Give your clients **sound advice**

The good parent portfolio

Protection

ROYAL LONDON

THIS IS FOR FINANCIAL ADVISER USE ONLY AND SHOULDN’T BE RELIED UPON BY ANY OTHER PERSON.

A holistic approach to protection advice

Recommending life cover to your clients helps to make sure they're financially protected, but does it go far enough? Providing a more holistic approach to their protection needs means that you're not only demonstrating the value of your advice, by recommending comprehensive cover, but you're clearly treating them fairly too. And we can help you do this with the good parent portfolio.

The good parent portfolio helps you talk to your clients about making a will, putting protection plans in trust, and the importance of thinking about guardianship. Issues that most people don't think about until it's too late.

The good parent portfolio helps you:

- Demonstrate the value of your advice
- Establish your credentials and enhance your reputation
- Generate new business
- Strengthen client relationships
- Drive referrals

The good parent portfolio also helps you to make sure your clients have thought about all the important issues involved with protecting a family. And it gives you the tools to help deliver good outcomes for your clients.

Use the good parent portfolio to help you fulfill your obligations to the Consumer Dutyregulations.

The Consumer Duty sets out a framework that means you'll need to measure whether you're delivering good outcomes for clients across a number of areas. The good parent portfolio can be used to help your clients think about the future – what they can do to protect their family, and steps they can take to protect any payout after their death.

Underpinning the central principle of the Consumer Duty are three rules to help you understand the FCA's expectations on how you should conduct yourselves to achieve good outcomes for clients.

Adviser firms must:

- Act in good faith towards retail customers
- Avoid causing foreseeable harm to retail customers
- Enable and support retail customers to pursue their financial objectives.

If you want more support and information, visit: **adviser.royallondon.com/protection**

The big questions

When it comes to advising families about protection, recommending the right plan is just the beginning. Why not mention trusts and the importance of a will, or talk to them about guardianship to offer more rounded advice?

Here are some questions to think about:

Protection

- How would the family cope financially if one of your clients fell ill or died?
- Even if the mortgage is covered, what about money for bills, clothing and everyday expenses?
- What would happen to the children if both parents died?
- Could they continue living the lifestyle they had with their parents?
- Would they be able to afford school, college, university?

Wills

- What happens when your client's life cover is paid out?
- Can you guarantee they have an effective will in place?
- Do they understand what happens to the life cover if it's subject to intestacy?
- Do you understand the intestacy rules?

Trusts

- Would you like to protect their life cover from probate delay and from paying too much tax?
- How would you provide control for their cover to be managed for their children?
- Would you like to be able to provide flexibility if one parent, or both died?
- Would you like the opportunity to engage with your client's trustees?

Guardianship

- What would happen to the children if both parents died?
- Do you understand how guardians are appointed?
- What would happen if one parent died, but the couple weren't married?

The good parent portfolio allows you to talk about as many of the following points as you want, in the order that suits you.

Protection and guardianship

Protection

Ask your clients

- Do you have life cover in case you die?
- Do you have critical illness cover in case you fall seriously ill?
- What if you couldn't work due to an accident or illness, do you have income protection?
- Do you have enough money to pay off loans and maintain your lifestyle if anything happened to you?

Use our menu products to tailor protection plans for your clients.

Guardianship

Ask your clients

- Who would look after your children if anything happened to you?
- Would these people be healthy enough to look after the children until they reach 18?
- Would they be financially able to take on such a responsibility?

Use our parental responsibility flow charts with couples who aren't married.
adviser.royallondon.com/literature/

Trusts and Wills

Trusts

Ask your clients

- Could you be sure that your children's funds would be managed effectively if you died?
- Did you know that if you put your plan in trust, it could pay out to the survivor more quickly?
- Did you know that placing your plan in trust can also help save on inheritance tax?

Use our online toolkits to help you choose the right trust.

Wills

Ask your clients

- Do you have an up-to-date will in place?
- Do you know who your property would go to after your death?
- Do you know who your life cover would go to if it paid out?

Use the rules of intestacy to help your clients avoid the problem of dying without a will.

Protection

Whether you're recommending protection to your clients for the first time, or reviewing and updating their plans, they need your advice to get the protection that's right for their needs and budget.

You can point out that in the same way that life cover is important in case one of the couple dies, it's also key if they were both to die. What's more, covering more than the mortgage is also a good idea if they'd like their children to maintain the lifestyle they have.

