

Stronger strategies for passing on wealth to adult children

June 2024

Important information

FINANCIAL PLANS | INVESTMENTS | TAXES

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The value of investments, and the income derived from them, can go down as well as up and investors can get back less than the amount originally invested.

Prevailing tax rates and reliefs depend on individual circumstances and are subject to change.

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1
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30
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Speaking today



Nick Geere

Managing Partner

Evelyn Partners

Nick is a Chartered Financial Planner with over 20 years' experience. He has a particular interest in providing a range of financial planning advice to other professionals, company directors and senior executives.



Ian Dyall

Head of Estate Planning

Evelyn Partners

Having worked in the industry for over 30 years, Ian is the esteemed spokesperson on estate planning and inheritance tax mitigation. In 2019, Ian was recognised with the 'Outstanding Contribution to Estate Planning' award at the City of London Wealth Management Awards.

Stronger strategies for passing on wealth to adult children

Ian Dyall FPFS TEP

Head of Estate Planning

What we'll cover

- 1 Understanding Inheritance Tax
- 2 Effective Estate Planning
 - Step 1: Quick wins
 - Step 2: Allowances and reliefs
 - Step 3: Gifting and spending
 - Step 4: Paying the remaining liability
- 3 Key points

Understanding inheritance tax

What is Inheritance Tax?

A tax on the transfer of assets during life or on death!

When?

Generally on death, but can be during life

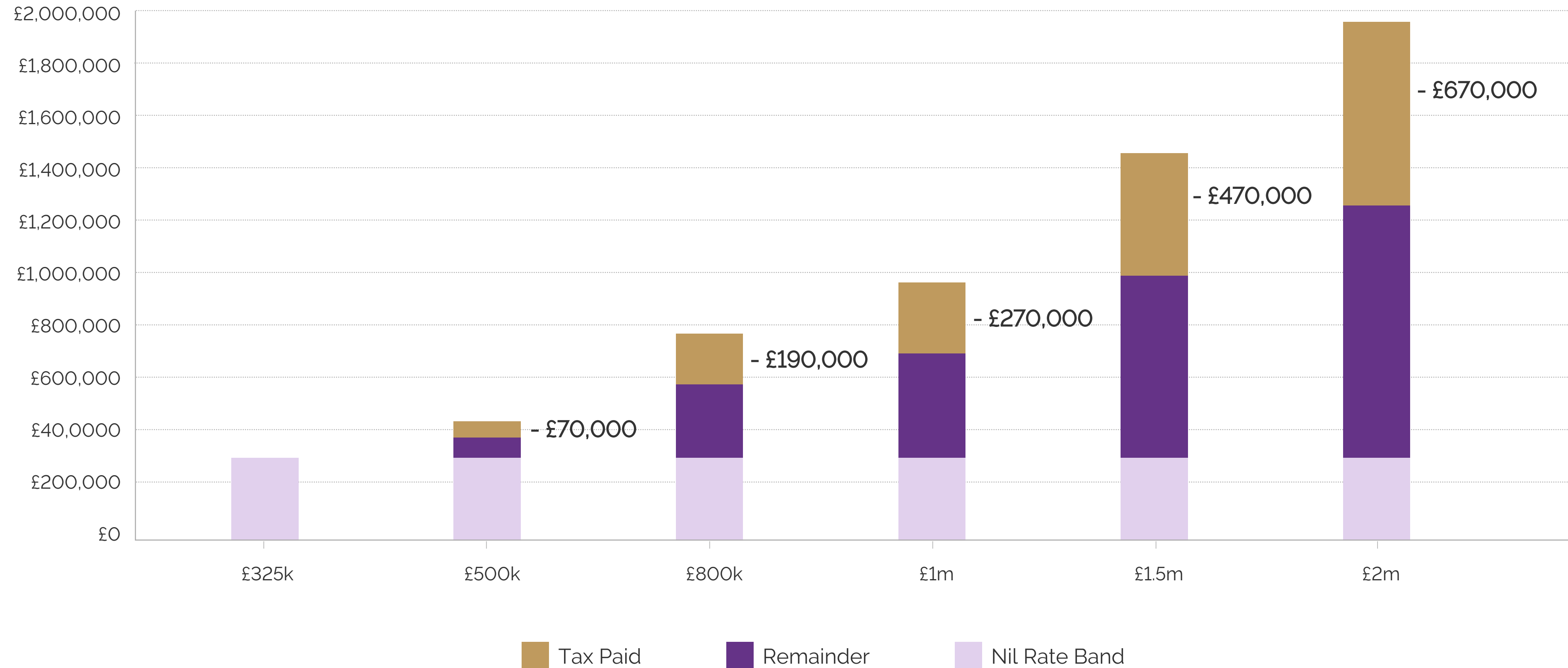
Which assets?

Everything worldwide, except some businesses and farms

How much tax?

40% of everything above the available nil rate band allowance

How much Inheritance Tax would I pay?



