

A large, stylized grandfather clock is the central focus. The clock's face is a blue circle with a white border, set within a brown, ornate wooden frame. The text "Time to think about Inheritance Tax." is written in white, bold, sans-serif font across the center of the blue circle. Behind the text is a faint, light blue silhouette of a person walking. The clock's pendulum is a long, thin gold rod extending from the center of the face down to a large, round, gold bob. The background is a solid, vibrant red.

**Time to think  
about  
Inheritance Tax.**



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## What exactly is Inheritance Tax?

Let's dispel a myth right here and now. You don't have to be rich for your estate to be subject to Inheritance Tax. Currently it's levied on everything you leave over £263,000. See for yourself what it includes:

- your investments and savings
- your home and car
- your furniture and personal effects
- the proceeds of your life insurance, unless it is written in trust.

The rate of Inheritance Tax is 40% for everyone. This is equivalent to the highest

current rate for income tax. The tax is paid by those that inherit – and is deducted from the estate on death – so Inheritance Tax is relevant whether you stand to gain an inheritance or you plan to leave one.

## Gaining an inheritance

1 in 40 people in the UK inherit an average of £17,500 each year. The total after tax is £31 billion.

The average estate leaves £90,000 net of tax and the average amount received by each individual is £17,500, suggesting

that, on average, people share out their bequests between five people. Some 10 per cent of beneficiaries receive £50,000 or more. A further 30 per cent receive £10,000 or more, enough to make a down-payment on a home or pay off a sizeable chunk of a mortgage.

However big or small your inheritance, there are a number of ways to put your money to good use. The ideal way, of course, is to invest at least some of it so it grows into a more substantial sum.

Source: International Longevity Centre UK



## Planning your Inheritance Tax.

### **Top up your pension with your inheritance**

With many people now spending as long in retirement as they do in their working lives, it's wise to add to your pension. Especially when you consider that the basic state pension is currently only £79.60 a week for a single person and £127.25 for a couple (2004/2005). By making a one-off lump sum payment into your pension fund you can make a big difference to the quality of your retirement.



## Invest it for the future

Another way to invest your inheritance is to place it in an Individual Savings Account (ISA). These are tax-free in the hands of an investor, and could be an ideal way to help save for a rainy day or to give you a more comfortable retirement. Other options to consider include Friendly Society accounts and National Savings and Investments.

## Leaving an inheritance

Have you also thought that one day you may be leaving an inheritance too? Without some careful planning, it might be a lot less than you think. That's because the taxman might ask your family to pay Inheritance Tax. And in addition to that, the Government's ongoing review of the fairness of the tax system is likely to affect any inheritance planning, so you should think about making some plans soon. Your Independent Financial Adviser (IFA) can help you at least reduce the final bill.



## Writing a will.

For a lot of people, making a will is the most obvious way to plan for the future and the fairest way to provide for loved ones.

Yet, it's a fact that an amazing 70% of the UK population do not have a will. Dying without leaving a will is called "dying intestate" – which means that all your "wealth" is divided up between each surviving member of your family. If you haven't any family or beneficiaries, it goes straight to the Crown.

Another drawback of intestacy is the fact that it doesn't recognise unmarried

partners, friends or charities and such like. All this heartache – and the inevitable delays – can be avoided if you make a will.

Your IFA may be able to help advise you on the content of your will, or alternatively recommend the services of a local solicitor. At a cost of around £100 writing a will could save your family many pounds – and much worry.

## Inheritance Tax planning

There are a number of ways your IFA may be able to help you to reduce any possible Inheritance Tax.

Your IFA might, for example, advise you to make gifts now to intended beneficiaries as these gifts are free of Inheritance Tax, providing you live for 7 years or more following the gifts. There are several other tax-efficient ways of making annual gifts, both to individuals and organisations such as charities.

You could then leave a further £263,000

free of Inheritance Tax to them in your will. Gifts between married couples incidentally are not subject to any Inheritance Tax. You might like to think about setting up a trust. If you put part of your estate into a trust for your grandchildren, it could be decades before your cash is again under the eye of the taxman. Trusts can be complicated and your IFA may work in conjunction with a solicitor.

Another option you might like to consider is an insurance policy to pay the tax bill after you die. Your IFA can compare all insurers to help find the right policy for you.

