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CHARTERED FINANCIAL PLANNERS



Guide to Estate Planning



Guide to Protecting Your Estate

Protecting your estate is ultimately about securing more of your wealth for your loved ones and planning to make the lives of your loved ones much easier when you are gone. Providing your family with lasting benefits means taking preventative action sooner rather than later - our Guide is here to help you...

Making sure that you've made plans for after you're gone will give you peace of mind. It's not nice to think about, but it means that your loved ones can carry out your wishes and be protected from Inheritance Tax (IHT).

You don't have to be wealthy for your estate to be liable for IHT, and it isn't something that is paid only on death – it may also have to be paid on gifts made during someone's lifetime. Your estate will be liable if it is valued over the current IHT threshold on your death. The inheritance tax nil rate band is frozen at £325,000 and residence nil rate band at £175,000 until April 2031. The residence nil rate band taper threshold remains at £2 million until April 2031.

Your estate includes any gifts you may have made within seven years of your death. Anything under the IHT threshold is not taxed (the 'Nil Rate Band' plus any Residence Nil Rate Band), and everything above it is taxed – currently at 40%. Where a person dies and leaves at least 10% of their net estate to a qualifying charity, a reduced rate of 36% IHT can be payable. Any unused proportion of the NRB belonging to the first spouse or registered civil partner to die can be passed to the surviving spouse or registered civil partner.

Residence Nil Rate Band (RNRB)

The RNRB will be available where you pass your house to your children, grandchildren or great-grandchildren. It will also be available if you downsize or cease to own a home as long as the replacement is passed to your children, grandchildren or great-grandchildren.

It will start to reduce if your net estate is more than £2 million and will reduce by £1 for every £2 it is over. As with the NRB, the RNRB is transferable between spouses and registered civil partnerships if unused on first death.

Exemptions

Moving ownership of assets to your spouse or registered civil partner may help reduce the IHT liability on your estate. However, don't forget that this can cause an increased IHT liability when they die. There are also exemptions if you make a donation to a charity.

It's also important to note that until April 2027, most pensions and unused death benefits are exempt from IHT. However, from the 2027/28 tax year onwards, this will change and your pension could be subject to IHT.

Making Gifts

If you can afford to make gifts during your lifetime, this will also reduce the value of your estate, and so its ultimate IHT liability. You can make a gift of up to £3,000 a year without any IHT liability, and if you don't use this whole allowance it can be carried forward to the next tax year. You can also give gifts of up to £250 a year to any number of people with no IHT liability.

There are two types of gift which currently have tax implications:

- The first is Chargeable Lifetime Transfers (CLTs). The most common chargeable transfers are lifetime gifts into Discretionary Trusts. A transfer will be charged if (together with any chargeable transfers made in the previous seven years) it exceeds the IHT NRB (currently £325,000). Tax is paid at 20% on excess over the NRB.
- The other type of gift to be aware of is Potentially Exempt Transfers (PETs). Gifts between individuals or into a bare trust arrangement are examples of PETs. These gifts are free from IHT provided you survive more than seven years beyond the date of the gift. The other area to be aware of is that if you are making a gift but try to reserve any of the benefit for yourself, for example, retaining dividend income from shares you have gifted or living rent-free in a property you have given away.



Life Insurance Policy

Taking out a life insurance policy written under an appropriate trust could be used towards paying any IHT liability. Under normal circumstances, the pay out from a life insurance policy will form part of your legal estate and may therefore be subject to IHT. By writing a life insurance policy in an appropriate trust, the proceeds from the policy can be paid directly to the beneficiaries rather than to your legal estate and will therefore not be taken into account when IHT is calculated. It also means payment to your beneficiaries will probably be quicker, as the money will not go through probate.

Setting Up a Trust

The structures into which you can transfer your assets can have lasting consequences for you and your family, and it is crucial that you choose the right ones. The right structures can protect assets and give your family lasting benefits. A trust can be used to reduce how much IHT your estate will have to pay on your death. Broadly speaking, there are two types of trust to choose from, a Discretionary Trust and Bare Trust. A trust, in principle, is a very simple concept. It is a legal arrangement where the ownership of someone's assets (such as property, shares or cash) is transferred to someone else (usually a small group of people or a trust company) to manage and benefit a third person (or group of people). An appropriate trust can be used to reduce how much IHT your estate will have to pay on your death.

- **Discretionary Trusts** – A discretionary trust offers flexibility when it comes to deciding who you would like to be the beneficiaries. The appointer can appoint benefits to the beneficiaries of the discretionary trust. With a discretionary trust, there are possible tax liabilities to be aware of. On creation of the trust, IHT might be payable. IHT may also become payable if you die within seven years of the creation of the trust. Depending on the value of assets in the trust, there could be further charges to consider during the lifetime of the trust.
- **Bare Trusts** – A bare trust ensures that, once named, the beneficiaries cannot be changed or added to in the future. Once a beneficiary has reached the age of 18, they can ask for the trust to pay their share to them directly. The major advantage of bare trusts over discretionary trusts

is that they are classed as potentially exempt transfers (PETs) with no immediate or ongoing IHT charges, provided the creator of the trust survives more than seven years from the date of the transfer.

Do you have a Will? By making a Will, you are detailing what you want to happen to your assets after you die. A Will also nominates someone to be in charge of carrying out your wishes. If you die without making a Will, the Government could keep everything if a suitable heir is not found. The rules of intestacy (dying without making a valid Will) can be very complicated, and it should be noted that only your spouse or registered civil partner is assured of any inheritance.

