicable to your circumstances.

This sheet contains only general planning and is not to be construed as advice for any personal planning. Each strategy recommended is based on individual circumstances.