# WEALTH OF ADVICE

## LEAVING A LEGACY

# ESTATE PLANNING

A Wealth of Advice guide to getting your affairs in order, from setting up a Will to managing your Inheritance Tax liability.

*Ian & his family in Orlando, Florida*

# IMPORTANT INFORMATION

**We have written this guide to help you understand more about estate planning and it is not personal advice.**

The information in this guide is correct as of April 2026. UK tax rules can change at any time and its impact depends on your circumstances.

We are Wealth of Advice, authorised and regulated by the Financial Conduct Authority, reference number 563909.


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# DO YOU
# HAVE AN ESTATE?

**An 'estate' isn't just a huge house and a giant plot of land – it's all of your assets combined together.**

An estate is made up of everything you own, including property, investments, belongings, physical and intangible assets.

This can be difficult for your loved ones to sort out when you pass away. This is where estate planning comes in.

Inheritance tax may also impact your estate and this needs to be considered when planning your estate.

Properly planning your estate can be a great relief for your family and representatives. You can express your preferences whilst maximising the estate available.

*Graham & Janet, enjoying a family holiday in Australia.*

# WHAT ESTATE PLANNING DO YOU NEED?

## Power of Attorney

A power of attorney gives authority to someone of your choosing to make decisions for you if you become mentally incapacitated. This can be crucial if you want your attorney to have access to your finances in this scenario.


## Wills

A will is a legal document highlighting a person's intentions on how their assets should be distributed or disposed of at death. A properly drafted will provides clear instructions to personal representatives.


## Trusts

Transferring assets to trust during your lifetime or on death allows trustees to manage and distribute trust assets to your nominated beneficiaries.


## Life Insurance

Life insurance provides financial help on death and can be a lifeline to your loved ones.

# WHAT IS A POWER OF ATTORNEY?

**While a Power of Attorney is only in effect while you're still alive, having one can be vital in terms of planning your estate.**

If you're a forward thinker and eager planner, there's every chance you're reading this guide with death still many years away. If this is the case, then a Power of Attorney could be a great option for you to put in place now, while you're still able.

A Power of Attorney is a legal document that allows someone to make decisions for you, or act on your behalf, if you are no longer able to or if you no longer want to make your own decisions.

Many people assume that because they are married or have a civil partner, that their partner would be able to take care of their finances and care decisions should they become incapacitated – this is not the case!

A Power of Attorney for financial decisions can cover things such as buying and selling property, paying the mortgage, investing money, paying bills or arranging repairs to property. You can also restrict the types of decisions your attorney can make, or let them make all decisions on your behalf.

We have put together a fully comprehensive guide to having a Power of Attorney – if you would like to learn more, you can download this guide for free on our website.

**www.wealthofadvice.co.uk/financial-guides/power-of-attorney-guide**

*Graham & Janet, enjoying a family holiday in Australia.*

## WHAT ARE THE
# BENEFITS OF A WILL?

**If you own anything of value, such as property or savings, you should make a Will. Having one helps you decide who inherits what you own and details how you would like your assets to be distributed.**

If you have children under the age of 18, you can use your Will to name a legal guardian to look after them if something was to happen to you and make provisions for their care – just make sure you check with your preferred guardians beforehand.

A Will is usually accompanied by a letter of wishes, which can include things like the type of funeral service or memorial you'd like and advice for guardians on how you'd like your children to be raised.

A Will is the best way to divide assets among your loved ones and to make charitable donations. Once written, it is best kept in a safe and secure location and registered with the National Will Register. Using a lawyer or financial planner can minimise mistakes while aiming for the best tax position.

A Will makes your final wishes clear and aims to stop disputes over your estate. Passing away without a Will means you will die 'intestate', meaning law dictates how your estate is distributed, which may not be how you expected or intended.


*Penny enjoying a trip to Norway.*

# THE BENEFITS OF
# LIFE INSURANCE

**Before you start thinking about funeral plans and how to say goodbye, it's important to get the paperwork sorted.**

Life insurance is essential for anyone with a mortgage, kids, debts or the main earner with no substantial amount of savings. The payout from your life insurance could be a lifeline for your loved ones when you die.

With life insurance, you make a monthly payment to an insurer and in return they agree to pay out a set amount to your dependants in the event of your untimely death.

