



## Healthy, wealthy and well advised

### Financial complexities of passing on wealth

Passing on wealth is a sensitive subject, not just because of the financial complexities of it all, but also the emotion and family politics involved.

Having built up their business or wealth, many families wish to enjoy it while also ensuring that it is passed on to the next generation in their families. Passing on what you have accrued in the most efficient way is of paramount importance. But some people find the idea of discussing passing on wealth uncomfortable.

#### **MAKING DECISIONS ON YOUR BEHALF**

It is often said about those people who are healthy, wealthy and well advised that they rarely pay Inheritance Tax – or rather, their estates do not. As part of the planning process, it is essential to make certain that you have a current Will in place. Your Will ensures that when you die, your wishes are clear.

Also, give consideration to arranging a Lasting Power of Attorney, a legal document that lets you appoint one or more people to help you make decisions or to make decisions on your behalf.

#### **YOUR WEALTH OVER THE YEARS**

Dying without a Will could leave your partner without any rights or protection if you're not married. If you don't have close family, your estate could pass to a distant relative you do not wish to benefit or do not know, or even to the Crown. If you already have a Will, you should consider reviewing it at least every five years.

It might be the case that you have built up your wealth over the years, or perhaps you have had a windfall or inherited a sum of money. Whatever your individual circumstances, setting up a trust could be the right decision for the future, with the added flexibility of tax-efficiency.

#### **POTENTIAL INHERITANCE TAX LIABILITY**

With our help, we can work out if you have a potential Inheritance Tax liability. Once we have this information, we'll make recommendations about how you could reduce your Inheritance

Tax by reviewing all the different allowances and options available. By funding your expenses from assets that are subject to Inheritance Tax, this will also help reduce your taxable estate.

A trust may also help you protect your wealth, making sure that the people who matter to you most are the ones who benefit in a way that you want them to at the right time. Even though the current climate is less favourable, following major Inheritance Tax reform in 2006, there are still a number of instances where trusts can be created without an immediate Inheritance Tax charge.

#### **SIGNIFICANT DEGREE OF ASSET PROTECTION**

Putting taxation to one side for the moment, the separation of legal ownership of an asset from its beneficial ownership creates great flexibility and offers a significant degree of asset protection. This can be valuable in a range of situations, such as providing for children or grandchildren, dealing with assets on death and on marriage breakdown.

In thinking about passing wealth down the generations, another concern is whether your property may have to be sold to pay for nursing home fees. If a couple, whether or not married, own their home jointly, then it is normally possible to ensure that if the longer-lived member of the couple eventually has to go into a home, the share of the house which was owned by the other member of the couple is ring-fenced by means of a trust, so at least that part of the value of the house does not end up going on home fees.

#### **TAX LEGISLATION AND ALLOWANCES CONSTANTLY EVOLVE**

If you are a farmer, you are probably aware that agricultural property relief on agricultural property, including the farmhouse, can be claimed to reduce or avoid an Inheritance Tax bill after death. You should also be aware, though, that if before your

death you retire, in the sense that you are no longer actively farming the land yourself, then the relief may be lost, particularly on the farmhouse.

Making sure that you can pass on your wealth to the right people, at the right time, will be one of the most valuable things you can do for yourself and your family. Tax legislation and allowances are constantly evolving, so it is essential to review your financial and investment arrangements to ensure unexpected tax bills won't jeopardise any wealth intended for your family. ■

#### **PROTECTING WHAT IS YOURS**

You have worked hard throughout your life to accumulate and preserve your wealth. We can give you peace of mind of knowing that you have laid the firmest foundations for your family's future. Please contact us if you would like to arrange a meeting to discuss your situation – we look forward to hearing from you.

*Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from, taxation are subject to change. Tax treatment is based on individual circumstances and may be subject to change in the future. Although endeavours have been made to provide accurate and timely information, we cannot guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough review of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions.*