Based on 2024/25 tax rates. Assuming one full nil rate band is available
For illustrative purposes only.
Tax rates depend on individual circumstances and are subject to change

Residence nil rate band

£175,000 additional nil rate band in 2024/25

 Can only be used against a home of the deceased

 Can only be used if leaving money to a child or remoter issue

 Additional allowance is reduced by £1 for every £2 that the estate exceeds £2m

 Can be transferred if unused

A voluntary levy?



... a voluntary levy paid by those who distrust their heirs more than they dislike the Inland Revenue"

Roy Jenkins – Former Chancellor of the Exchequer
Commons debate 1986

Gifts exempt from Inheritance Tax

Lifetime exemptions

Up to £3,000 / per annum per donor
Up to £250 / per annum per recipient
Normal expenditure from income
Gifts in consideration of marriage

Lifetime and on death

Gifts to charities
Gifts to political parties
Gifts to spouse (transferable)


Transferable nil rate band

Can use deceased spouse's unused nil rate band

- ✓ Introduced 9 October 2007
- ✓ Can use multiple spouses' nil rate bands
- ✓ Surviving spouse can use the unused percentage of the deceased spouse's nil rate band
- ✓ But only up to a maximum of one extra nil rate band
- ✓ It doesn't matter when first spouse died

Effective estate planning

How do we define estate planning?



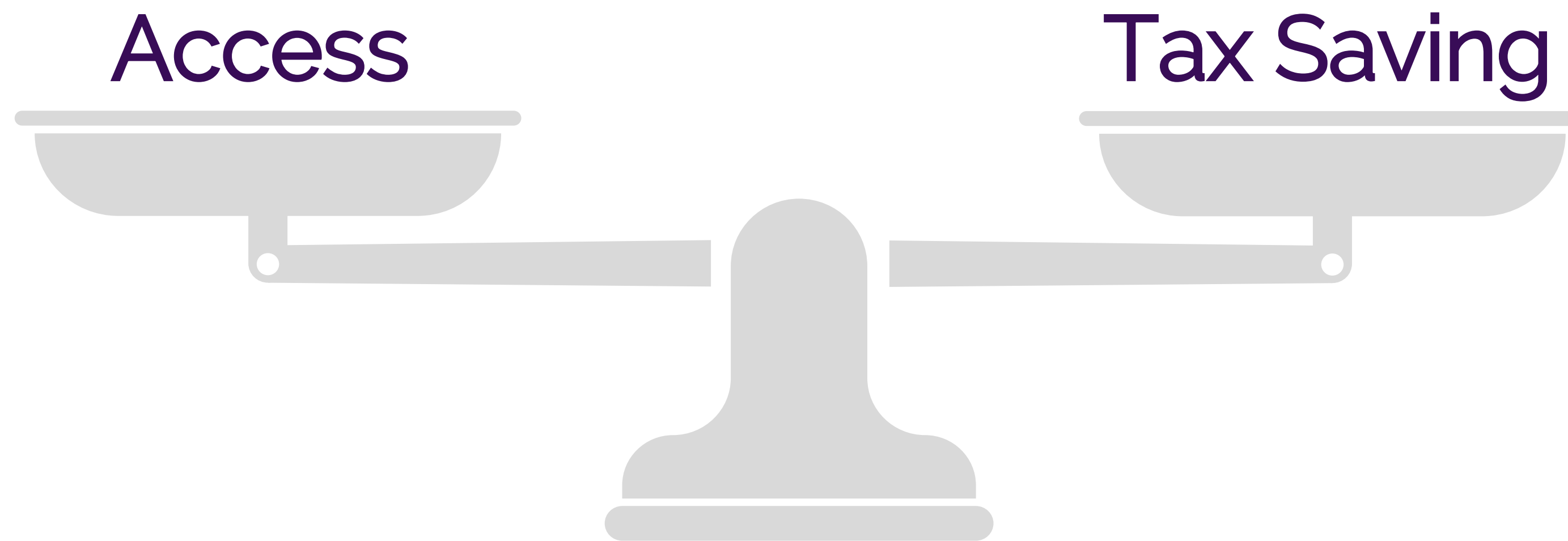
*Passing on wealth
to the people that
matter to you in the
most effective way*

Factors to consider:

- Tax efficiency
- Control over timing and benefits paid out
- Protection of assets
- Provision for the vulnerable
- Access

Inheritance Tax mitigation

A balancing act...



Four steps to effective estate planning



First steps

First steps

1

Put existing life assurance policies in trust

2

Deeds of Variation

3

Preserve money purchase pensions

4

Lasting Powers of Attorney

Deeds of Variation

-  Must be executed within two years of death
-  Original beneficiaries must all be over 18 and of sound mind
-  Signed by all those who might have benefited
-  No consideration in money or money's worth

Passing on your pension



The government wishes to ensure that people do not exhaust savings prematurely in retirement and fall back on the state, or use pension saving as a tax privileged means for passing on wealth."

HM Treasury July 2010

"Removing the requirement to annuitise by age 75"

Passing on your pension

Autumn Statement 2014

Death before 75

No inheritance tax or income tax on pension fund, whether benefits have been taken or not

Death after 75

No inheritance tax, income taxed at recipient's rate as it is withdrawn

Tax rates depend on individual circumstances and are subject to change

Allowances and reliefs

Discretionary Will Trusts

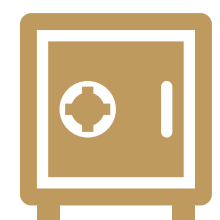
What are the benefits?



