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# welcome to: estate planning

# about us.

We are a leading financial wellbeing and retirement specialist - helping those in the workplace to improve their financial future.

Established in 2005, we work with hundreds of organisations across both the private and public sector.

Our financial education services are delivered on a bespoke basis.

# agenda.

- Estate Planning
- Inheritance Tax (IHT)
- Making gifts during your lifetime
- Intestacy Rules and Will writing
- Power of Attorney
- Next steps

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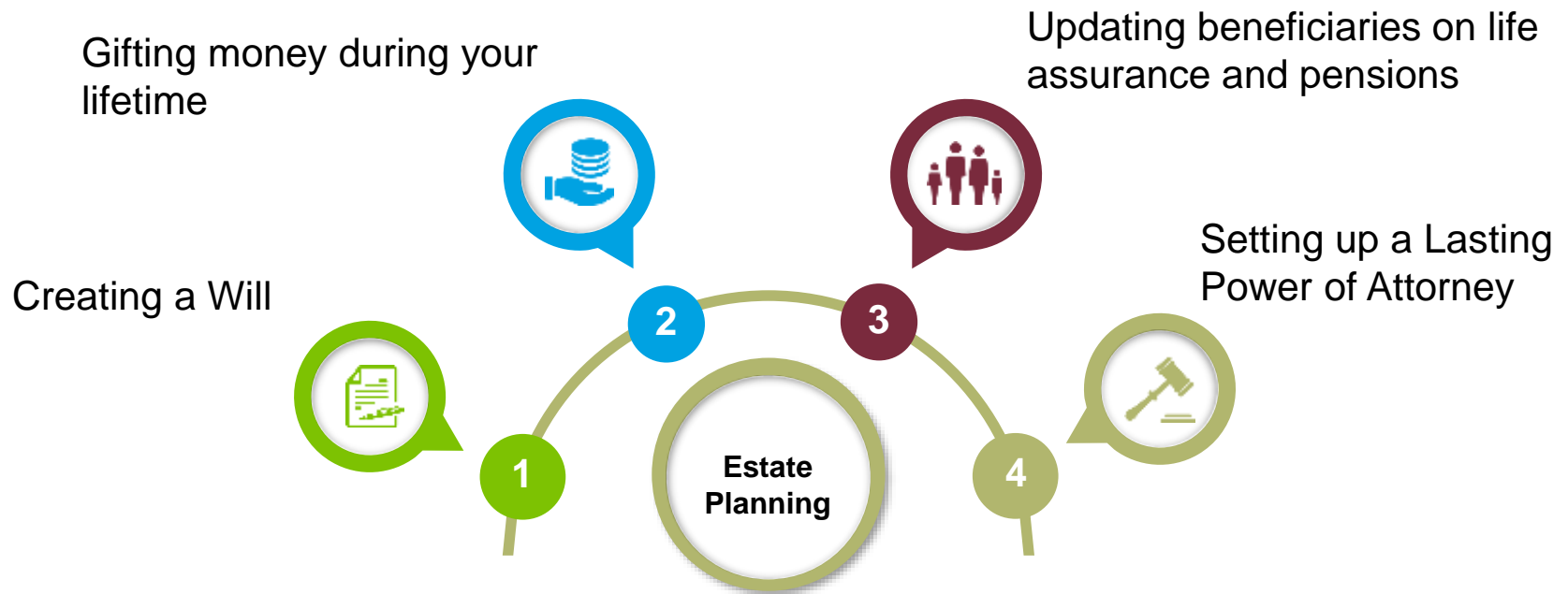
estate planning.

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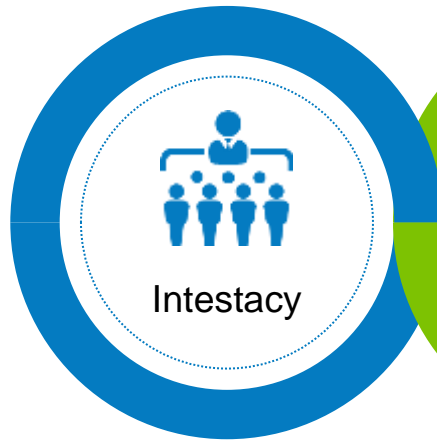
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# estate planning.

