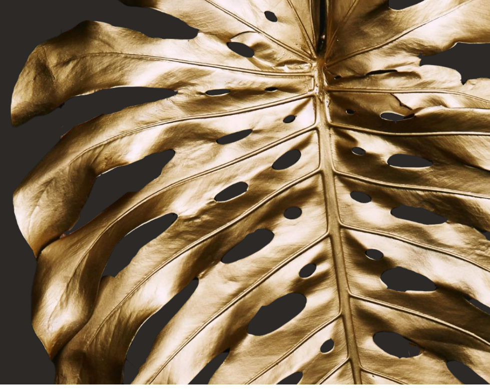

IQ
INVESTMENT QUORUM
UNIQUE, BOUTIQUE WEALTH MANAGEMENT

Legacy Planning

Preserving your wealth for future generations

When someone dies, inheritance tax is charged on their estate above a certain value. A person's estate is basically everything they own, including their main property, any other properties, cars, boats, life assurance policies not written in an appropriate trust and other investments, as well as personal effects such as jewellery.

It is important to think not only about the potential impact of Inheritance Tax on your estate but also on how assets are to be passed, who they should be passed to and the timing of that. These are often the questions that are much harder to answer and require thoughtful planning.

MAKE A WILL

Dying intestate (without a will) means that you will not be able to make the most of the existing inheritance tax exemption options if you wish your estate to pass to your spouse or registered civil partner. For example, if you do not make a will, then relatives other than your spouse or registered civil partner may be entitled to a share of your estate, and this might trigger an inheritance tax liability.

RESIDENCE NIL-RATE BAND ALLOWANCE

Inheritance tax is levied at a fixed rate of 40% on all assets worth more than £325.000 per person (0% under this amount) - or £650,000 per married couple if other exemptions cannot be applied. The Residence Nil-Rate Band allowance is currently £175.000 and can be added to the basic tax-free £325.000 to allow people to leave property to direct descendants such as children and grandchildren - the allowance will be reduced by €1 for every £2 that the value of the estate exceeds £2 million.

MAKE LIFETIME GIFTS

Gifts made more than seven years before the donor dies, to an individual or to a bare trust, are free of inheritance tax. So, if appropriate, you could pass on some of your wealth while you are still alive. This will reduce the value of your estate when it is assessed for inheritance tax purposes, and there is no limit on the sums you can pass on.

POTENTIALLY EXEMPT TRANSFERS

You can also gift as much as you wish, and this is known as a "Potentially Exempt Transfer' (PET). However, you will need to live for seven years after making such a gift for it to be exempt from inheritance tax. Should you be unfortunate enough to die within seven years, then it will still be counted as part of your estate if it is above the annual gift allowance. You need to be particularly careful if you are giving away your home to your children with conditions attached to it, or if you give it away but continue to benefit from it. This is known as a 'Gift with Reservation of Benefit.

LEAVE A PROPORTION TO CHARITY

You can also gift as much as you wish, and this is known as a "Potentially Exempt Transfer' (PET). However, you will need to live for seven years after making such a gift for it to be exempt from inheritance tax.

Should you be unfortunate enough to die within seven years, then it will still be counted as part of your estate if it is above the annual gift allowance. You need to be particularly careful if you are giving away your home to your children with conditions attached to it, or if you give it away but continue to benefit from it. This is known as a 'Gift with Reservation of Benefit.

Being generous to your favourite charity can reduce your inheritance tax bill. If you leave at least 10% of your estate to a charity or to a number of charities, then your inheritance tax liability on the taxable portion of the estate is reduced from 40% to 36%.

SET UP A TRUST

Family Trusts can be useful as a way of reducing inheritance tax, making provision for your children and spouse, and potentially protecting family businesses. Trusts enable the donor to control who benefits (the beneficiaries) and under what circumstances, sometimes long after the donor's death.

Compare this with making a direct gift (for example, to a child), which offers no control to the donor once given. When you set up a trust, it is a legal arrangement, and you will need to appoint 'trustees' who are responsible for holding and managing the assets. Trustees have a responsibility to manage the trust on behalf of and in the best interests of the beneficiaries, in accordance with the trust terms. The terms will be set out in a legal document called the Trust Deed!

WILL YOUR LOVED ONES BE FACED WITH A LARGE TAX BILL?

Without making provision for inheritance tax, your loved ones could be faced with an inheritance tax bill when you die. They may even have to sell assets, such as the family home, in order to pay the bill. With some forward planning, Investment Quorum can help ensure that the people you want to benefit from your estate actually do. To assess whether you need to consider making plans to mitigate a possible inheritance tax liability, please contact us.

Investment Quorum

Guildhall House, 85 Gresham Street,
London EC2V 7NQ

Tel: +44 207 337 1390
Fax: +44 207 337 1399
Email: info@investmentquorum.com
Twitter: @IQWealth
www.investmentquorum.com