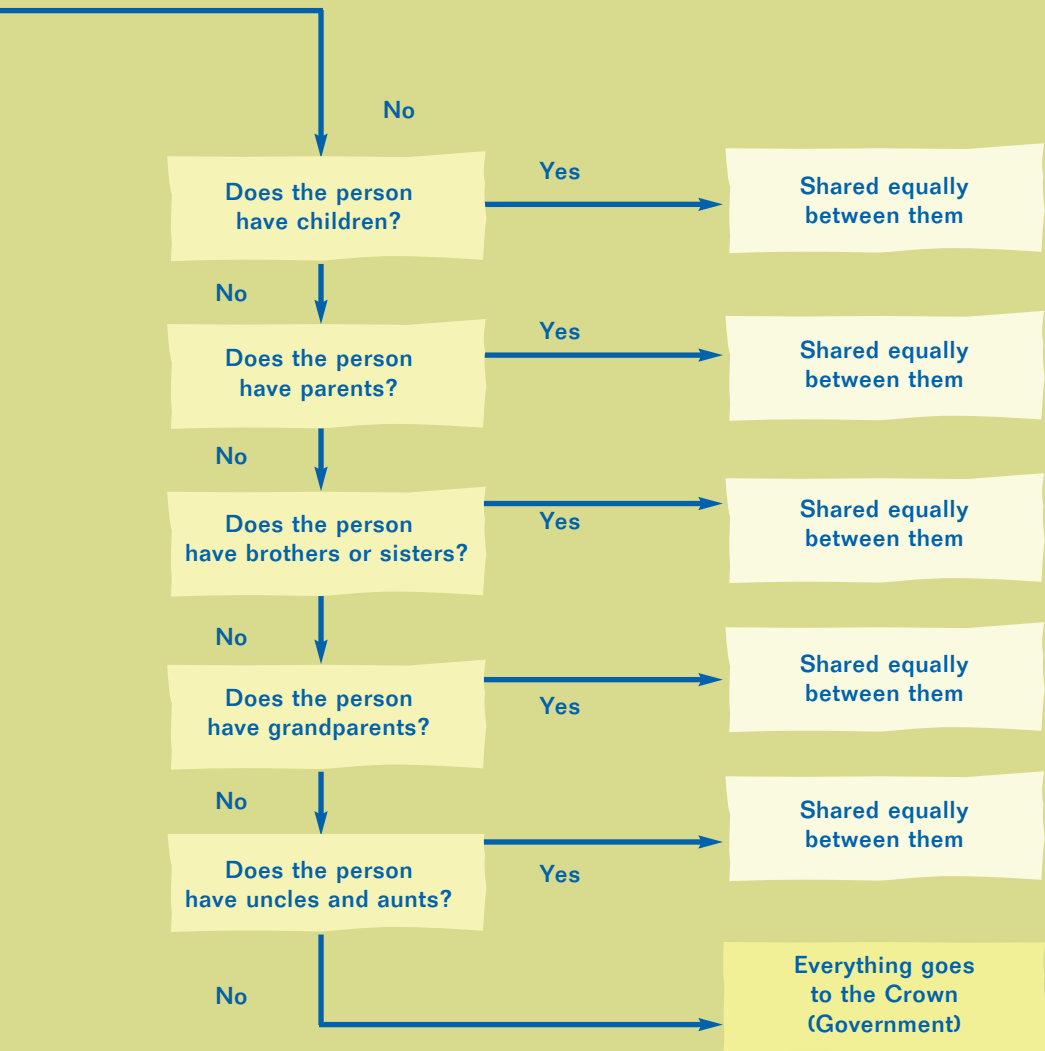
# How an estate is distributed



\*The spouse will benefit only if he or she survives the intestate by 28 days.

Where the spouse does not survive, the intestate estate will be dealt with as if there had been no spouse.

This summary represents IFA Promotion's understanding of the law of England and Wales in May 2004. It does not constitute legal advice and IFA Promotion cannot accept any legal responsibility for it. In Scotland the law is different.





## Some questions to ask your IFA about Inheritance Tax (IHT) Planning

- Are there advantages in making grandchildren the main beneficiaries of my will?
- What is the Nil Rate Band?
- What is the IHT liability if I own property abroad?
- Can I “gift” my house to my children but remain living in the property?
- What are the rules relating to gifting personal effects?
- Is any IHT charged on the inheritance left to my spouse?
- What are the IHT rules on “gifts within the 7-year period prior to death”?
- How do I set up a family trust?
- Can I really give away £3,000 each year free of IHT?

## Your IFA's details:

For further information on the subject contained in this guide, please contact your IFA.

If you do not already have an IFA, our 'Find an IFA' hotlines and website enable you to confidentially search for a list of IFAs in your local area. You can search for an IFA based on a whole host of criteria (including product, qualifications, gender and payment options) so you can be sure you'll find an IFA that meets your precise requirements.

If you are looking for advice on personal finances call the

**IFA Promotion Consumer Hotline** on **0800 085 3250**.

If you are looking for financial advice for your business call the

**IFA Promotion Corporate Hotline** on **0800 085 3251**.

Alternatively, for both services visit our website at **[www.unbiased.co.uk](http://www.unbiased.co.uk)**



## Other brochures available:

- Independent Financial Advice for consumers guide
- Independent Financial Advice for businesses guide
- Financial log book
- Mortgage guide
- ISA guide
- Tax efficiency guide
- Pension guide
- Investment guide
- Surviving an economic downturn guide
- Savings when rates are low guide
- Guide to IFA qualifications
- Housing market uncertainty guide
- Equity release guide
- Bereavement guide
- Get saving guide

## Factsheets available:

- Finding the right life assurance
- Planning for your family
- Long term care
- How IFAs make their money
- Confused about endowments?
- A parent's guide to education fees planning
- Funding for university
- How to get saving
- Remortgaging your home
- Ethical investment – making money with a clear conscience guide
- The basics of offshore and expatriate finances

To request one of the above brochures or factsheets, please call our Hotline on **0800 085 3250** or visit us at **[www.unbiased.co.uk](http://www.unbiased.co.uk)**

The above brochures are available in the following alternative formats: large print, braille and audio tape. Please call our Hotline on **0800 085 3250** if you wish to order an alternative format.

## Your IFA's details:

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