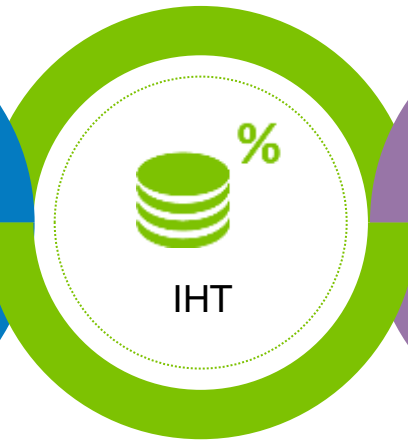
- During your life you build up personal wealth, your 'estate'
- Estate Planning involves protecting your wealth and ensuring it passes to the people you want it to
- It's an evolving process and may include:



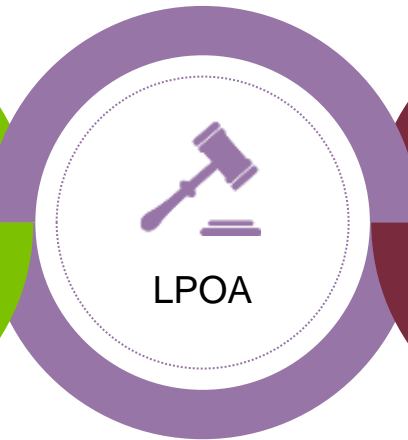
# why is estate planning important?



- Without a Will, Intestacy Laws decide who gets what



- Make the most of the allowances available to you



- Assign someone to look after your money if you lose mental capacity



- Detail your health and funeral wishes

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inheritance tax.

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# inheritance tax (IHT).



HMRC apply IHT to your worldwide assets if your permanent home ('domicile') is in the UK



If your permanent home ('domicile') is abroad, IHT is only paid on your UK assets (e.g. property or bank accounts you have in the UK)



# domiciled in the UK.

An individual will be treated as domiciled in the UK for all tax purposes if either Condition A or Condition B is met.

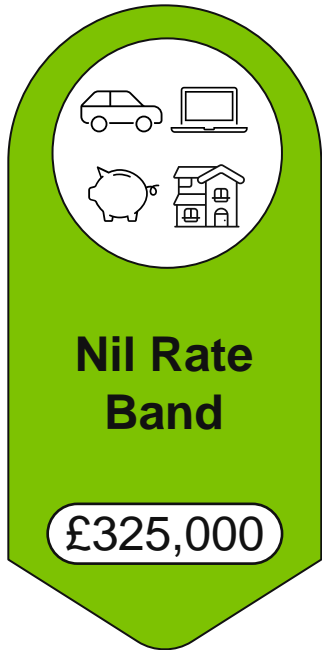


- Be born in the UK
- Have the UK as his/her domicile of origin
- Was resident in the UK for 2017 - 2018 or later years

The individual has been UK resident for at least 15 of the 20 tax years immediately before the relevant tax year.



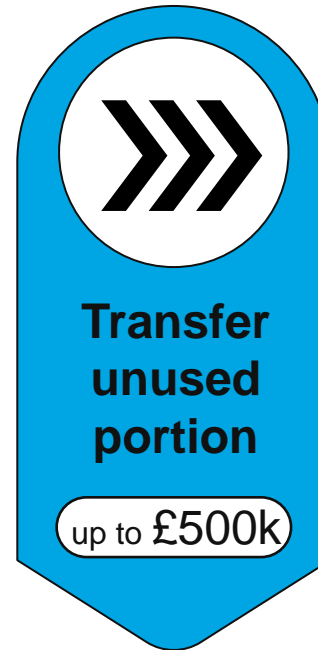
# inheritance tax (IHT).



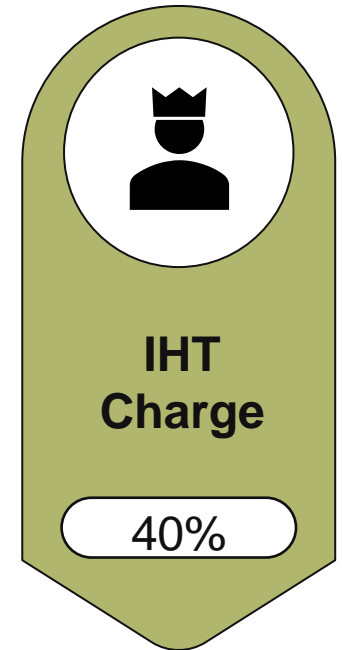
Applied to any part of an estate that is chargeable to IHT