Royal London offers menu plans, providing true flexibility for your clients' needs. Your clients can choose from a range of options to suit their personal requirements including Life Cover, Critical Illness Cover, Income Protection and Waiver of Premium.

Go to: **adviser.royallondon.com/protection**

Trusts

Writing your clients' protection plans in trust can put the right money, in the right hands, at the right time. A trust could make sure that if one parent dies, the other will have access to the money, but if both die it could be held for the children until they're older.

Payments could be made from the trust to the guardian, or to the children directly, to cover the children's living and education costs. If the children are different ages, different amounts could be paid from the trust at different times to suit their individual needs. It would also be possible to invest the trust fund for the benefit of the children.

Even if your clients have a will, it could take months or even years to get a grant of probate (or confirmation in Scotland), which could delay payment of a life cover claim. If a plan is written in trust, the trustees can claim straight away without the need for probate.

Trusts can also help save on inheritance tax.

There are three main roles involved in a trust:

The donor (or settlor)

This is the person who sets up the trust. They'll appoint trustees to administer the trust and decide who the beneficiaries will be. They'll also provide the property that will be held by the trust.

The trustees

These are trusted individuals chosen by your clients to manage the trust fund for the beneficiaries. This includes making any claim under the protection plan and, if appropriate, investing any money paid out from that claim.

The beneficiaries

The beneficiaries will receive the trust fund in line with the settlor's wishes. They'll usually be a client's spouse or partner and their children.

Wills

The conversation about protection and putting plans in trust will also make it easier for you to talk about wills.

Some of the questions that can be addressed in a will include:

- Who will look after your children if you die?
- How will your children's upbringing be paid for?
- Who will get your property after your death?
- At what age should the children be able to access the money?
- Should your property be held in trust for your children until they reach a suitable age?
- Will the chosen guardians also be the trustees of your children's fund? If not, can the guardians work well with the trustees?
- What can the trustees spend your children's money on before they reach age 18?
- Do you wish to take steps to minimise any inheritance tax bill?

If your clients assets come to more than £325,000 then there may be inheritance tax to pay when they die. But there are ways this can be reduced using a well drafted will.

If your clients don't have a will, do they understand the rules of intestacy? Without a will, on death their property may not pass to the person they intend. For example, unmarried couples may be surprised to learn that they have no automatic rights to the other's property on death. Instead, children, parents, siblings or other more distant relatives may be entitled to the estate. Even if your clients are married, without a will, the surviving spouse may get less than they expect.

Guardianship

It's understandable that most parents would prefer not to think about what would happen to their children if they both died. But unfortunately, it's a possibility. So perhaps one of the most important steps your clients can take in making plans for their children is to appoint a guardian.

A way to start the conversation would be to ask: "What arrangements have you made for your children if you both die?" It's clearly an emotive question that will engage your clients and get them thinking about issues of guardianship, financial planning and their wills.

The most likely answer is that they haven't really thought about it, or that they assume family would step in to look after the children. Many people won't have considered it at all.

But if parents don't specify a guardian and something happens to both of them, appointing one becomes the responsibility of the court. This can be a lengthy and expensive process, and until then, the children may be taken into care. After the decision has been made, they may be left with someone your clients wouldn't have chosen.

Talking to your clients about these possibilities will help them think about who they'd want to act as guardians to avoid legal complications and uncertainty on the children's future care.

Who can appoint a guardian?

Any parent with 'parental responsibility', or both parents having 'parental responsibility' acting jointly.

Who has parental responsibility if the couple aren't married?

Many assume that if one parent dies, the surviving parent automatically has legal parental responsibility. But while mothers have parental responsibility from birth, it's not always the same for fathers. See our flow charts for more information on parental responsibility.

How do my clients appoint a guardian?

A common method is to include the appointment in a will. The benefit of this is that additional financial arrangements can be included in the same document. Where there are two parents, they can appoint a guardian to look after their children if they both die. The Children Act 1989 sets out various ways that guardians can be appointed (the Children (Scotland) Act 1995 contains similar information).

Further information

Trusts

www.gov.uk/trusts-taxes

Guardianship

England and Wales:
www.gov.uk/childcare-parenting/special-guardianship

Northern Ireland:
www.legislation.gov.uk/nisi/1995/755/contents/made

Scotland:
www.citizensadvice.org.uk/scotland/family/children-and-young-people/kinship-care-s/

For more support and information visit:

adviser.royallondon.com

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royallondon.com

We're happy to provide your documents in a different format, such as braille, large print or audio, just ask us when you get in touch.

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