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# Wealth protection

## Will your legacy involve just leaving a large Inheritance Tax bill for your loved ones?

In order to protect family and loved ones, it is essential to have provisions in place after you're gone. The easiest way to prevent unnecessary tax payments such as Inheritance Tax is to organise your tax affairs by obtaining professional advice and having a valid will in place to ensure that your legacy does not involve just leaving a large Inheritance Tax bill for your loved ones.

### Saving your beneficiaries thousands of pounds

Effective Inheritance Tax planning could save your beneficiaries thousands of pounds, maybe even hundreds of thousands depending on the size of your estate. At its simplest, Inheritance Tax is the tax payable on your estate when you die if the value of your estate exceeds a certain amount. It's also sometimes payable on assets you may have given away during your lifetime, including property, possessions, money and investments.

Inheritance Tax is currently paid on amounts above £325,000 (£650,000 for married couples and registered civil partnerships) for the current 2011/12 tax year, at a rate of 40 per cent. If the value of your estate, including your home and certain gifts made in the previous seven years, exceeds the Inheritance Tax threshold, tax will be due on the balance at 40 per cent.

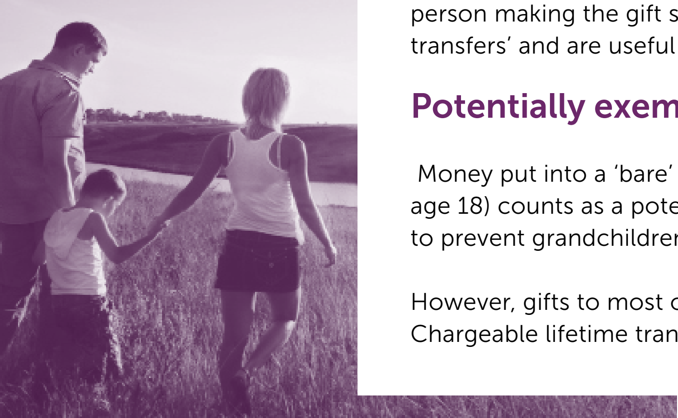
### Leaving a substantial tax liability

Without proper planning, many people could end up leaving a substantial tax liability on their death, considerably reducing the value of the estate passing to their chosen beneficiaries.

Your estate includes everything owned in your name, the share of anything owned jointly, gifts from which you keep back some benefit (such as a home given to a son or daughter but in which you still live) and assets held in some trusts from which you receive an income.

Against this total value is set everything that you owed, such as any outstanding mortgages or loans, unpaid bills and costs incurred during your lifetime for which bills have not been received, as well as funeral expenses.

Any amount of money given away outright to an individual is not counted for tax if the person making the gift survives for seven years. These gifts are called 'potentially exempt transfers' and are useful for tax planning.



### Potentially exempt transfers

Money put into a 'bare' trust (a trust where the beneficiary is entitled to the trust fund at age 18) counts as a potentially exempt transfer, so it is possible to put money into a trust to prevent grandchildren, for example, from having access to it until they are 18.

However, gifts to most other types of trust will be treated as chargeable lifetime transfers. Chargeable lifetime transfers up to the threshold are not subject to tax but amounts over

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this are taxed at 20 per cent, with a further 20 per cent payable if the person making the gift dies within seven years.

Some cash gifts are exempt from tax regardless of the seven-year rule. Regular gifts from after-tax income, such as a monthly payment to a family member, are also exempt as long as you still have sufficient income to maintain your standard of living.

## Combined tax threshold

Any gifts between husbands and wives, or registered civil partners, are exempt from Inheritance Tax whether they were made while both partners were still alive or left to the survivor on the death of the first. Tax will be due eventually when the surviving spouse or civil partner dies if the value of their estate is more than the combined tax threshold, currently £650,000.

If gifts are made that affect the liability to Inheritance Tax and the giver dies less than seven years later, a special relief known as 'taper relief' may be available. The relief reduces the amount of tax payable on a gift.

## How much tax should be paid?

In most cases, Inheritance Tax must be paid within six months from the end of the month in which the death occurs. If not, interest is charged on the unpaid amount. Tax on some assets, including land and buildings, can be deferred and paid in instalments over ten years. However, if the asset is sold before all the instalments have been paid, the outstanding amount must be paid. The Inheritance Tax threshold in force at the time of death is used to calculate how much tax should be paid.

Inheritance Tax can be a complicated area with a variety of solutions available and, without proper tax planning; many people could end up leaving a huge tax liability on their death, considerably reducing the value of the estate passing to chosen beneficiaries. So without Inheritance Tax planning, your family could be faced with a large tax liability when you die. To ensure that your family benefits rather than the government, it pays to plan ahead. As with most financial planning, early consideration and planning is essential.

AS PART OF OUR SERVICE WE ALSO TAKE THE TIME TO UNDERSTAND OUR CLIENT'S UNIQUE NEEDS AND CIRCUMSTANCES, SO THAT WE CAN PROVIDE THEM WITH THE MOST SUITABLE WEALTH PROTECTION SOLUTIONS IN THE MOST COST-EFFECTIVE WAY. IF YOU WOULD LIKE TO DISCUSS THE RANGE OF SERVICES WE OFFER, PLEASE CONTACT US FOR FURTHER INFORMATION.