Only applied to a home that is left to a direct descendant

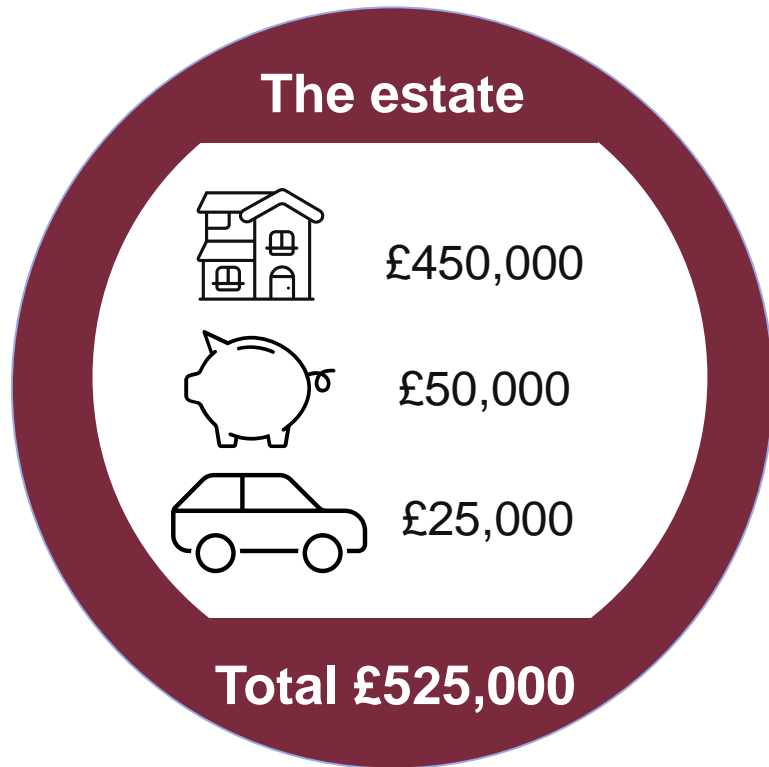


A couple could potentially pass on up to £1m before IHT becomes due\*

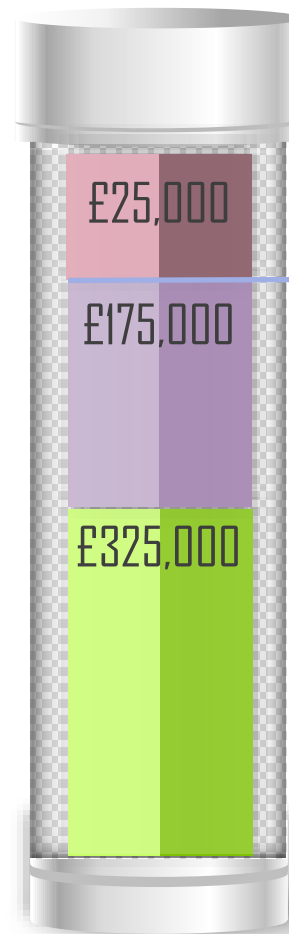


\* A couple in this context is a spouse or civil partner

# inheritance tax (IHT) - example.



The estate is being passed to a direct descendant



The estate is worth  
**£515,000 after IHT**

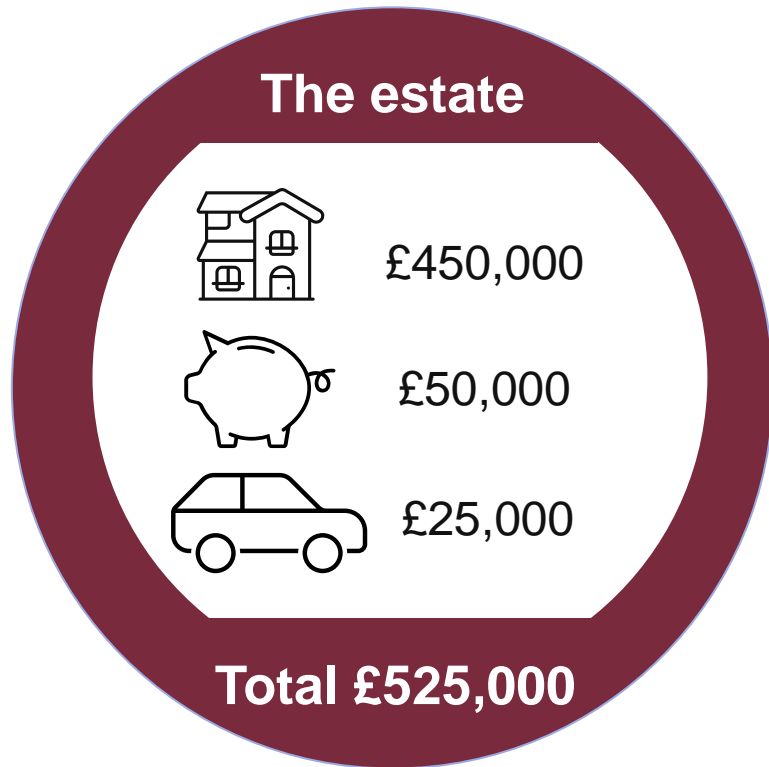
■ Excess subject to IHT

— Total nil rate band limit

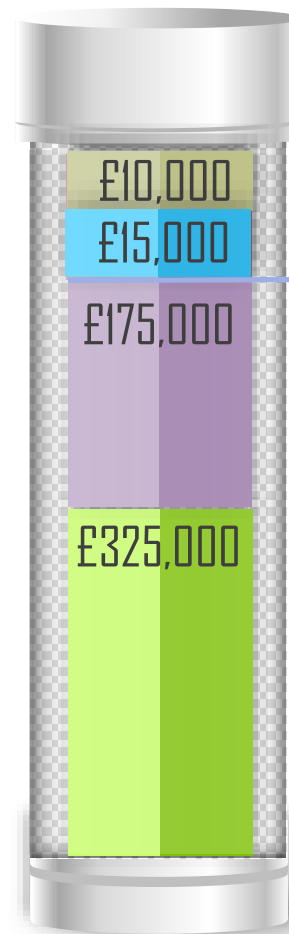
■ Residence nil rate band

■ Nil rate band

# inheritance tax (IHT) - example.



The estate is being passed to a direct descendant



**The estate is worth  
£515,000 after IHT**

■ 40% IHT charge

■ Net excess

