



INDEPENDENT FINANCIAL ADVISERS



Investments
&
Pensions

Mortgages
&
Insurance



Inheritance Tax

~ STRAIGHTFORWARD ADVICE..... IN BLACK AND WHITE ~

About Hurst Financial Consultancy

Hurst Financial Consultancy was founded in 1997 by the Managing Director, Michael Hurst. The company has operated successfully in Salisbury from inception serving clients locally, nationally and internationally.

The company focus has always been on excellence.

We have also developed a strong focus on state of the art information technology being aware of its significant value in not only collating data, but managing the performance of investments. We have our own in-house IT department and use its services constantly to develop the service that we give to our clients to ensure it is always “leading edge”.

As Independent Financial Advisers we have access to the full range of products and services available in the UK as opposed to a Tied Agent or Company Representative who may only advise and offer products from the company they represent. This means that we are able to give you impartial advice and recommend the most appropriate products for you, so that you will enjoy choice, value for money and our high-quality service.

What is Inheritance Tax?

Inheritance Tax (IHT) is essentially a tax on death. It is however avoidable with the correct planning and advice.

Many people in today's climate of ever increasing house prices are becoming more exposed to IHT and this is something that very few appreciate. With a rate of 40% payable on all assets over the current threshold of £325,000 it is easy to see your hard earned assets diminish in one foul swoop.

While the simple answer is to give away all your assets before you die this in most circumstances is not the most practical or efficient way of dealing with Inheritance Tax.

Planning actions which can be taken:

- Ensure your Wills are written correctly
- Gifting assets
- Placing assets in to Trust
- Insuring the liability
- Discounted Gift Bonds

Listed above are the most common ways of reviewing your IHT situation and we will be pleased to discuss any of them to find the most suitable for your needs.

It is also very prudent to make the IHT tax exemptions work on your behalf and under current legislation they are as follows.

Nil Rate Band

As mentioned above you only pay tax on assets above the current figure of £325,000. It is very important that your Wills reflect the nil rate band allowances.

Transfers between Spouses

IHT is not payable upon transfer of assets between husband and wife upon death. This does delay the IHT payment and should be considered when reviewing your Will arrangements.

Annual Gifting

You can gift £3,000 worth of assets each year to whoever you like and this should be utilised wherever possible.

Marriage

You can also gift £5,000 to your own child upon marriage, £2,500 to a grandchild and £1,000 to anyone else.

Gifts from income

Regular gifts can be made from excess income to whomever you like. This is a very efficient way of reducing your IHT liability for high earners.

Gifts to Charities

Any gifts made to a registered charity are exempt from IHT.

Potentially Exempt Transfers

Most gifts, which are made in excess of the above allowances, are deemed to be potentially exempt transfers (PETS).

They are made subject to you surviving for seven years after the gift was made. If you live for the full seven years there will be no IHT liability on the gift made. If you however die within this period then IHT will become payable.

This may be at a reduced rate but only applies if you have given away more than the nil rate band currently £ 325,000 in three to seven years of your death. Please ask us for further details.

Trusts

Trusts can provide a very effective way of transferring assets out of an Estate without losing the flexibility of the final destination or losing control of the assets. (depending upon type of trust). Provided that the donor (supplier of the assets) does not benefit from the trust then the property is removed from the Estate.

Budget changes in 2006 have brought about significant and major changes to how trusts can be used efficiently for the mitigation of inheritance tax. It is vital that detailed professional advice is sought before doing anything in respect of gifting or creating trusts as circumstances can arise where inheritance tax is due before you die!

We encourage a full review of all planning in place now and a review should include close liaison work with a suitably qualified legal professional. In some regards trust planning is "back to the drawing board" so it is vital that the plans in place dovetail with changes that have happened so that your estate get no nasty surprises. We can advise you on the correct trust to meet your individual circumstances.

Insuring the Liability

Life Assurance arrangements can be used as a means of removing value from an Estate and also as a method of funding IHT liabilities. Although this method does not reduce the liability it does provide funds to cover the potential liability.

Discounted Gift Bonds

If you have excess capital but are concerned about losing your income then this may be of interest. At present you invest a lump sum and depending upon age your immediate IHT liability is reduced depending upon age/health. The remaining fund is treated as a PET and you can withdraw income if so required.



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