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Landsbanki Equity Release

Succession Planning a case history

Mr. and Mrs. Jones bought their property in Marbella in 1968 for the equivalent of 85,000 euros, and continued to use it for their family holidays for many years before retiring to Spain in 1980, when the property became their permanent home.

It wasn't until 2005 that the Jones' became aware of their potential tax liabilities in Spain. At a dinner party with friends, they discussed inheritance tax and capital gains tax in Spain, both significant in cases where a property had been owned over a long period of time and thus increased in value. Their friends recommended that they consult a professional for some independent financial advice.

The Jones' were advised to take out a mortgage against their property, releasing some of the equity and investing the remainder, a so-called equity release. Their professional advisor listed several reasons for this decision: firstly, by mortgaging their property, its tax value could be expected to decrease; secondly, the equity release provides a unique opportunity to release liquid assets, which was very useful for the Jones', as Mr. Jones was undergoing some quite expensive medical treatment not covered by his health insurance; thirdly, the assets which had been tied up in the property could be invested in an actively managed portfolio with a long-term growth objective, also diversifying the asset portfolio of the Jones'.

Upon the death of Mr. Jones in March 2006, his share of the property would normally pass to his wife, and she would be liable for inheritance tax at a rate of 34 per cent on this share (as his share of the property was worth almost 1 million euros). Thanks to their careful financial planning, there was no such liability at this difficult time.

Following her husband's death, Mrs. Jones decided to return to the UK to be with her family, and so the property was placed on the market. Unfortunately, Mrs. Jones died in August 2006, while the property was still on the market. Her two sons resident in the UK were not liable for inheritance tax when the property was transferred to them. When they did finally sell the house early in 2007, they repaid the mortgage loan and took the profits. They were not liable for capital gains tax on the property as it had been purchased before 1986.

This scenario is typical of many retirees in Spain, and clearly demonstrates that a little forethought about succession planning can reap rewards in the long run.

Landsbanki
Established in 1885, Landsbanki is Iceland's oldest full-service commercial bank. While state-owned, Landsbanki functioned as the central bank of Iceland, from 1928 until 1961, when the Central Bank of Iceland was established.

Following its privatisation process in 1998-2003, Landsbanki has expanded rapidly. It leads the domestic market in virtually all segments of the financial services sector while internationally the Bank has developed a dynamic pan-European platform to provide comprehensive financial services to small- and medium-size European companies.

Landsbanki Luxembourg provides comprehensive Wealth Management services and specialised asset-backed lending products.

For all of our customers, our added value is the same: a unique combination of credit activities, wealth management and corporate finance. By bringing together different parties with complementary requirements we are able to achieve innovative solutions for our customers, pooling investments, sharing information and seizing opportunities as they develop.

Our service range includes both discretionary and active portfolio management, corporate services, asset engineering, life insurance (through our subsidiary Lex Life & Pension) as well as the Landsbanki Liberty Equity Release, a concept specifically developed for private individuals, where a long-term loan is secured against your property (often a second home), with the possibility of immediate release of a percentage of the loan value.

If you would like more information about the Landsbanki Liberty Equity Release or any of our Wealth Management services, our representative office in Spain can put you in contact with an Account Manager in Luxembourg, who will be happy to discuss your individual situation in more detail.

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