— Total nil rate band limit

■ Residence nil rate band

■ Nil rate band

# taper threshold (TT).

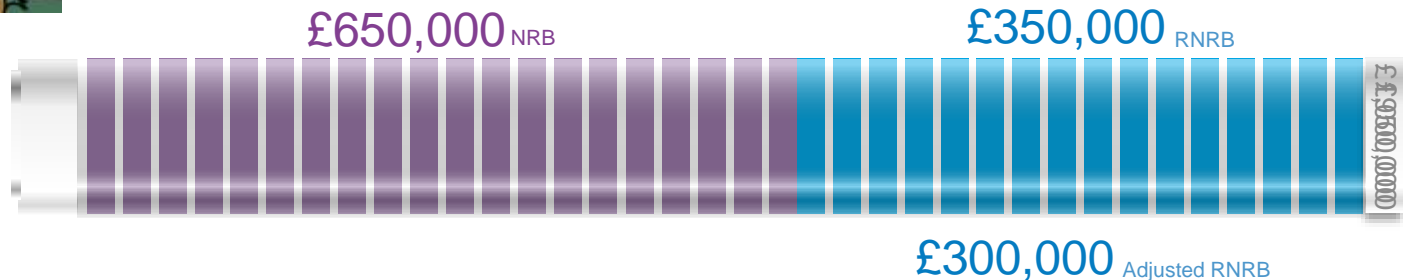
For estates valued at over £2,000,000 a taper may apply to the RNRB.

- RNRB is reduced by £1 for every £2 an estate exceeds the taper threshold.
- There will be no RNRB if the estate exceeds £2.35m or £2.7m including available partner's unused allowance.\*

## Maria's Example:



- Estate valued at £2,100,000 including a home worth £500,000
- Maria has inherited her husband's full NRB + RNRB from his death
- Maria dies leaving the full estate to their children



\*Based on current RNRB of £175,000

# downsizing addition.

An individual may still qualify for the RNRB in cases where they have sold their home or moved to a less valuable home.

