

Estate Planning

Making plans today
to look after the
people you love
tomorrow



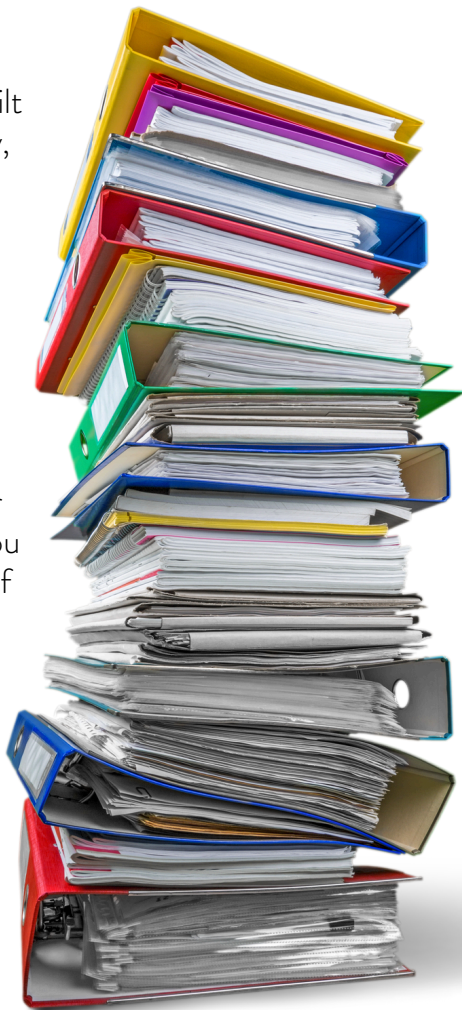
Understanding your options and planning for the future

Estate planning is not just about Inheritance Tax (IHT), it involves deciding what you would like to happen to your money, property and other assets in the future, and how you would like the people and causes you care about to benefit.

Over the years, you may have built up savings, investments, property, pension benefits or a business.

You may already have a clear idea of who you would like to inherit your wealth and what you hope it will mean for them.

Planning ahead can help make your wishes clear, provide greater clarity for your family and help you understand the tax implications of passing on your wealth.



Why does estate planning matter?

Without clear arrangements, your family may face uncertainty about how your estate should be dealt with, who should inherit particular assets and whether any tax will be payable.

Estate planning gives you an opportunity to consider these questions in advance.

It can help you to:

Balance giving with your own needs so that supporting others does not compromise your financial security.

Consider your family's future and how you would like your wealth to support them.

Plan for different circumstances including changes to your family, finances or wishes.

Understand potential tax liabilities and the allowances or reliefs that may apply to your estate.

Make your wishes clear so that your estate can be dealt with in accordance with your intentions.

There is no single approach that suits everyone. Your circumstances, family relationships, assets and future needs will all influence the options available to you.

Understanding Inheritance Tax

Inheritance Tax (IHT) is a tax that may be payable on a person's estate following their death. An estate can include property, savings, investments and other assets, although the treatment of particular assets and any applicable exemptions or reliefs can vary.

The standard Inheritance Tax threshold is currently £325,000. Other allowances may be available, including an additional allowance in certain circumstances where a qualifying home is passed to direct descendants. Unused allowances may also be transferable between spouses or civil partners, subject to the relevant conditions. This can often mean that, for a couple, up to £1m can be passed to direct descendants free of IHT.

Whether Inheritance Tax is payable, and how much may be due, depends on the value and composition of the estate, the people who inherit and the allowances or reliefs available.

It is therefore important to understand your own circumstances rather than assume that a particular amount of tax will be payable.





Why are the rules changing?

Inheritance Tax rules can change over time, which may affect how wealth is passed on.

For example:

- Pensions: From 6 April 2027, most unused pension funds and pension death benefits are due to be included within the value of a person's estate for Inheritance Tax purposes. Certain exceptions apply.
- Business and agricultural assets: From 6 April 2026, changes to Agricultural Relief and Business Relief introduced a £2.5 million allowance for qualifying property eligible for 100% relief, subject to the applicable rules. Qualifying property above the allowance may receive relief at a different rate.

