

# Stronger strategies for passing on wealth to adult children

May 2024



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FINANCIAL PLANS | INVESTMENTS | TAXES

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

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1  
of the leading  
wealth management groups



187 YEARS  
of helping clients achieve  
their financial goals



179k+  
clients trust us with  
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£59.1bn  
assets under  
management



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Years  
Performance  
track record



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UK, Ireland and Jersey



290+  
Qualified financial  
planners



330+  
Investment  
managers



30  
local offices

## Financial Planning Awards



## Investment Awards



# 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?

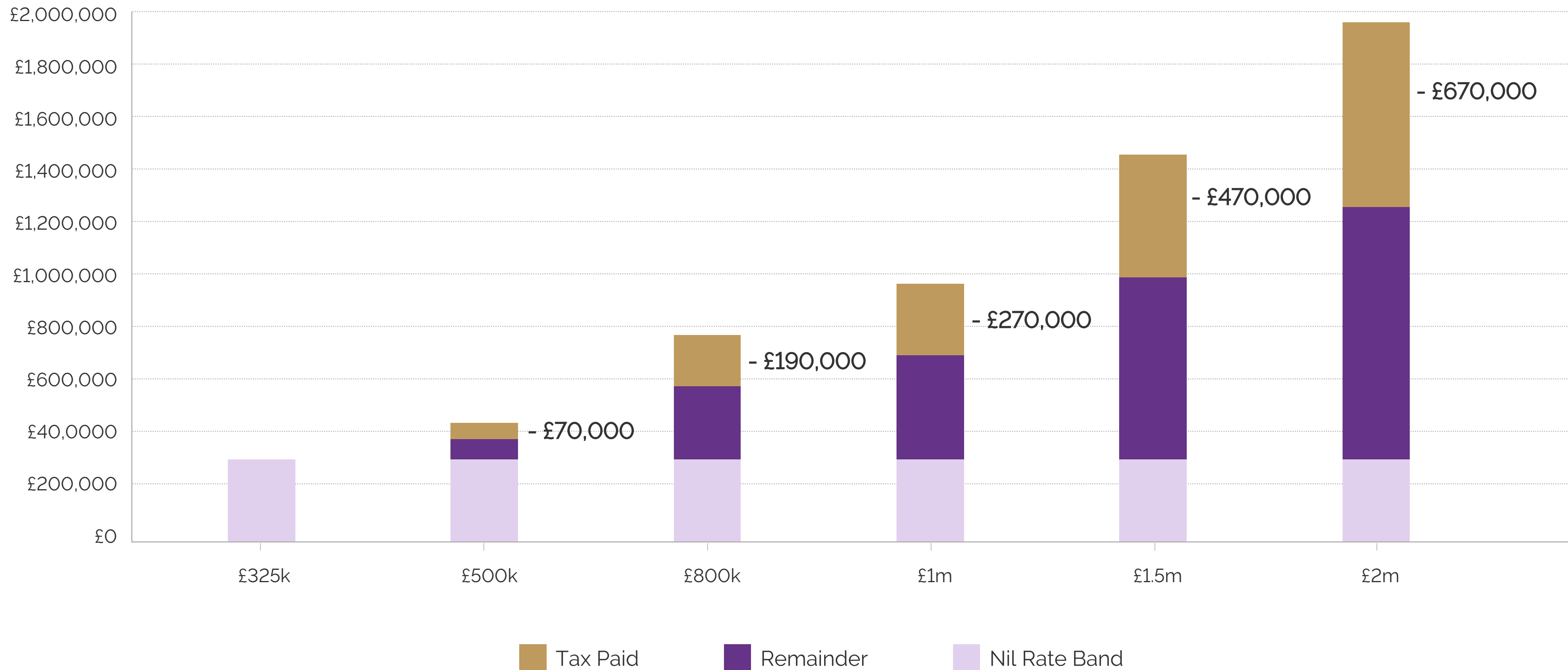
Everything worldwide, except some businesses and farms

How much tax?

40% of everything above the available nil rate band allowance



# How much Inheritance Tax would I pay?




Based on 2023/24 tax rates. Assuming one full nil rate band is available  
For illustrative purposes only.



# Residence nil rate band

**£175,000 additional nil rate band in 2023/24**

 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?