To qualify, all these conditions must apply:



The person sold, gave away or downsized to a less valuable home on or after 08.07.2015



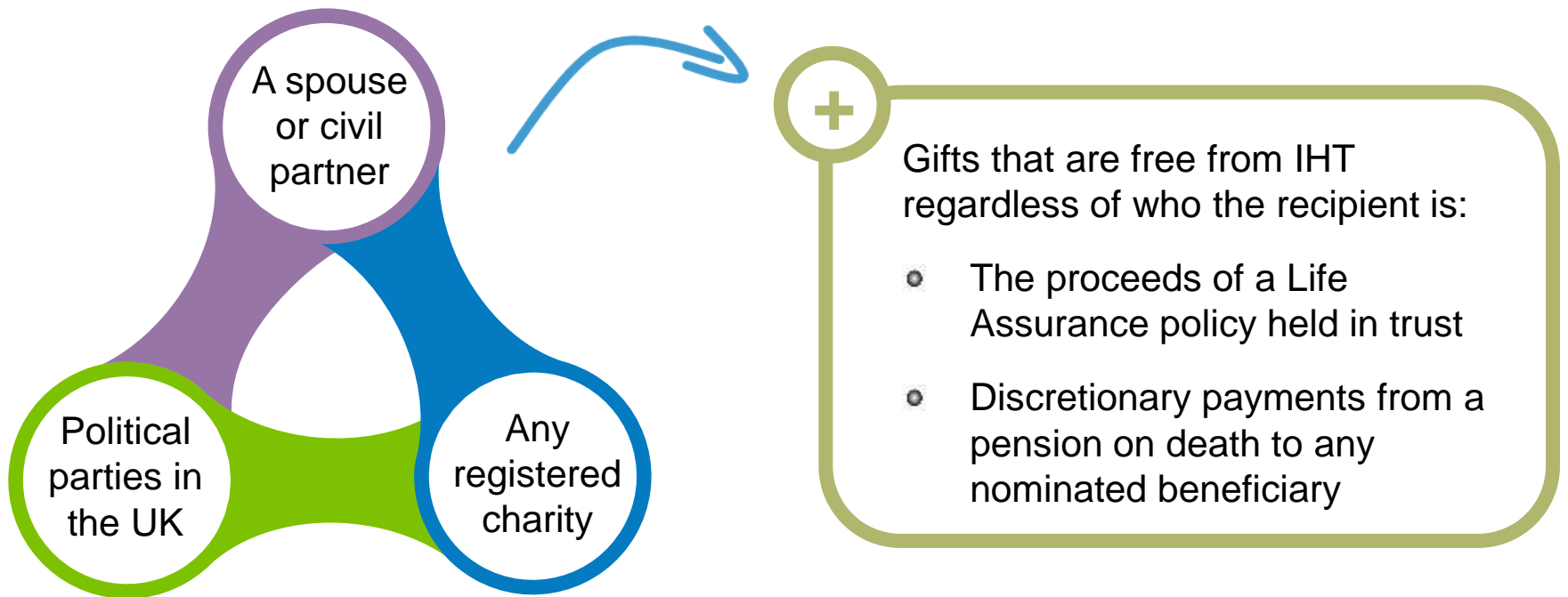
The former home would have qualified for the RNRB if they'd kept it until they died



Their direct descendants inherit at least some of the estate

# your estate.

In addition to the nil rate bands, there are a number of other gifts that can be made free from IHT. These include gifts to:





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making gifts during your  
lifetime.

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# gifts during your lifetime.

There are certain gifts that can be made during your lifetime that are immediately exempt from any Inheritance Tax charge. These include:

**Exempt  
From  
IHT**



An annual exemption of £3,000 (carry forward over 1 year is permitted)



Small gifts up to the value of £250 per person



Regular gifts or payments that are part of your normal expenditure out of income



Gifts to a spouse or civil partner

# potentially exempt transfers.

Other gifts made whilst alive may become exempt after a period of time has passed.



