

FIRST FINANCIAL

Estate Planning

Creating Wealth

Protecting Assets ...



Estate planning involves tax, but it encompasses much more. As with most tax planning, the key is to know what you want to achieve – who should benefit after your death and what they should receive, but also who you might want to make gifts to now and in what form.

Inheritance tax is then likely to become the main issue, with a flat rate of 40% at death to the extent that an estate exceeds the nil rate band - currently at the relatively low level of £312,000. This is still the nil rate band. In the Pre-Budget Report, however, widows and widowers (and surviving civil partners) could inherit their late spouses unused nil rate bands. So, many people will find that this year their nil rate band is effectively £624,000 if they died this year. But you cannot afford to ignore the impact of other taxes such as capital gains tax, stamp duty and income tax in this context.

Most business assets escape the inheritance tax net under the current rules, but private homes, investment properties as well as stocks, shares and cash are generally taxable regardless of where they are situated. As your circumstances and the tax rules change, it is important to keep your estate planning under review. The earlier you start planning, the easier it may be to achieve your objectives.

Wills

A few people are said to delight in rewriting their wills with great frequency, but for most of us writing or revising a will is something that tends to go to the bottom of the to-do list. Yet, keeping your will up to date on a reasonably regular basis is important if you want to be fair to your family and dependants.

The aim of this briefing is to explain why you should make a will. You should bear in mind that tax rules can change.

Reasons to have a will.

There are many good reasons why you should have a will reflecting your current situation and wants:

- If you do not have a will, the state will direct who will inherit your estate. The result could be that your assets would be distributed among your family in ways that you would not want. Your spouse might end up with less than he or she needs and your children could receive more. Friends, charities and more distant relatives you would like to benefit would receive nothing.

- If you are not married to your partner or do not have a recognised civil partnership, the chances are that your partner would be left nothing unless you make a will.
- A will is essential if you have children or dependants who will need looking after. Unless you have a will appointing some kind of carer or guardian for them together with provision of enough funds to cover the costs, there could be a good deal of uncertainty and possibly conflict.
- You may have overseas aspects to your life. If you have property outside UK you may need to have a will for the country in which it is situated as well as a will for this country. If you are not a British citizen, it may be advisable to have a will for both here and your country of origin.
- Anyone who owns a business or a share in one should seek advice on how best to structure their will and their succession planning generally.
- A will can also help with tax planning, although the Chancellor's move to make the nil rate band effectively transferable between married couples and civil partners may have made this less urgent for many people.

Keep your will up to date.

Remember to keep your will up to date. It is not just tax rules that change. Your personal circumstances can make an old will invalid or simply no longer appropriate— marriage, separation, divorce, the birth of children.

Do not make a will without competent legal advice. A false economy now could lead to a mistake and difficulties for your family and friends after your death.

The FSA does not regulate taxation and trust advice. Tax rules are subject to change.

How we can help.

It is important that your will and any other estate planning reflect the realities of your tax and financial position.

- We can work with your legal advisers on the best way to structure your will.
- If you do not have trusted and expert legal advisers who are specialists in estate planning and will writing, we can introduce you to competent specialist advisers.
- We can construct an effective tax and investment planning strategy that will integrate with the overall financial planning for your family as well as your business and investment interests.

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