The sooner you start planning, the more you can do... whether you want to provide for the next generation or leave a charitable legacy when you die, or you simply want to minimise the IHT bill, the sooner you start thinking about this the more you can do. To discuss your personal circumstances with an advisor who can answer any further questions you may have about Estate Planning, please call Fiducia Wealth Management for an initial telephone consultation on 01206 321045.



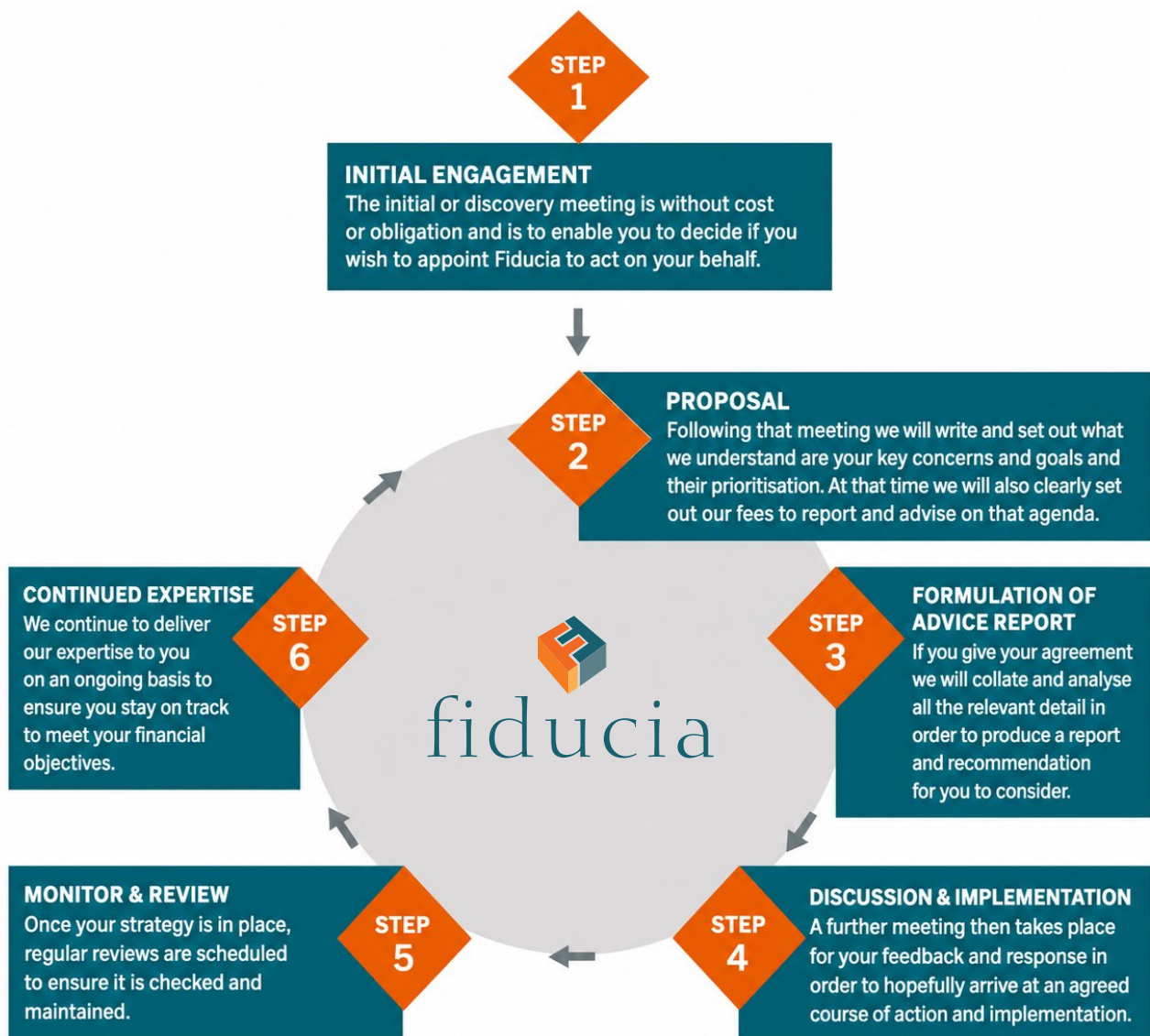
How Can Fiducia Help You?

Fiducia Wealth Management are a well-established multi award-winning firm of Chartered Financial Planners with a proven track record of delivering outstanding wealth management and financial advice to private clients, business owners, family estates, charities, pension funds and trustees on tax, investments, and financial planning.

Our offices are in Dedham on the Essex/Suffolk border and in Chelmsford.

We provide our expertise to a diverse range of clients throughout the East of England, London, and the UK nationwide. Integrity, openness and transparency are our core values, and we recognise that no two client's requirements, situations and objectives are the same – our solutions are therefore bespoke to help you meet your financial goals and later life needs in the most tax efficient way.

We follow a tried and tested six step process to identify your financial objectives to determine the right business protection you need for you and your business.



Are you ready to identify what business protection you need?

Speak to our team today, arrange your FREE initial discovery meeting and start your journey to achieving your financial goals.



Contact

✉ email@fiduciawealth.co.uk

🌐 www.fiduciawealth.co.uk

Call us for a chat:

Colchester

☎ 01206 321 045

📍 Fiducia Wealth Management
Dedham Business Centre,
Brook Street, Dedham, Colchester
Essex, CO7 6AD.

Chelmsford

☎ 01245 950922

📍 Fiducia Wealth Management
Saxon House, 27 Duke Street
Chelmsford Essex, CM1 1HT

Brentwood

☎ 01277 676700

📍 Fiducia Wealth Management,
Kings House, 101-135 Kings Road
Brentwood, CM14 4DR