## Outright Gift

The donor must give up all interest in the gift



## Failed PET

The donor must survive 7 years from the date the gift was made



## 7 Years

After 7 years the gift is exempt from IHT

# potentially exempt transfers.

 2020

Sally makes  
a cash gift  
of £300,000



 2027

survival date for  
the gift to be  
excluded from her  
estate

2020

2021

2022

2023

2024

2025

2026

2027

 2024

Sally dies - leaving  
an additional  
£200,000 but no  
house

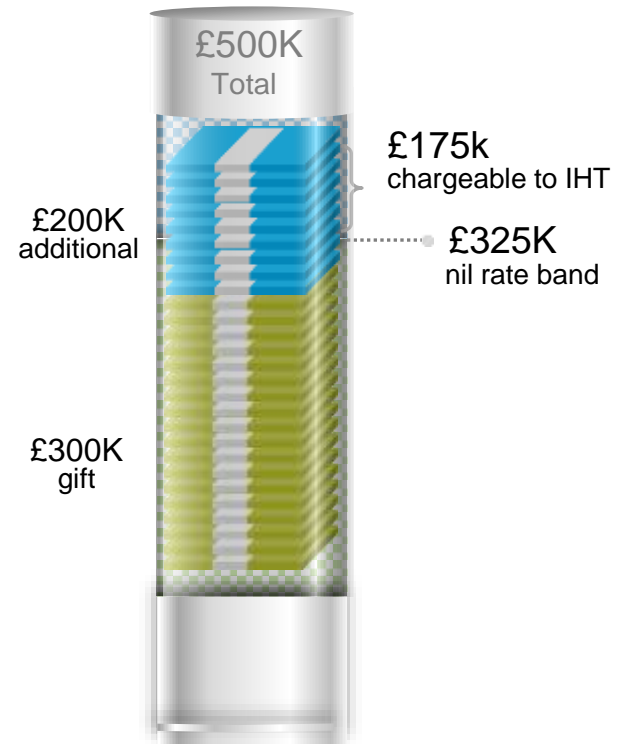


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part of the Wealth at Work group

# potentially exempt transfers.

- The gift forms part of the nil rate band
- The remaining estate is then added
- IHT applies to £175,000\*
- 40% of £175,000 = £70,000



\*Example assumes a home does not form part of her estate.

# potentially exempt transfers.

If a Potentially Exempt Transfer was made within 7 years of death, taper relief may apply:

- Gifts made before death will use up the nil rate band first
- Taper relief applies where the total value of gifts exceeds the nil rate band

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<b>Time since death</b>	<b>Tax paid</b>
Less than 3 years	40%
3 to 4 years	32%
4 to 5 years	24%
5 to 6 years	16%
6 to 7 years	8%
7 or more years	0%

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intestacy rules and will  
writing.






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# intestacy rules – England & Wales.

If you were to die without a valid will, intestacy rules would apply. The rules that apply depend upon your personal circumstances.



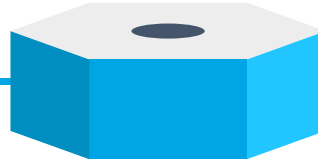
-   Spouse / Civil Partner - £322,000 + ½ the remainder
-  Children - the rest
-   Spouse / Civil Partner - everything

-   Children - Everything
-   Parents, siblings, grandparents, aunts/uncles or crown takes all

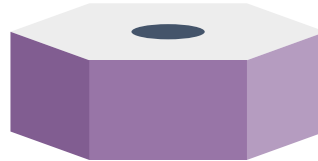


# writing a will.

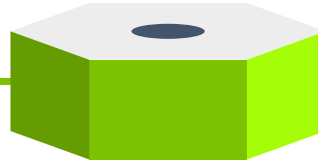
A solicitor will write a Will that reflects your wishes or intentions



Only consider writing a Will yourself if you're confident that it reflects your wishes or intentions

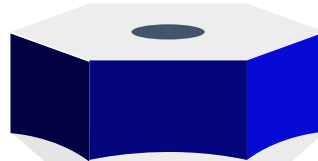


Keep your Will up to date



Divorce automatically removes any entitlement to the ex-spouse\*

A Will is automatically revoked on marriage\*



Regularly review your nomination forms for life assurance and pensions

\* Unless your Will specifically states otherwise

# your pension savings.

If you have remaining benefits in a defined contribution pension when you die, these are taxed differently to non pension savings.



Inheritance tax does not apply to benefits held in a registered pension scheme



If death occurs before age 75 all benefits are paid to your chosen beneficiary free of income tax



If death occurs after age 75 benefits are taxed on receipt at the beneficiaries marginal rate of tax

If a member has purchased an annuity, any payment after death will be dependent on whether cover for a partner has been selected and subject to income tax

