

This issue looks at...

- Inheritance Tax
- Nil Rate Band
- Residential Nil Rate Band
- Things to consider

## It's your wealth...

...and quite naturally, you may want it to eventually be passed onto your loved ones. But without the right plans in place, a large part of your legacy could be liable for Inheritance Tax (IHT).

IHT has started to affect more families over recent years and with IHT revenue forecast to rise, it's worth checking if this might impact your estate and what you could do, so your loved ones could ultimately receive a stronger inheritance.

## Leave up to £1 million to your loved one's tax free...

### Nil-Rate Band

The Nil-Rate Band (NRB) is a financial band (amount) that has a Nil Tax Rate. When you leave your assets, which could be anything from your savings accounts, jewellery, cars and properties, the government allows you a tax-free allowance of £325,000 (at the time of writing).

If you only have assets of £300,000 in total, everything below that £325,000 threshold can pass as free of IHT, though anything over that threshold will likely be taxed at 40%.



However, this is if you are a sole person. Each person gets £325,000 as their personal allowance; it is worth noting that if you are an unmarried couple, your personal allowance is used up by passing your assets to your partner.

If you're married/civil partnered, when the first member of the couples passes away, their NRB (£325k) doesn't get used up or disappear the amount of tax-free allowance that is left is considered unused and could be transferred to the surviving spouse

### Example..

The husband dies and he passes everything to his wife using 'spousal exemption' so all assets and monies passing to the spouse/partner are automatically free of tax. This means that the husband's NRB (£325k) of tax-free allowance was never used.



If you have any questions about your Will or need help with planning your estate – we are always happy to provide you with expert advice and guidance suited to your needs and circumstances.

Invest Southwest Will Management Services

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The surviving spouse combines their NRB with their deceased partner's giving them a total of £650,000 of tax-free allowance to give to friends and family in their will. An individual can only ever utilise their own NRB allowance (£325k) and one other NRB allowance from a deceased spouse (£325k) for a combined total of £650,000 tax-free.

We have explored how to potentially save up to £650,000 from being taxed. Now we will look into where the remaining £350,000 comes from to total £1m.

### **Residential Nil-Rate Band**

Each person can qualify for Residential Nil-Rate Band (RNRB) currently at the rate of £175k each, naturally if you're part of a married couple, the same rules apply as NRB and your share could pass to your spouse. This does not occur for couples who are not married or in a civil partnership.

As with NRB, RNRB the remaining percentage can be passed to the surviving spouse in death (100% unless they've used it elsewhere) currently £175,000 x2 = £350,000 tax-free allowance that is specifically dedicated to being used for property that is passing to direct descendants, giving us the total of £1m.

Limiting RNRB factors to be considered;

- Applied only to a Qualifying Residential Interest; a house that you own/interest in and you have at one point in your life used as your home.
- To qualify for RNRB it can only be Closely Inherited (the property can only be passed to lineal descendants, which includes; children, step, adopted or fostered etc.)
- They can pass to a trust, but only specific trusts!
- RNRB will only qualify for the value of the property so should your house be worth £150,000, unfortunately the excess £25,000 in your allowance if you were a single person, would be lost.



### **Other things to consider with your will**

Existing Pensions or Life Assurance Policies you may have in place are not covered under the terms of your Wills. It is important that you assess the value of these and who is nominated as the beneficiaries, the Trustees of these policies will distribute the asset according to your given instructions.

Our sister company Invest Southwest, have a highly skilled & experienced team of Independent Financial Advisers who will be happy to provide a free, no obligation discussion with yourselves about your Pensions and other financial objectives. If you feel this would benefit you, then please do let me know.

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