These changes mean that arrangements made in the past may need to be reconsidered in light of current rules. The effect will vary from person to person.

What are the main areas to consider?

Estate planning involves several different areas.

Understanding how they work can help you decide which matters are relevant to your circumstances.

Wills and your wishes

A Will sets out how you would like your estate to be distributed after your death, subject to the relevant legal rules.

It can identify your intended beneficiaries, appoint executors to administer your estate and, where appropriate, make provision for children who are under 18.

Without a valid Will, your estate will generally be distributed according to the rules of intestacy in England and Wales. These rules may not reflect your personal wishes. You can see how these rules would apply in your circumstances without a valid will [here](#).

A Will can also be reviewed when circumstances change, such as following a marriage (when a Will would normally be revoked automatically), divorce, the birth of a child or a significant change in your finances.

What are the main areas to consider?

Gifts during your lifetime

Some people choose to give money or assets to family members or others during their lifetime. This can allow recipients to benefit from the gift earlier, whether to help with a home purchase, education or other life events.

Certain gifts may also reduce the value of an estate for Inheritance Tax purposes. The tax treatment depends on the type of gift, the amount, the circumstances and, in some cases, how long the person making the gift survives afterwards.

There are specific exemptions for certain gifts, including some smaller gifts and qualifying gifts made on occasions such as marriage or civil partnership.

However, giving away assets can reduce your own financial resources. Once a gift has been made, you may not be able to recover it, and retaining the benefit of an asset you have given away can affect its tax treatment.

The implications of gifting should therefore be considered alongside your own future living costs, care needs and financial security.

What are the main areas to consider?

Pensions and benefits after death

Pensions can play an important role in your retirement income and may also provide benefits for others after your death.

From 6 April 2027, most unused pension funds and pension death benefits are due to be brought within the scope of Inheritance Tax. However, there are important exceptions.

These include:

- Dependants' scheme pensions: qualifying regular pension payments made to a dependant following the member's death.
- Certain joint-life annuities: qualifying dependants' or nominees' annuities purchased alongside the member's own lifetime annuity.
- Death in service benefits: qualifying benefits payable through a registered pension scheme when someone dies while in the relevant employment.
- Benefits passing to a spouse or civil partner: pension death benefits that qualify for the spouse or civil partner exemption.
- Benefits passing to charity: qualifying benefits that meet the relevant charitable exemption.

The precise treatment depends on the type of pension benefit, the scheme arrangements and the applicable rules. Not every annuity or pension payment made to a dependant will necessarily be excluded.

Pension nomination or expression-of-wish forms may also record who you would like to receive relevant death benefits, although the effect of a nomination depends on the scheme's rules.

Understanding how your pension arrangements fit into your wider estate can help you understand the potential implications for your retirement and the people you wish to benefit.

Trusts and how assets are managed

A trust is a legal arrangement under which assets are held by trustees for the benefit of other people, known as beneficiaries, or for specified purposes.

Trusts can be used in different circumstances. For example, they may provide a way to manage assets for children or to set out conditions governing when and how beneficiaries receive them.

Depending on the arrangement, a trust may offer greater control over the management and distribution of assets, and protection for the beneficiaries, as well as tax planning opportunities for inter-generational wealth transfer.

However, trusts can be complex. Their tax treatment depends on the type of trust, the assets involved and how the arrangement operates. They may also involve legal costs, administration and ongoing responsibilities for trustees. Putting assets into a trust does not automatically remove them from the estate for Inheritance Tax purposes.



What are the main areas to consider?

Life insurance and providing for future costs

A potential Inheritance Tax liability can raise questions about how the tax would be paid and whether assets might need to be sold to meet the bill.

Life insurance is one of the arrangements that may be considered in this context. Depending on the policy and how it is structured, a payout could provide funds to help meet certain costs following a death.

