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Passing on wealth to the next generation

30 million parents want to leave wealth in their Will

Millions of Britons say they want to plan to pass on wealth to their children and grandchildren in a Will – but fewer than half have written one, according to new research^[1].

Failing to plan could potentially lead to a significant Inheritance Tax (commonly called IHT for short) bill being levied on a person's estate when they die. Anything that isn't exempt will be taxed

IHT is a tax that may be paid on your estate (your money, possessions and your share of any property) when you die, reducing how much value will ultimately pass to your beneficiaries. The starting point for IHT in the current 2022/23 tax year is £325,000. When the value of an estate exceeds this amount, anything that isn't exempt will be taxed at 40%.

The tax year runs from 6 April to the following 5 April. So, the tax year 2022/23 started on 6 April 2022 and finishes on 5 April 2023.

RISING NUMBER OF PEOPLE COULD UNEXPECTEDLY FACE IHT BILLS

Recent rises in house prices mean the estates of a rising number of people could unexpectedly face IHT bills. The research found that 30 million (88%) people with children say they plan to leave money to their children and/or grandchildren in their Will but only 41% have written one. Twenty million (59%) parents do not currently have a Will.

Although over half (57%) of people with children are considering seeking professional financial advice

about the best way to pass on wealth, only 13% have done so. More than half (56%) of people with children say they are considering writing wealth into trust but only 12% have actually done so.

HOW PARENTS PLAN TO PASS ON WEALTH

- Leaving it in a Will 88%
- Bank transfer/cash 67%
- Consulting financial adviser 57%
- Writing wealth into trust 56%
- Putting money into investment 53%
- Putting money into a pension for their children 43%

MINIMISING THE AMOUNT OF IHT YOU COULD BE LIABLE FOR

The research identified that mass affluent consumers – those with assets of between £100,000 and £500,000 excluding property – are more likely to have their affairs in place to pass on an inheritance. More than half (51%) of mass affluent parents have a Will in place. 20% of mass affluent parents have put money into an investment for their children or grandchildren (compared to 12% of all parents).

17% of mass affluent parents have obtained professional financial advice to discuss the best way

to pass on wealth. And 13% of mass affluent parents have written wealth into trust for their children. The average amount written into a trust was £184,000 while more than one in five (21%) wrote more than £250,000 into a trust. ■

HOW WILL I PASS ON MY ESTATE EFFICIENTLY?

Tax rules depend on individual circumstances and may change. You should always obtain professional financial advice for more information on tax. We provide all the elements you need to protect, grow and pass on your wealth. To discuss your plans or for further information, please contact us.

TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN FUTURE.

Source data:

[1] LV= surveyed 4,000 nationally representative UK adults (of which at least 500 were mass affluent) via an online omnibus conducted by Opinium in December 2021.

