

Inheritance Tax Guide

This guide will help you to:

- Better understand how IHT works
- Appreciate the areas your financial adviser, might discuss
- Plan, with your financial adviser how to mitigate an IHT liability



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Introduction

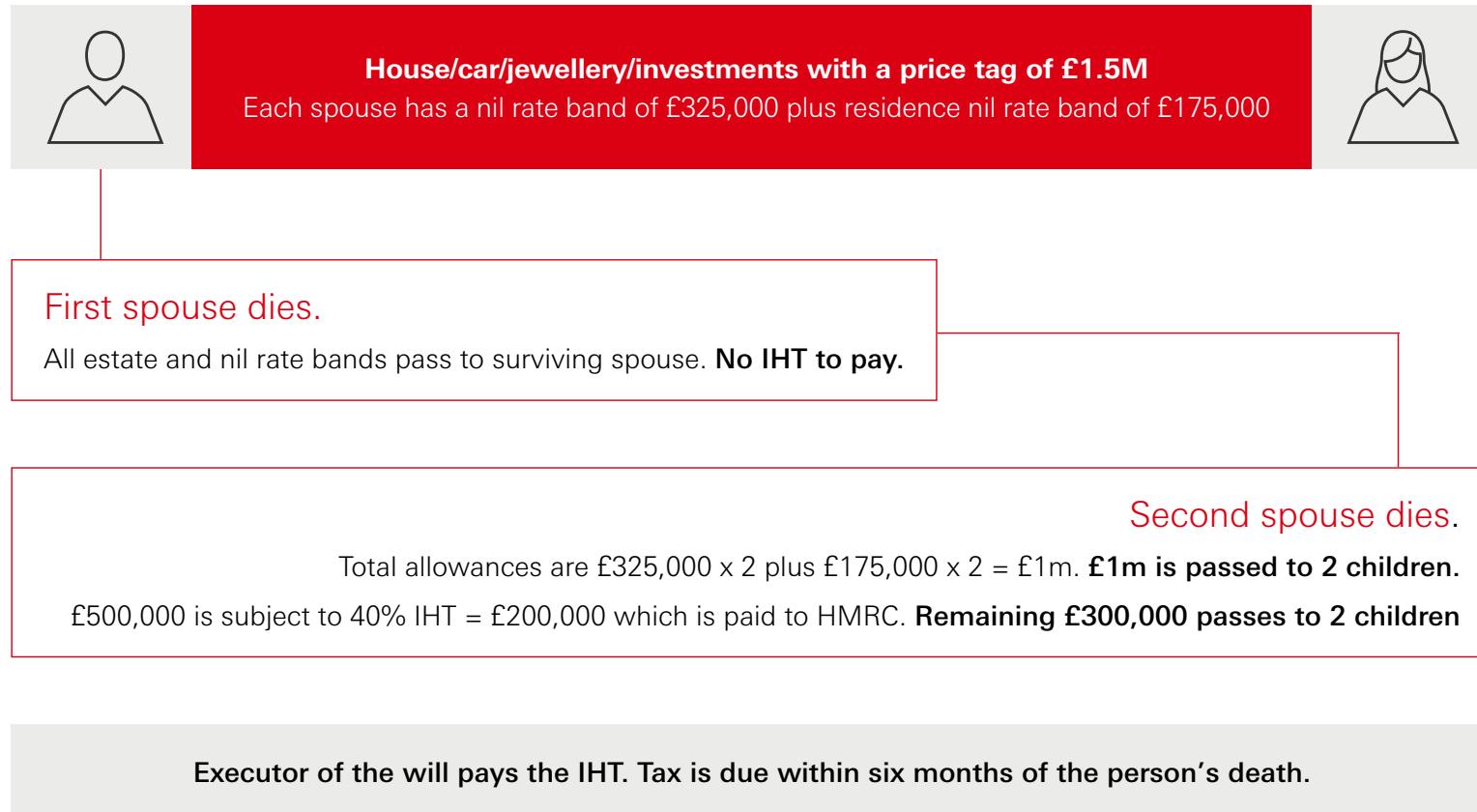
Without careful planning, much of your wealth could end up being lost in Inheritance Tax (IHT), rather than benefiting the people you care about most. Taking steps now can help make sure your legacy goes where you intend it to.

What is Inheritance Tax?

- **Definition:** IHT is a tax on the estate (property, money, and possessions) of someone who has died
- **Threshold:** IHT only applies if the estate exceeds a certain value, known as the nil rate band (NRB)
- **Tax Rate:** Standard IHT is 40% of the portion of the estate above the threshold
- **Exemptions and Reliefs:** Certain assets, such as those left to a husband, wife, civil partner or charity, are usually exempt from IHT
- **Nil Rate Band [NRB]:** Value of assets not chargeable currently £325,000
- **Transfer of NRB:** Unused NRB can pass to a spouse/civil partner on death, taking the total potential NRB on death of the survivor to £650,000
- **Residential Nil Rate Band (RNRB):** If the couple owns a residential property, this has an exemption of a further £175,000 per owner when passed to a direct beneficiary
- **Unused RNRB can also transfer to the surviving spouse on death**
 - For estates under £2m - couples could pass on up to £1m in assets to their beneficiaries without IHT
 - For net estate values over £2m – the RNRB will be tapered, at a withdrawal rate of £1 for every £2 over this threshold
- **Planning Opportunities:** Effective planning can help reduce or even eliminate IHT liability, ensuring more of your wealth is passed on to loved ones

An example of how Inheritance Tax works

How an estate worth £1.5m would be distributed for a married couple with 2 children.



What your adviser might discuss

There are lots of things to consider with regards to Inheritance Tax, which your adviser may discuss with you.

Frequently Asked Questions

IMPORTANT INFORMATION

There are many things to consider when planning how best to leave a legacy to those who you would like to benefit.

It is important to consider what is the right course of action for you, based on your circumstances.

The impact of taxation (and any tax reliefs) depends on your individual circumstances.

The information contained in this Guide is based on our understanding and interpretation of current UK tax law and HM Revenue & Customs practice as at April 2025. Tax law and practice may change in the future.

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For professional advisers for use with clients.

The value of investments can go down as well as up, meaning investors may not get back the amount of their original investment.

Most investments should be viewed as a medium to long term commitment.

All projection figures shown in this presentation are examples only and are not guaranteed. They are not minimum or maximum amounts.

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