

Your Guide to Inheritance Tax Planning

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 £300,000 (2007/2008). This allowance 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

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 76% of the UK population **do not** have an up to date 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.

We can recommend the services of a local solicitor to help you with your will. A will could save your family many pounds – and much worry.

Inheritance Tax Planning

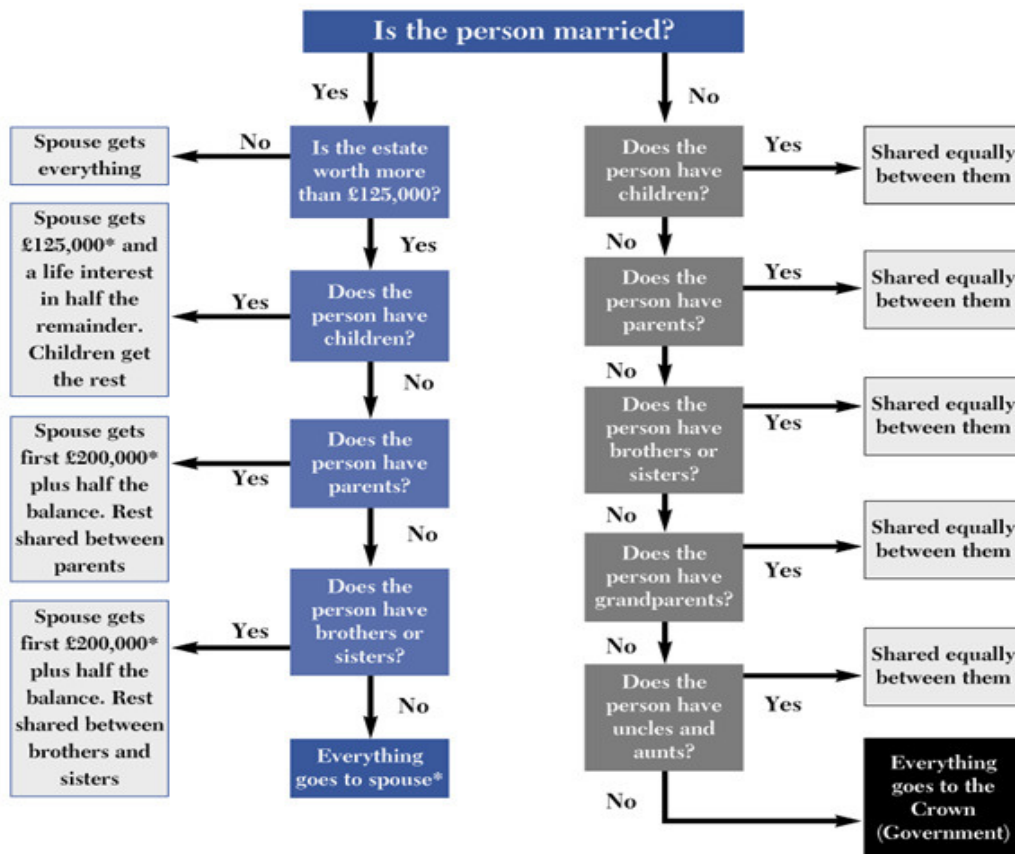
There are a number of ways you may be able to reduce any possible Inheritance Tax.

You might for example consider making 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 £300,000 (2007/8) 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. Trusts are complicated. Daly Harvey Morfitt have staff with specialist qualifications to advise in this area. We also work in conjunction with preferred solicitors where appropriate.

Another option you might like to consider is an insurance policy to pay the tax bill after you die. We 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 a spouse or civil partner does not survive, the intestate estate will be dealt with as if there had been no spouse. This summary represents our understanding of the law in England and Wales in May 2007. It does not constitute legal advice and Daly Harvey Morfitt cannot accept any legal responsibility for it. In Scotland the law is different.

Questions to Ask About Inheritance Tax 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 partner?
- 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?

For further information or detailed advice on your own inheritance tax planning concerns contact your Daly Harvey Morfitt adviser.

Tel: 01789 299655

Fax: 01789 264685

www.dalyharveymorfitt.co.uk

This guide was issued by Daly Harvey Morfitt May 2007

Daly Harvey Morfitt is a trading named of DHM Financial Services Ltd. Authorised and Regulated by the Financial Services Authority. Registered in England No. 3384021.