

**DO YOU WANT TO SAVE UP
TO £102,000 IN TAX FOR
YOUR CHILDREN WITHOUT
RISKING THE FAMILY
HOME?**

THEN READ ON



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KEEP IT IN THE FAMILY RATHER THAN PAY TAX

Mainly because of the increase in property values, many more estates will be liable to inheritance tax.

Inheritance tax is payable on your assets when you die. In the case of married couples, tax is payable only on the survivor's wealth when he or she dies, as the gift to the survivor on the first death is exempt.

Currently, the first £255,000 can be given away tax free. Inheritance tax is payable on the excess. The tax bill can be heavy; for example, the tax liability on an estate of £510,000 would currently be £102,000 if you leave your assets to each other.

HERE IS HOW THAT WORKS

Take a married couple who each own £255,000 worth of assets. On the first death, the surviving spouse receives the deceased spouse's assets, because all gifts to a spouse are tax exempt. On the death of the survivor the estate, now worth £510,000 is taxed as follows:-

The first £255,000 is tax free.

The remaining £255,000 is taxed at 40%, which amounts to £102,000.

So only £408,000 passes to the family.

THE ALTERNATIVES

- The couple could give away the first £255,000 on the first death to their children. The problem here is that, whilst no inheritance tax is payable, the survivor may need that money to maintain a comfortable standard of living and if, as is often the case, much of the gift may be part of the home, this could cause major complications.
- The couple could make Wills which incorporate discretionary trusts which can include a loan back arrangement. These special trusts allow the surviving spouse to have full access to the trust assets or to take a loan from the trust to do with as he or she sees fit. In this case, the trust cuts the inheritance tax out all together, so the children receive an extra £102,000.

A Neat Way of Saving £102,000

Mr Jones' Assets: £255,000

On Mr Jones' Death:
All Assets pass to his wife in return for an IOU for £255,000 given by her to the trust

Mrs Jones' Assets:	£255,000
Plus Mr Jones' Assets:	<u>£255,000</u>
Total:	£510,000
Less Mrs Jones' IOU:	£255,000

Trust Containing IOU for £255,000

On Mrs Jones' Death:
Assets less tax pass to the children

On Mrs Jones' Death:
Loan is repaid and £255,000 is distributed to children

Total:	£510,000
Less IOU:	£255,000
Less Tax:	NIL
Balance left to Children:	£255,000

Children Receive:	£510,000
Taxman Receives:	NIL
Mrs Jones Does Not Lose Access to Assets	

IN SHORT

- The discretionary trust arrangement saves up to £102,000 of inheritance tax
- Gives the survivor continued access to all the assets
- Safeguards the position of the survivor even when your main asset is your home.