

Your guide to: **Reducing Inheritance Tax**

Your essential guide to ensure you leave as much as possible to your loved ones.



Reassurance for you and your family

Inheritance Tax (IHT) can be tricky to understand, but its impact can mean less money ends up in the pockets of your loved ones.

Ultimately, none of us know how our lives will pan out, or how much wealth we will need to ensure those we cherish most are protected when we're gone. Yet while it can be uncomfortable discussing death, or money, facing up to these conversations can help secure your family's financial future and provide you with reassurance.

One thing is for sure, nobody wants to pay HMRC more than necessary. IHT receipts for April 2024 to November 2024 are £5.7 billion, which is £0.6 billion higher than the same period last year¹.

The average IHT bill per estate is £215,000².

We can help you find the best ways to mitigate against this when it comes to your own estate and give you peace of mind that those you love most can have access to everything you want for them when you're gone.

¹ HMRC, December 2024

² HMRC, July 2024

Simplifying a daunting process

Do you know which parts of your wealth might be subject to IHT when you pass away? It can be complicated, and a lot of your assets can be affected. These can include your family home, any investments you have, life assurance plans not on residential property, and even family heirlooms.

If you choose to plan ahead with us, we can help you organise your wealth now to maximise its effectiveness, and to safeguard your loved ones by reducing the amount of money they'll have to pay HMRC when you die.



What is Inheritance Tax?

Inheritance Tax is a tax on your estate including your property, your money and your possessions.

The current standard rate of IHT is 40%, and it's charged on the part of your estate above the current threshold – otherwise known as the 'nil-rate band' – of £325,000.

There is also an extra threshold available. For example, if you're passing on property to your immediate family, your executors can claim a further £175,000 (as long as your total estate is worth less than £2million). But what's clear is that calculating how much your family will have to pay isn't easy.

With careful planning, we can help you take control over your arrangements so that you can pass on as much of your estate as possible to who you want to receive it. Together, we can minimise the amount your loved ones will have to pay.

The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief depends on individual circumstances.



Top tips for reducing the impact of IHT

Everyone's circumstances are different. Below, we've listed some of the ways you can cut your potential IHT bill. We will help identify those most relevant to your estate, and implement the best actions based on your wishes.

1 Review or write your Will*

effective way to express the way you would like your wealth to be distributed when you die.

Without a will, your assets will be distributed on your behalf and may be liable to IHT that might otherwise be avoided.

A will is therefore an extremely effective tool to help you save the maximum amount of tax.

**Will writing involves the referral to a service that is separate and distinct to those offered by St. James's Place. Wills are not regulated by the Financial Conduct Authority.*

2 Consider giving family gifts now

2 Gifting is an extremely rev

to help your grandchild buy a first car or put down a deposit on a new home.

Or you might want to provide more regular payments to support a loved one, perhaps to help them through university.

Whatever you decide, gifting provides you with an opportunity to see those close to you enjoy your wealth while you're still here. In doing so, you can also reduce the amount of IHT they will have to pay when you pass away.

Similarly, a Gift Plan, in which we help you create an investment fund for your beneficiaries, can also help your wealth end up where you want it to.

The value of an investment with St. James's Place will be linked directly to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

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Did you know?

- If you give some of your assets away and then live for a further seven years, then your gifts are not liable for IHT.
- You can make gifts totalling £3,000 a year completely free of IHT.
- You can also gift £5,000, free of IHT, on the occasion of a child's wedding.

3 **Save more into a pension** Pensions are a great way

have been a useful estate planning tool as well. However, at the November 2024 Budget the Government announced its plans to amend the current IHT efficient status of pension funds, so that with effect from 6th April 2027, most pension funds will fall into an individual's estate for IHT purposes.

Importantly, it should be noted that pension funds which pass to a spouse or civil partner on death will remain free of IHT on first death, so whilst the IHT planning opportunities may be more limited in future, there is still scope to save into a pension and pass the funds to a surviving spouse free of IHT.

4 **Buy life assurance and write it in trust**

One option to help you mitigate a future IHT bill, and reduce the stress on your family, is to take out a life assurance policy where the sum assured covers any predicted tax bill. It's essential to write this policy in trust to ensure that the proceeds fall outside of your estate.

5 **Put assets into a trust***

A trust can provide more flexibility, creativity and control than a will on its own because it places the right money, in the right hands, at the right time. If you place your assets into a trust, they will not form part of your estate, and so will be exempt from IHT after seven years.

For example, you could put assets into a trust for the benefit of your grandchildren when they reach the age of 18.

Here are four reasons to use a trust

- Futureproof your wealth and earmark funds for specific family members
- Protect your wealth
- Mitigate against IHT, as well as Income Tax and Capital Gains Tax
- Avoid delays in obtaining a Grant of Probate

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What next?

If you would like to discuss how we can help you take control of your assets, we are ready to help you take those next steps.

Together, we can ensure as much of your estate reaches those who you want to receive it.

We can help you. Get in touch today.



Our friendly team is here to support | info.amg@sjpp.co.uk



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