

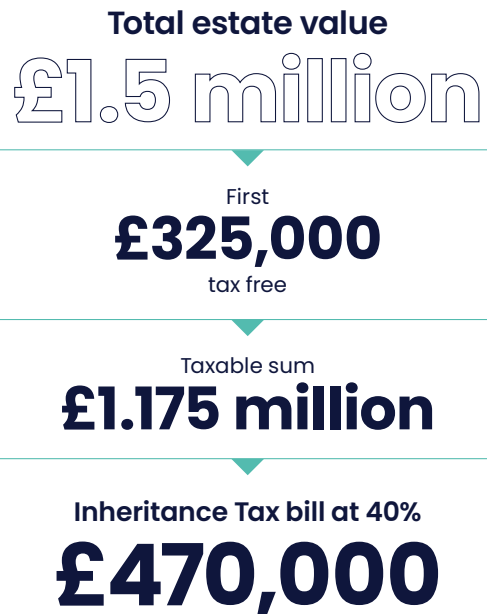
Inheritance Tax

How to protect your family wealth

The high rate at which Inheritance Tax (IHT) is charged gives many families a shock, so it's well worth doing what you can to take advantage of the relevant tax reliefs and allowances available to you.

Although the tax-free allowance of £325,000 per person may seem generous, the 40% rate at which IHT is paid on the rest of your estate is not, subject to other allowances being available.

Here's an example of what could be charged when you die:



This example does not take into account the allowance of the residence nil-rate band of up to £175,000 if you leave your residence to your direct descendants (see opposite page).

Make the most of your tax-free gifting allowances

A good way of reducing IHT bills is to make the most of your gifting allowances. You can give cash gifts to your loved ones every year that won't be counted as part of your estate for tax purposes. This is an effective way of passing on as much of your wealth as possible.

Here's how gifting works

£3,000

The amount you can gift tax free per year

£6,000

The total amount you and your partner can gift if you combine your allowances

£12,000

The amount you and your partner can gift this year if you haven't used last year's allowance, as it can be carried over for one year



Contributing to a Junior ISA (see page 6) or a pension (see page 10) for your children or grandchildren are also effective ways of passing on your wealth tax efficiently.

Your Inheritance Tax allowances for 2023/24

If you leave all your estate to your spouse or civil partner, there is no tax to pay. The first **£325,000** of your estate that you leave to anyone else is also tax free.

If your home is included in your estate and you pass it onto your children, grandchildren or other lineal descendants, the tax-free threshold increases to **£500,000** per person, as long as the estate is worth less than £2 million.

When your partner dies, your allowances can be combined – meaning up to **£1 million** can ultimately be passed on tax free. You and your spouse or partner can each gift up to **£3,000** per year, which will be deducted from the value of your estate.

This £3,000 allowance can be carried forward if you didn't use it last year – giving a limit of up to **£12,000** for a couple for this tax year.

You can also make larger gifts but they generally take seven years to be exempt from IHT.

Your deadline for this year's gifting allowances is 5 April, the end of the current tax year. Contact us now for a no-obligation consultation to discuss this and other ways of protecting your family wealth.

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

The levels and bases of taxation, and reliefs from taxation, can change at any time and are generally dependent on individual circumstances.