The cost and availability of cover depend on individual circumstances, and the tax treatment of any payout depends on the relevant arrangements.

Insurance is only one possible consideration, and it is important to distinguish between providing funds to meet a future liability and reducing the liability itself.

What are the main areas to consider?

Business and investment assets

Some business interests, agricultural property and certain investments may qualify for Inheritance Tax relief, subject to specific eligibility criteria and limits.

Certain investments that may qualify for relief, such as shares in unlisted businesses, can carry significantly higher risks than more diversified or readily accessible investments. They may be difficult to sell, their value can fall substantially, and investors could lose some or all of their money. They may also tie up money for an extended period.

These investments are not suitable for everyone, and the potential tax benefits should not be considered in isolation from the underlying investment risks, costs, liquidity and the possibility of losing capital.

The conditions for Inheritance Tax relief can be complex, and eligibility depends on factors including the type of asset, how it is owned and how long it has been held. Relief is not guaranteed and tax rules may change.

Any consideration of these assets should take account of an individual's wider financial circumstances, investment objectives, attitude to risk and need to access their money.



Planning for your family while protecting your own future

One of the most important considerations in estate planning is finding a balance between the wealth you would like to pass on and the resources you need during your own lifetime.

You may want to help children or grandchildren financially, support a partner or leave a gift to a charity that matters to you. At the same time, you may need to allow for retirement spending, unexpected expenses, future care costs and changes in your circumstances.

Giving away assets or changing how they are held can have consequences beyond Inheritance Tax. These may include the loss of access to money, changes in control over assets or other tax implications.

Considering these factors together helps put estate planning into a broader context: providing for the people and causes that matter to you while maintaining your own financial security. Thankfully, there are a number of possibilities that could allow you to retain access to financial resources whilst improving IHT efficiency.



When might your arrangements need reviewing?

Estate planning is not a one-off exercise. Your circumstances and the rules affecting your estate may change over time.

Situations that may prompt a review include:

- Retirement or a change in income.
- Buying or selling a property.
- Receiving an inheritance.
- Starting, selling or transferring a business.
- Marriage, divorce or entering a civil partnership.
- The birth of children or grandchildren.
- Changes to your wishes about who should inherit your assets.
- Changes to tax rules that may affect your estate.

Reviewing your arrangements periodically can help you understand whether they continue to reflect your wishes and circumstances.

Bringing the different elements together

Estate planning brings together a number of considerations: who you would like to benefit from your wealth, how your assets are held, what you may need in the future and how tax rules could affect the outcome.

There is no universal solution, and an arrangement that is appropriate for one family may not be suitable for another. Understanding the available options, their potential benefits and their limitations can provide a clearer picture of the decisions involved.

Above all, estate planning involves making considered decisions that reflect your own priorities and the future you want for the people who matter to you.





Summary

From 6 April 2027, most unused pension funds and pension death benefits are due to fall within the scope of Inheritance Tax. However, not all benefits will be affected such as:

- Qualifying dependants' scheme pensions.
- Certain dependants' or nominees' annuities purchased alongside a member's lifetime annuity.
- Qualifying death in service benefits payable through registered pension schemes.
- Pension death benefits that qualify for the spouse or civil partner exemption, or the charitable exemption.

The rules depend on the type of benefit and the circumstances. These changes do not mean that every pension or death benefit will be subject to Inheritance Tax.

The key point: understanding the type of pension benefit involved is important when considering how the April 2027 changes may affect an estate.



We're Here to Help

When it comes to estate planning, there are many tools and strategies at our disposal. Often, the best solution will involve blending a number of these together to meet your objectives.

We'd be glad to talk through the possibilities with you, help you understand the pros and cons of the options available and develop an estate plan that works for you.



hello@spendtime.co.uk



spendtime.co.uk



0118 2142140

Disclaimer

Please note: Nothing in this guide should be taken as advice. If you'd like to discuss your own circumstances, please get in touch.

Let us know if you'd like to talk anything through.