# updating nomination forms.

Review the nominations for your pension and life assurance policies



Review chosen beneficiaries for your pension and DIS

Review any legacy pensions from previous employment

Proceeds from both are usually paid free of IHT

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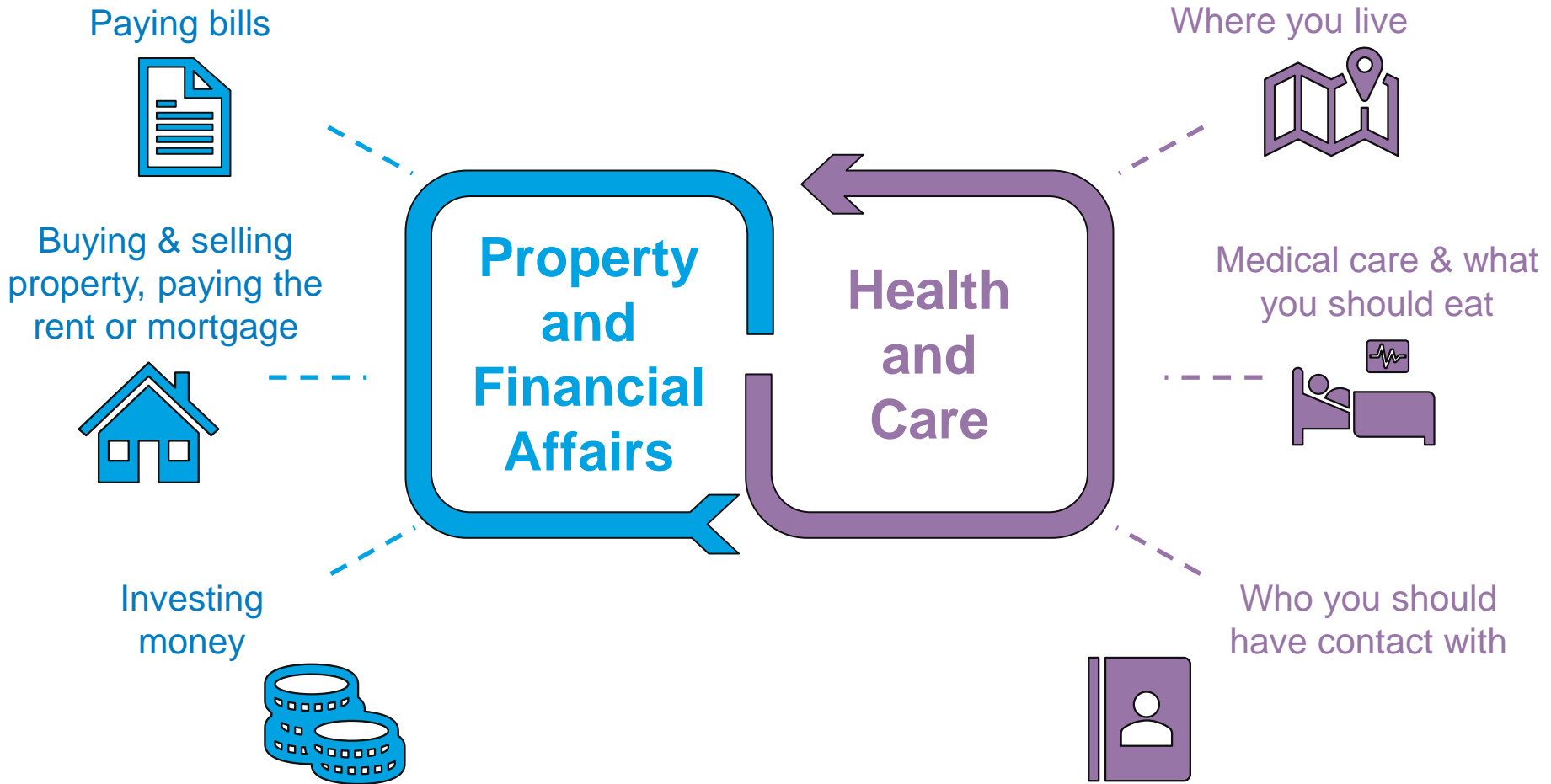
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power of attorney.