Life insurance can remove the worry for a surviving loved one to meet ongoing financial commitments, such as a mortgage, raising children and meeting ongoing bills. It can also provide a nest egg for your family to support their lifestyle or a means of meeting potential estate management and tax costs.

So how much cover will you actually need? Generally, the answer is as much as you need to fill any financial gap left by your death. It's important to make sure that your existing debts would be paid off, that your loved ones are financially provided for and your children are supported.

Speaking to a financial planner can be valuable. We can look at your personal situation and assess what kind of cover would suit your needs. What you pay depends on your age, lifestyle, health, policy length and the amount of money you want to cover.

# HOW CAN A TRUST HELP?

**Make sure the right people benefit from your estate with a Trust.**

Placing your assets intro Trust can help you make sure that the right people benefit from your estate at the right time.

A Trust allows you to indicate who you would like to see benefit from your estate – you choose specific people who will benefit, defining how and when they are able to receive payment from the Trust.

A Trust can also give you the flexibility to amend the people who will benefit, allowing the trust to adapt to changes.

A Trust may also reduce your Inheritance Tax liability. Once assets are placed in Trust during your lifetime, if you survive seven years the value of that asset and subsequent growth does not form part of your estate. Inheritance tax becomes payable on taxable assets over £325,000 (frozen until 2031).

The trustees will manage and distribute the assets in line with the trust deed and your expression of wishes. The Trust assets are distributed to your nominated beneficiaries.

If you would like to learn more about Trusts and setting up your own, please get in touch.

# EXPLAINING
# INHERITANCE TAX

**Inheritance Tax is a tax on the estate of someone who has died.**

It applies to everything you own – your net assets – which is payable when you pass away. While you may think this wouldn't apply to you, your assets could end up being more extensive than you think.

They could include the following:

- Your home or any other property you own
- Your investments
- Any insurance policies you have which are not written in trust
- Items such as your home contents, antiques and other collectables, cars, furniture and valuables like jewellery
- Gifts you've made during the last seven years
- Assets in trust from which you still benefit
- The value of your pension fund (from April 2027)

Inheritance tax is currently charged at 40% on your estate that is above the nil rate band (£325,000) and, if applicable, the residential nil rate band (£175,000).

The residential nil rate band will only be available if your property is left to direct descendants, such as children and/or grandchildren. It remains available even if you have downsized your property in later years. The residential nil rate band does reduce by £1 for every £2 your estate exceeds £2 million.

### Who pays Inheritance Tax charges and on what?

If you are UK domiciled your estate has to pay inheritance tax on your worldwide assets. If you're classified as non-UK domiciled, you will only be liable for inheritance tax on your assets in the UK.

# EXEMPTIONS & RELIEFS
# REDUCING YOUR TAX LIABILITY

**In certain cases, assets can be exempt from inheritance tax (IHT), or the liability may be reduced by reliefs.**

**The main exemptions are:**

- Spouse exemption, which is gifts made or assets left to a UK-domiciled spouse
- Gifts to charities or political parties
- Annual gift exemption of £3,000 per tax year to any individual
- Small gifts exemptions up to £250 per tax year to as many individuals, but not the individual benefiting from the annual gift exemption
- Regular gifts from income which does not impact your standard of living
- Gifts for marriage / civil partnership of £5,000 from each parent, of £2,500 from each grandparent, of £1,000 from any other person.

We appreciate inheritance tax can seem very long and confusing, but that's what we're here for!

If you need any help with planning your estate and making sure you get the most out of your assets, then we would highly recommend seeking professional financial advice.

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## AGRICULTURAL PROPERTY RELIEF

Since April 2026, the first £2.5 million of qualifying agricultural property is exempt from inheritance tax with the remainder benefiting from a reduced tax rate of 20%.

Married couples can transfer qualifying agricultural property on first death to the surviving spouse, increasing the allowance on second death to £5 million.

## PENSIONS

From April 2027, pension funds will be included in an individual's estate for Inheritance Tax (IHT) purposes.

Benefits being passed to a spouse or civil partner will qualify for spousal exemption.

Death-in-service benefits, dependants' scheme pensions, survivors' pensions under joint life annuities and death benefits to qualifying charities will not be included.