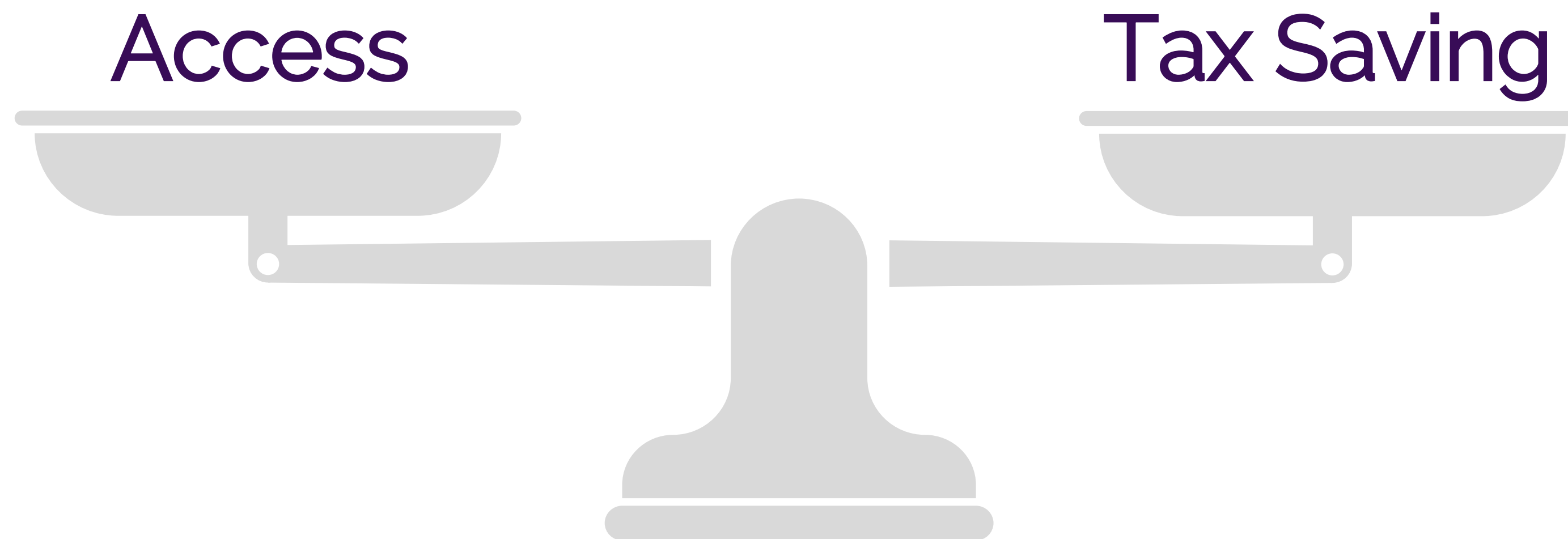
*Passing on wealth  
to the people that  
matter to you in the  
most effective way*

**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



# Allowances and reliefs



# Discretionary Will Trusts

## What are the benefits?



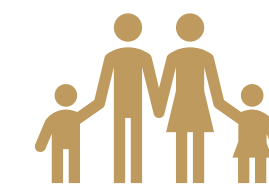
May enable a married couple to benefit from more than two nil rate bands if previous partner is deceased



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



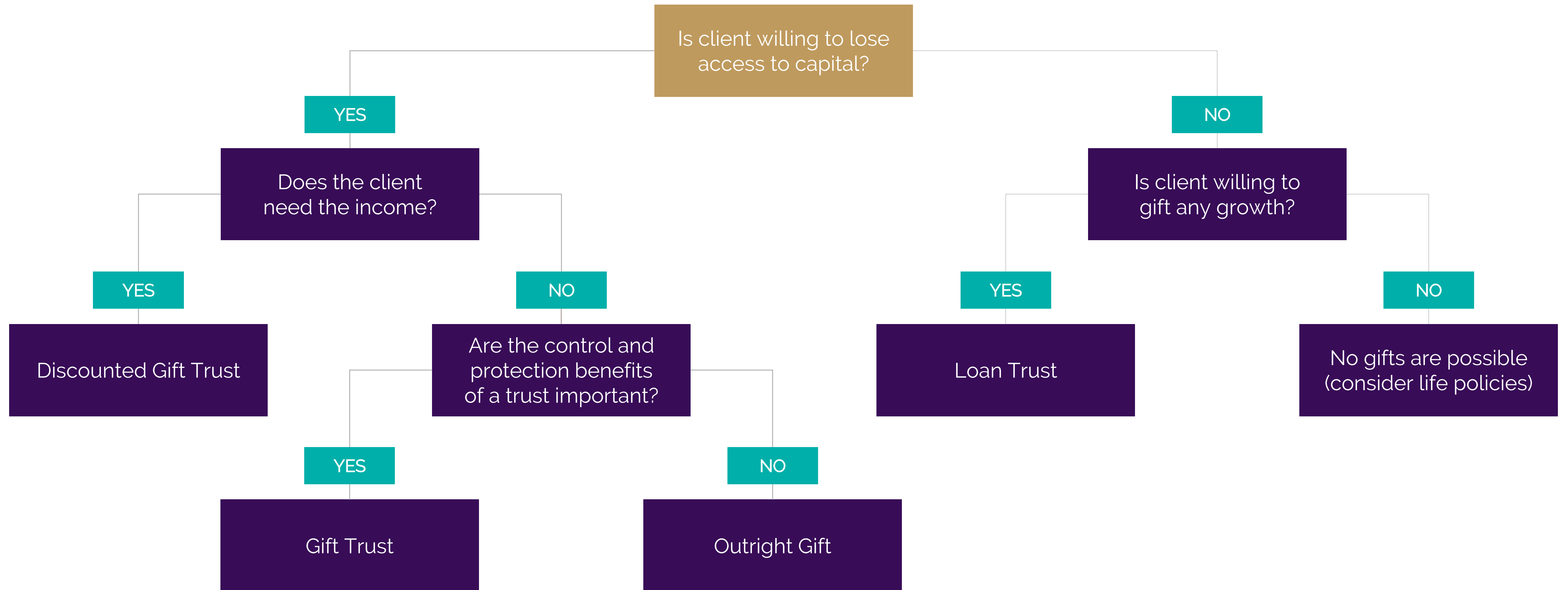
Utilising Discretionary Will Trusts requires specialist advice to avoid losing out on the residence nil rate band



# Gifts and spending



# Gifting





# Paying the remaining liability



# Using life policies for remaining liability

## Lifecover is used in two ways

To cover the remaining  
Inheritance tax liability on the  
estate



Second death Whole of Life  
policy

To cover the tax liability on  
the recipient of a gift if the  
donor dies within seven years



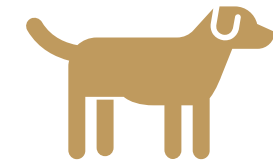
Reducing term policy



# 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

Investing in the 'Special solutions' is higher risk and the investments are not suitable for everyone. 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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Please contact your usual adviser with any queries.

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us an email or call on 0207 189 2400.



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