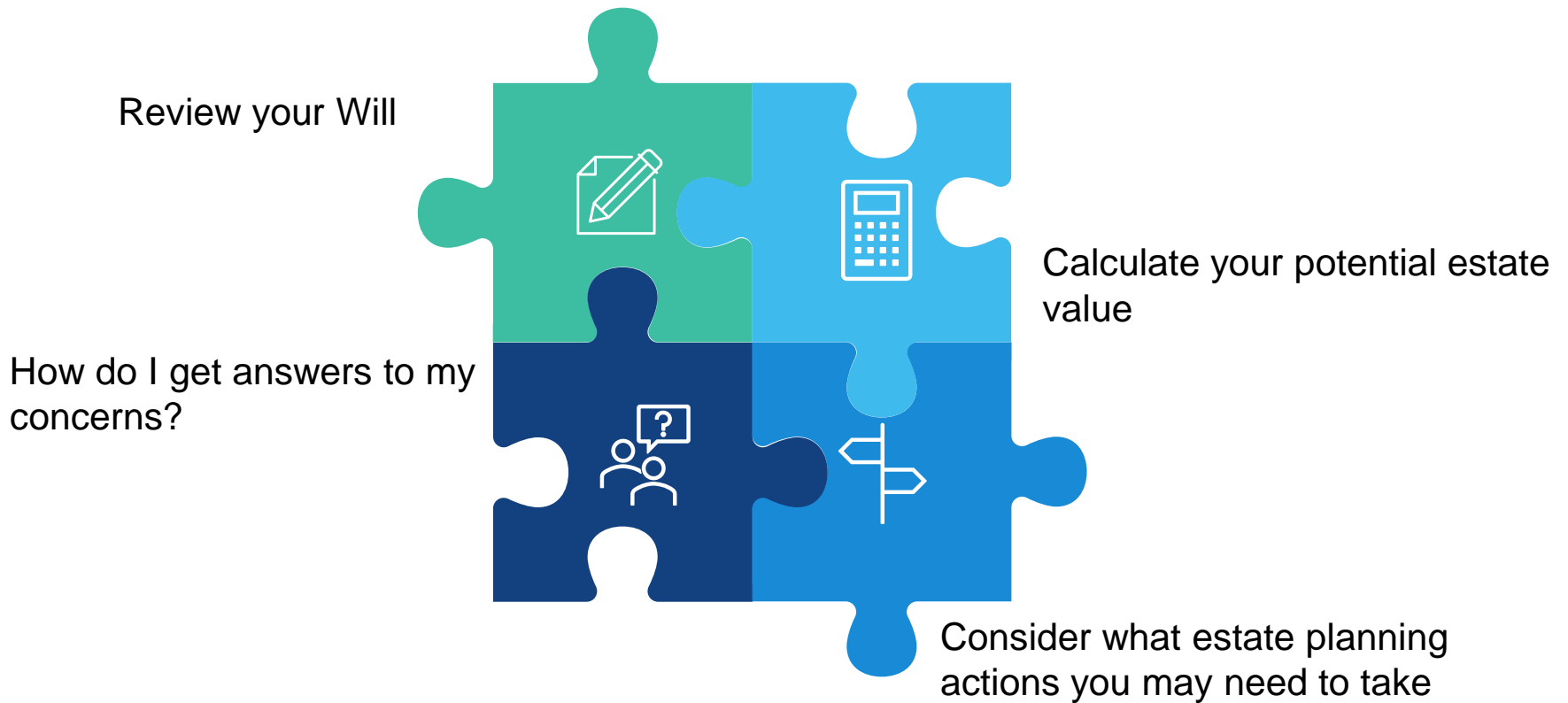
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# lasting power of attorney.



# summary.



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next steps.

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# further information.

01

## Current IHT rates and allowances

[www.gov.uk/inheritance-tax](http://www.gov.uk/inheritance-tax)

02

## Passing on a home

[www.gov.uk/inheritance-tax/passing-on-home](http://www.gov.uk/inheritance-tax/passing-on-home)

03

## Trusts and taxes

[www.gov.uk/trusts-taxes](http://www.gov.uk/trusts-taxes)

04

## Making a Lasting Power of Attorney

[www.gov.uk/power-of-attorney/make-lasting-power](http://www.gov.uk/power-of-attorney/make-lasting-power)

05

## Writing a Will – your options

[moneyhelper.org.uk/en/family-and-care/death-and-bereavement/planning-what-to-leave-in-your-will](http://moneyhelper.org.uk/en/family-and-care/death-and-bereavement/planning-what-to-leave-in-your-will)



# financial guidance.

Financial guidance provides you with information that may assist you in making decisions about your retirement income:

- You will not be provided with advice on the most suitable option for you
- The Government has set up Pension Wise to provide you with free financial guidance from the age of 50:
  - <https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise>
  - Your plan will ask you whether you have received guidance or regulated advice before you take a pension income

# financial guidance.

## **Personal budgeting and setting goals**

[www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

## **State Pensions, Income Tax and ISAs**

[www.gov.uk](http://www.gov.uk)

[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

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thank you.

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