## BUSINESS RELIEF

This applies to a person's ownership of an unlisted business and its assets which must have been held for two years or more. Since April 2026, the first £2.5 million of qualifying investments are exempt from inheritance tax with the remainder benefiting from a reduced tax rate of 20%.

Married couples can transfer qualifying business assets on first death to the surviving spouse, increasing the allowance on second death to £5 million.

**AIM Shares**

Since April 2026 business relief on AIM shares has been reduced from 100% to 50% - an effective 20% inheritance tax. AIM Shares do not benefit from the £2.5million allowance.

# OPTIONS TO MITIGATE YOUR
# INHERITANCE TAX LIABILITY

## WHOLE OF LIFE INSURANCE

Life insurance can be a useful way to pay any IHT liability as premiums are exempt, and the insurance will pay out a lump sum whenever death occurs to pay the tax bill.

### Advantages

- Insurance payouts are not subject to Inheritance Tax
- Plan provides beneficiaries with funds to pay your IHT liability without having to use their inheritance
- Cover is provided until death with a guaranteed premium

### Disadvantages

- Failure to pay premiums will end your cover
- If you are in poor health, premiums may be more expensive
- This is a long-term commitment, and you must be able to afford the premiums for the rest of your life


*Gordon & Gillian at our Annual Client Conference*

## TRUST PLANNING

There is an array of different trust options available for you to help reduce your IHT liability. Put simply, you are able to gift up to £325,000 into a trust which will fall out of your estate after 7 years with no liability to IHT.

### Advantages

- The investment into a trust will fall outside of your estate after 7 years
- There is no immediate IHT liability if the gift doesn't exceed £325,000
- You will retain control over the trusts in your lifetime and can decide how the funds are distributed

### Disadvantages

- There are limits of how much you can invest into a trust without immediate IHT liability
- Once you have gifted funds into the trust, you are unable to access the funds in your lifetime or they could become subject to IHT
- If you pass away within 7 years, the value of the gift is subject to IHT

## BUSINESS RELIEF QUALIFYING INVESTMENTS

As mentioned previously, certain products can benefit from Business Relief which currently provides a 50% exemption to IHT after holding for two years. These products are unlisted (AIM) shares which are not on the Main FTSE All-Share stock market.

### Advantages

- Potential for 50% IHT business relief to reduce your tax liability
- Investors can access the investments at any time (subject to liquidity)
- Regular withdrawals can be set up from the investment

### Disadvantages

- Investments into AIM shares are high-risk compared to larger, more established companies
- IHT relief can not be guaranteed, tax legislation could change in the future
- To benefit from IHT relief you would need to remain invested for at least 2 years

MAKING
# YOUR ARRANGEMENTS

## END OF LIFE WISHES

One way to give yourself that peace of mind is to leave your end of life wishes. A letter of wishes is a non-legally-binding document that accompanies your Will, to clarify your wishes even further. You might want to include details of who to notify in the event of your death, the kind of funeral you want or any advice to guardians on how you would like your children to be brought up.

## PLAN YOUR FUNERAL

Remember that it's always goof to talk to your loved ones about your wishes, so as well as including your funeral wishes in your letter, it would be worth having that conversation with your loved ones to take the guess work out of it. In terms of financial burden, it could be worth considering paying for your funeral in advance, if you can afford to.

## KEEPING YOUR DOCUMENTS IN ONE PLACE

Keeping your important documents in one place is a crucial part of estate planning. Keep your life insurance documents, your Will, expression of wishes and any other asset information together for ease of reference. Include important details of the professionals to deal with, such as accountants, solicitors and executors. It can be digital or physical, just remember to tell someone where it is!


*Glen & Vicki at our Annual Client Golf Day*

## THE ADVANTAGES OF
# FINANCIAL ADVICE

Annuities can play an important role in creating financial security and peace of mind in retirement, but they're not the right solution for everyone. Choosing when to buy an annuity, what type to select, and how it fits alongside your other retirement income sources requires careful consideration.

At Wealth of Advice, we believe retirement planning should be built around your goals, circumstances and aspirations. Whether you're approaching retirement, reviewing existing pensions, or considering your annuity options, our experienced advisers can help you make informed decisions with confidence.

## GET IN TOUCH WITH US

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