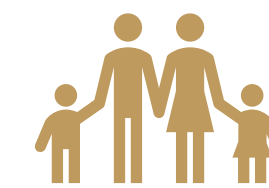
May enable a married couple to benefit from more than two nil rate bands if previous partner is deceased



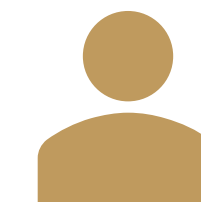
Growth on the assets does not form part of survivor's estate



Assets may be protected if the surviving spouse needs care, remarries or becomes bankrupt



Assets can remain in trust after the survivor's death to protect the assets for the next generation



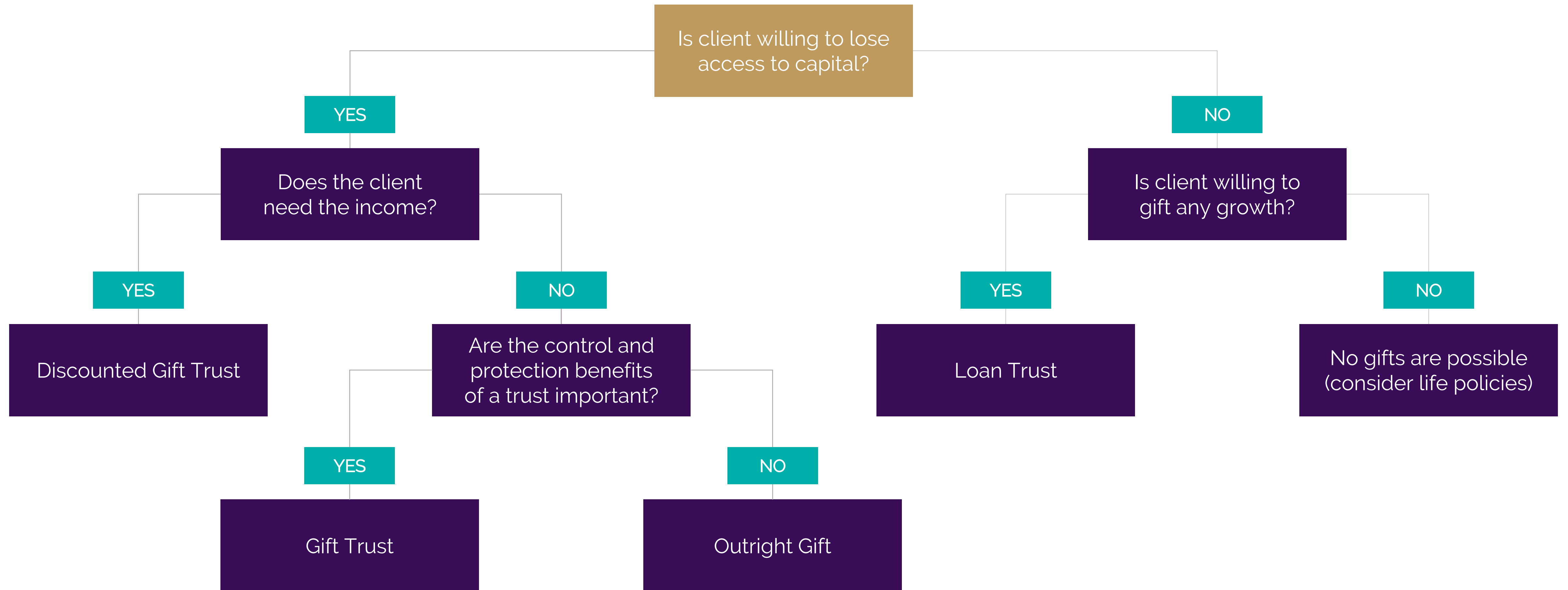
Assets don't form part of any beneficiaries' estate



Utilising Discretionary Will Trusts requires specialist advice to avoid losing out on the residence nil rate band

Gifts and spending

Gifts



Paying the remaining liability

Using life policies for remaining liability

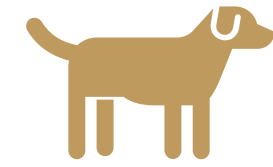
Lifecover is used in two ways



You should always remember that an insurance policy will end if you do not make payments and there will be no cash value unless a valid claim is made

Special solutions

Tax advantaged investments



Don't let the tax tail wag the dog



Consider risk in a broader way:
Volatility, Default, Legislative risk, Liquidity



Products are higher risk for some people
than others

Tax advantaged investments are higher risk investments that aren't suitable for all investors. Don't invest unless you are prepared to lose all the money you invest. Advice should be sought.

Key points to remember



Plan early



Define your goals



Look at the whole picture



Systematically review all options



Be sensible



Don't forget the investment considerations



Review regularly



Take advice

Questions



Contacts

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us an email or call on 0207 189 2400.

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