



## Lifetime estate and tax planning

Everyone's circumstances are different. Some have inherited wealth, others have built up successful businesses. Some own property here and abroad, others have stock market investments or commercial assets. Some have straightforward personal situations, others have had several marriages and an extended family. Whatever your situation we recognise the importance of matching the available estate planning options with your personal goals.

Our role is to work with you to ensure that your estate and tax planning reflects your personal circumstances, aspirations and priorities so that your money works for you and not for HM Revenue & Customs.

### What do you want to achieve?

- To ensure that you will have enough income and capital to maintain your lifestyle?
- To pass your business on to your children while still receiving some income and/or retaining control?
- To avoid or reduce the Inheritance Tax (IHT) payable on your estate?
- To ensure that you can cover the cost of long-term care?
- To ensure the right members of your family benefit?

Whatever your priorities, you will probably need to consider some or all of the issues below.

### Inheritance Tax Planning

The law has changed substantially in recent years with the introduction of the Transferable Nil Rate Band and the Residence Nil Rate Band. But the underlying advice remains the same – start planning early on, particularly if you are in a position to make use of some of the options for lifetime giving; and review your situation regularly to ensure that your planning keeps pace with any opportunities offered by changes to the law.

One of the questions we are often asked is whether you should use a trust in your Will. Trusts have been used in many ways over the years: to make best use of inheritance tax rules, to provide control over assets after your death, to look after a surviving spouse during their lifetime and then to provide for children from previous relationships, or to protect funds for vulnerable beneficiaries.

Previous Wills under different tax rules have used Discretionary Trusts to achieve some or all of the above. These days, in order to make best use of the current inheritance tax allowances and to protect funds from being used up by a surviving spouse, perhaps in paying for care, we often recommend the use of Life Interest Trusts.

A Life Interest Trust could help:

- To protect your assets if a surviving spouse needs long-term residential or nursing care;
- To ensure that your surviving spouse has a home and/or a source of income;
- To protect some or all of your estate from the risk of passing outside of the family;
- To ensure that assets are protected for the eventual benefit of your children.

The Life Interest Trust can be prepared in such a way as to provide flexibility and security for your surviving spouse, making sure that the people who make decisions over your assets for the benefit of your family are people you trust.

You should review your position and check not just whether a trust may be suitable for you but also which type.



### Other taxes

Capital Gains Tax (CGT) is often forgotten when it comes to making gifts. At 18% for basic rate taxpayers and 28% for higher rate taxpayers and trusts, CGT is less onerous than it was a decade ago and less onerous than IHT. However, it should always be considered in conjunction with IHT. Income tax may also be a factor, in terms of making best use of both spouses' annual Income tax allowances.

### Business Assets

Business assets can attract generous reliefs for both CGT and IHT. These are Entrepreneur's Relief and Business Property Relief/ Agricultural Property Relief respectively. However, there are some very specific criteria which need to be adhered to if you are to qualify for these.

### Long-term Care

The first step is to assess what level of income you will need to pay for care, and to what extent you will be dependent on your capital. There are various issues to consider including the way in which your assets are held and, if relevant, whether one spouse may need care while the other is still in the family home.

### The Next Step

The key to effective planning is to consider all aspects of your circumstances and then to weigh up which of the estate and tax planning strategies will give the best outcome.

### More information

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