

# ESTATE PLANNING THE BASICS



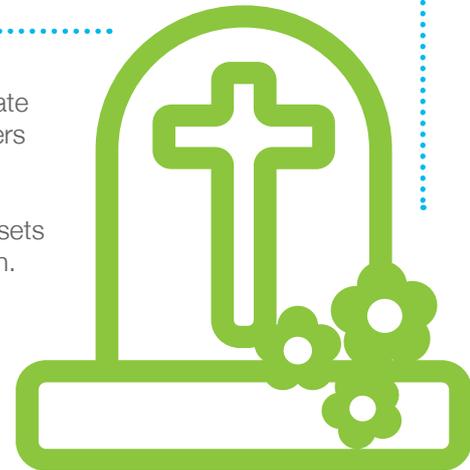
Estate planning is all about ensuring that the right people get the right assets and/or financial assistance at the right time. Losing family wealth to inheritance tax or other hostile creditors can have a very significant negative impact on achieving your wider wealth planning objectives.

The first estate planning step is the drafting and implementing of a will that meets your objectives for your estate. We always suggest that legal advice is obtained and that the wills are drafted in line with your financial plan and wider objectives and that they are reviewed regularly to ensure that they remain current.

It is common for married couples and civil partners to avoid carrying out substantial estate planning until the death of the first partner. However, the issue here is that it simply defers the problem to a time when making important financial decisions may be more difficult.

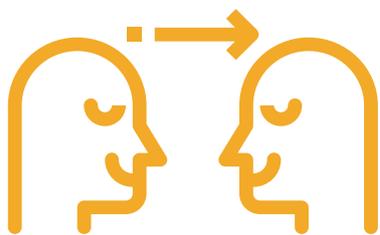
Following the death of a UK domiciled individual, inheritance tax applies to all eligible assets at a rate of 40% above a nil rate band threshold, which is currently £325 000 per person.

In April 2017, an additional nil rate band for main residences was introduced, which is now £175,000. However, this only applies where the property is passed on to a direct descendant or their descendants. Estates over £2 million will have the additional relief tapered so that it will not apply at all for estates over £2.7 million. There are also provisions for a credit to be available where the main residence has been downsized.

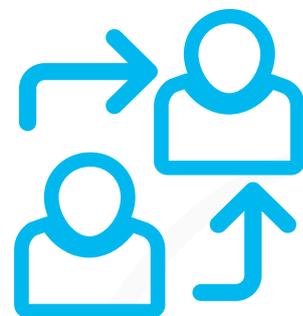


Certain exemptions exist that individuals can take advantage of to limit the tax bill their estate will incur.

## GENERAL IHT EXEMPTIONS



1. Transfers between UK domiciled spouses and civil partners, whether in lifetime or on death, are exempt from IHT.



2. Married couples and civil partners may carry forward their deceased spouse or civil partner's unused nil rate band, with the amount of the nil rate band determined by the exemption applicable at the time of the second death.



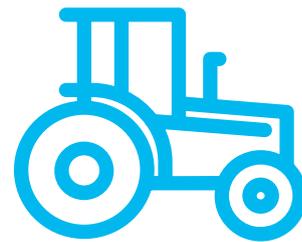
3. An annual gift of £3,000 is immediately exempt, plus £3,000 if not used from the previous tax year.



4. Regular gifts which meet the definition of being from 'surplus income' and which do not affect the donor's standard of living are immediately exempt; whether they are paid to a trust or an individual.



5. Gifts in consideration of marriage are immediately exempt: from parents £5,000, from grandparents £2,500 and from anyone else £1,000.



6. Qualifying business or agricultural assets benefit from business or agricultural property relief and are exempt at the rate of either 50% or 100%.



7. Gifts made to registered charities or qualifying political parties in lifetime or via a will are immediately exempt from IHT.



8. If at least 10% of an individual's taxable estate is left to a registered charity via their will then the residual IHT liability is reduced by 10%, i.e. from 40% to 36%.

It is not possible to cover each topic in detail in this infographic, for further information please download our Guide to Estate Planning at <http://www.bloomsburywealth.co.uk/guide-to-estate-planning/> Or get in touch <https://www.bloomsburywealth.co.uk/get-in-touch>

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