

## Planning ahead to safeguard more of your wealth

Secure your wealth for retirement and future generations

If you have accumulated wealth throughout your life, it is never too early to begin planning for the funds you need now and in the future, while also ensuring that any remaining wealth is distributed to your chosen beneficiaries as tax-efficiently as possible.

Before considering transferring wealth to others, it's crucial to ensure you (and your spouse or partner) have sufficient income for your retirement years. Begin by assessing your spending needs during retirement. This encompasses essential day-to-day living costs, 'nice-to-haves' such as holidays or hobbies, and any one-off expenses that may arise.

### CONSIDER THE EXPENSES OF LONG-TERM CARE

Your health needs may change as you age, and it is essential to consider the possibility of requiring long-term care. Care costs can significantly reduce your wealth, but there are strategies available to help protect it.

Once your retirement needs are secured, you can start contemplating what you wish to pass on to your loved ones, when to do so and how to do it efficiently.

### UNDERSTANDING THE EFFECTS OF INHERITANCE TAX

Inheritance Tax (IHT) can significantly diminish the wealth inherited by your beneficiaries. To manage this, it is essential to grasp how IHT operates. No IHT is owed if the value of your estate is below £325,000 (the nil rate band). However, amounts exceeding this threshold are taxed at 40%.

For married couples or registered civil partners, there is usually no IHT on assets transferred between them. Moreover, unused allowances can be passed to the surviving partner, potentially increasing the threshold to £650,000.

Leaving your family home to direct descendants can provide an additional residence nil rate band (RNRB) of £175,000, raising the total allowance to

£1 million for couples. Estates exceeding £2 million may face a reduction in this allowance, so advance planning is crucial to maximise these benefits. The government has confirmed that the nil rate band and residence nil rate band will remain frozen until at least 2030.

### MAXIMISE WEALTH TRANSFERS THROUGH GIFTING

Gifting is a way to pass on wealth during your lifetime. For instance, you can gift up to £3,000 each tax year, exempt from IHT. Additionally, smaller gifts of up to £250 per recipient are also exempt. If you give more than £250 to one person in a tax year, none of that gift qualifies for the exemption.

Larger 'lifetime' gifts may also be exempt from IHT, provided you survive at least seven years after making them. These are known as PETs (Potentially Exempt Transfers).

### ARE TRUSTS A SUITABLE ALTERNATIVE FOR YOU?

Placing assets in a trust can be an effective solution for larger estates or more intricate family dynamics. Trusts not only protect assets from IHT after seven years but also provide control over how and when beneficiaries access the funds. This can be particularly beneficial to support children or grandchildren over time.

### SAFEGUARD YOUR ESTATE WITH APPROPRIATE LEGAL DOCUMENTATION

Having the appropriate legal documentation is essential for safeguarding your estate and ensuring that your wishes are fulfilled. Keep your Will

current, particularly after significant life events such as marriage, the birth of a child or divorce.

Additionally, establishing a Lasting Power of Attorney (in England and Wales) or a Continuing Power of Attorney (in Scotland) is essential. This legal document appoints someone you trust to make decisions on your behalf if you become unable to do so. Proper record-keeping is also crucial. ■

### ARE YOU READY TO TAKE ACTION TODAY?

Planning ahead ensures that a greater portion of your wealth ends up in the hands of the people and causes you care about most. Contact us today to discuss your requirements.

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