



Ideas to reduce UK Inheritance Tax

Your essential guide to ensuring you leave as much as possible to your loved ones while living outside of the UK.

Reassurance for you and your family

UK Inheritance Tax (IHT) can be tricky to understand, but its impact can mean a reduction in the amount of money that ends up in the pockets of your loved ones.

Ultimately, none of us know exactly how our lives will pan out or how much wealth we need to ensure those we cherish most are protected when we're gone. Yet while it can be uncomfortable discussing death or money, facing up to these conversations can help secure your family's financial future and provide you with reassurance.

One thing is for sure. Nobody wants to pay more tax than necessary. In 2022/23, a record total of £7.1bn was paid to HMRC, breaking the previous record of £6.05bn paid last year.

The average amount of IHT bill per person is £213,000¹.

Managing your assets while living overseas can be hard. We can help you find the best ways to manage your IHT liabilities when it comes to your estate in the UK. Giving you peace of mind that those you love most can have access to everything you want for them when that time comes.

¹ HMRC, 2022



Simplifying a daunting process

Do you know which parts of your wealth might be subject to IHT when you pass away? It can be complicated, and a lot of your assets can be affected. These can include your family home, any investments you have, life assurance plans not in Trust, and even family heirlooms.

If you choose to plan ahead with us, we can help you organise your wealth now to maximise its effectiveness and to safeguard your loved ones by reducing the amount of money they'll have to pay HMRC when you die.

What is Inheritance Tax?

Inheritance Tax is a tax on your estate, including your property, money and possessions.

The current standard rate of IHT is 40%, and it's charged on the part of your estate above the current threshold – otherwise known as the 'individual nil-rate band' – of £325,000.

There are extra allowances you can claim. For example, if you're passing on property to your immediate family, your executors can claim a further £175,000 (as long as your total estate is worth less than £2 million). Calculating how much your family will have to pay isn't always easy. You can take the first step by trying our [UK IHT calculator](#), which provides a simple calculation to find out what your IHT liability could potentially be.

With careful planning, we can help you take control of your arrangements so that you can pass on as much of your estate as possible to who you want to receive it. By doing so, we can minimise the amount your loved ones will have to pay.

Four top tips for reducing the impact of IHT

Everyone's circumstances are different. Below, we've listed four ways to cut your potential IHT bill. We will help identify those most relevant to your estate and implement the best actions based on your wishes.

Review or write your Will*

Drawing up a will, or reviewing your existing will, is the easiest and most effective way to express the way you would like your wealth distributed when you die.

Without a will, your assets will be distributed on your behalf and may be liable to IHT that might otherwise be avoided.

A will is therefore an extremely effective tool to help you save the maximum amount of tax.

*Will writing involves the referral to a service that is separate and distinct to those offered by St. James's Place.



Consider giving family gifts now

Gifting is an extremely rewarding way to mitigate an IHT bill. It could be to help your grandchild buy a first car or put down a deposit on a new home. Or you might want to provide more regular payments to support a loved one, perhaps to help them through university.

Whatever you decide, gifting provides you with an opportunity to see those close to you enjoy your wealth while you're still here. In doing so, you can also reduce the amount of inheritance tax they will have to pay when you pass away.

Similarly, a Gift Plan, in which we help you create an investment fund for your beneficiaries, can also help your wealth end up where you want it to be.



Did you know?

- ◆ If you give some of your assets away and then live for a further 7 years, then your gifts may be free of and not liable for IHT.
- ◆ You can make gifts totalling £3,000 a year completely free of IHT.
- ◆ You can also gift £5,000, free of IHT, on the occasion of a child's wedding.



Buy life assurance and write it in trust

One option to help you mitigate a future IHT bill, and reduce the stress on your family, is to take out a life assurance policy where the sum assured covers any predicted tax bill.

It's essential to write this policy into trust to ensure that the pay-out falls outside of your estate.

Put assets into a trust

A trust can provide more flexibility, creativity and control than a will on its own because it places the right money, in the right hands, at the right time. If you place your assets into a trust, they will not form part of your estate, and so will be exempt from IHT after 7 years.

As an example, you could place your assets into a trust for the benefit of your children when they reach the age of 18.

Here are 4 reasons to use a trust

- ◆ Futureproof your wealth and earmark funds for specific family members.
- ◆ Protect your wealth.
- ◆ Mitigate against IHT, and potentially Income Tax and Capital Gains Tax too.
- ◆ Avoid delays in obtaining a Grant of Probate.

Important notice

The value of an investment with St. James's Place will be linked directly to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

The levels and bases of taxation and reliefs from taxation can change at any time. The value of any tax relief depends on individual circumstances. You are advised to seek independent tax advice from suitably qualified professionals before making any decision as to the tax implications of any investment.

Trusts are not regulated by the Financial Conduct Authority.

What next?

If you would like to discuss how we can help you take control of your assets and take your next steps, [click here](#) and get in touch today.

Together, we can ensure as much of your estate reaches those who you want to receive it.



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