



HOW TO ENSURE WEALTH STAYS IN THE FAMILY

More than £5 billion went to the taxman in inheritance tax (IHT) in the year up to last May. So how can we get our money to go to our loved ones when we die, rather than the taxman?

We have more wealth to manage

House price inflation has meant many people have more wealth than expected to pass on and now it can be a tax that affects most of us. The threshold is £325,000 and tax is charged at 40% on your estate above this.

There is however an extra allowance, the main residence nil-rate band applicable to spouses or civil partners, which for 2018/19 is £125,000, meaning they can inherit your family home up to £450,000 with paying tax on it.

Careful what you do

The simple way to keep your estate value below the IHT threshold is to give away surplus funds. However, the taxman has limits to prevent 'deathbed giving' as a means of avoiding tax - you need to survive seven years or the sum will be included in your estates value.

Investments and pensions can fall as well as rise and you might get back less than you invested. Your home is at risk if you do not keep up the repayments on your mortgage. Tax treatment varies according to individual circumstances and is subject to change.

However, there are ways of giving away assets that can avoid the taxman's attention such as your annual gifting allowance of £3,000 each tax year.

Other solutions

Giving away surplus wealth can be one way to ensure it goes to the next generation, but there are other ways to get your money to go where you want.

One is whole of life assurance with the proceeds in trust. On death the payout could be used to take care of the IHT obligations.

Another may be to set up a trust. There are several types and whether or not this approach is right will depend on your circumstances.

IHT can be complicated. The best way to find the answers about passing on your wealth, or any other aspect of estate planning is to talk to an expert. If you would like advice on your estate planning, please contact me.

 PROTECTING YOUR FAMILY & YOUR LIFESTYLE

 BUYING YOUR HOME

 INVESTING YOUR WEALTH

 PROTECTING YOUR BUSINESS & YOUR EMPLOYEES

 SAVING FOR THE FUTURE

 PLANNING YOUR ESTATE

 PLANNING YOUR RETIREMENT & MAINTAINING YOUR RETIREMENT



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