

6 Steps to Reduce Inheritance Tax

This week it was revealed that during the year to February, George and his friends at the Treasury collected **£4.6 billion in mostly avoidable inheritance tax (IHT)**!

Worse still, according to the Office for Budget Responsibility (OBR), this year some 40,000 families will be hit by this 'middle-class property owning tax'.

Overall, that means there's been a **fourfold increase in the both the numbers paying IHT and the tax collected since 2010**; and that horrible number will only rise regardless of what colour tie the Chancellor of the day is wearing.

Meanwhile, it's not all doom and gloom, in that IHT is largely a voluntary tax, and there are **six easy steps you can take to seriously reduce IHT** or even get rid of it all together.

Here's how: -

1. Arrange your Wills to best effect

Include a direction to a stand-alone Discretionary Pilot Trust to lock in the mechanism whereby you can double the IHT free amount you can give away on death.

BTW, if you also want to get up to an additional £350,000 IHT free from your home, you'll mostly likely need to change the way you own it to tenants in common and update your Wills to make it work. That said, check around as not every Will writer or solicitor knows how, and it's not something to be done online either.

2. Make Regular Gifts

Make regular gifts out of income and record on them using IHT403; and as long as you do it on a regular basis, you can give away as much surplus income as you like.

3. Make use of Exemptions

Use the annual £3,000 and other exemptions.

4. Place Life Policies and Pension benefits into Trust

When done properly the proceeds will pay out IHT free. Either speak with your financial adviser or contact us.

5. Select Tax Efficient Investments

Use tax efficient investments that benefit from favourable tax treatment, of which some become IHT free after only two years, and can also be income producing.

6. Pay up in Advance! Pay the IHT in advance via joint-life second death Whole of Life assurance in trust. Not only are the premiums themselves deductible for IHT purposes, but in almost every case you or your children – in reality IHT is their problem not yours - will probably end up paying the IHT at anywhere between a 30% to 75% discount.

As you can see, IHT mitigation doesn't have to be a big issue, and spending some money now to get it sorted will pay handsome dividends in the long-run. And, as an added bonus, your children will have yet another reason to say I love you and look after you when you get old!

If any of these situations apply to you or you would like more information, then please get in touch.

This fact sheet is based on our understanding of current taxation, legislation and HM Revenue & Customs practice as at April 2016, all of which are liable to change without notice. The impact of taxation (and any tax reliefs) will depend upon your individual circumstances and you should not take action without first taking professional advice.

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