

Passing your estate on to the next generation



Clients are often interested in passing wealth to future generations in a tax efficient manner. Determining the best method requires a consideration of the costs, tax consequences and control required.

Most importantly, you should ensure that any gift does not jeopardise your own finances, as you may be unable to rescind it later.

For smaller gifts there are tax efficient allowances available, including:

- Unlimited gifts of £250 per person;
- Annual gifting allowance of up to £3,000 each tax year;
- Wedding gifts of £1,000 per person, £2,500 for grandchildren, and £5,000 for children;
- Payments from income which do not impact your living standards.

You can make larger gifts of any amount, however if upon death the total of these gifts over the previous seven years exceeds £325,000, Inheritance Tax may apply.

If you are concerned about how money would be spent, you could utilise a Trust. This allows you to dictate how and to whom funds are paid, but carries costs, including professional fees and tax assessments.

Bare Trusts can ensure assets are received subject to particular conditions, like attaining a particular age. These follow the same Inheritance Tax rules as larger gifts. Once entitled, however, beneficiaries may spend the holdings however they like.

Discretionary Trusts grant the Trustees discretion over to whom, and to what extent, the beneficiaries receive assets. Unfortunately, this greater control is offset by more restrictive tax treatment, with reduced tax allowances and greater income and capital gains tax compared to holding the assets personally. If over £325,000 is gifted within seven years, Inheritance Tax of 20% is immediately charged on the excess, with further tax if you die within seven years.

Planning is essential. By developing a full picture of your situation, identifying your objectives and concerns, we can determine the method most suitable for you.

For more information please contact your wealth manager, or alternatively call us on 01223 720 208.