



# Independent Financial Advice

NEWS AND ADVICE FROM BIRKETT LONG



Welcome to the latest edition of the Birkett Long IFA newsletter.

Our attention has already turned to our annual IFA seminars which, as you will read about later in this newsletter, are to be held in March and will cover inheritance tax planning. My colleague in Birkett Long's wills, trusts & probate team, Emma Harper, has written about the residence nil rate band, which will be available from 6 April 2017. Emma's colleagues will talk about this matter at our seminars. The seminars will also cover various inheritance tax planning options available, and in this newsletter Paul Chilver, an adviser in my team, highlights how you can start to reduce any inheritance tax due on death, through making gifts.

Best wishes for 2017.

Nicola Ward

## Gifts...all year round!



As Nicola states, there are ways to reduce inheritance tax liability on death. Below, I highlight some of the gifts that can be used without your needing to survive seven years following a gift, together with an investment option that we will cover at our seminars.

### Gifts

Each individual has an allowance of £3,000 in any tax year to make a gift without being subject to inheritance tax assessment and, if a gift has not been made in the previous tax year, i.e. in 2015/2016, then a further £3,000 can be made. You can give any number of gifts of less than £250, although please note that each recipient can only receive one such gift. Another possible option is to make gifts out of surplus income which, for those who have excess income not required for day-to-day expenditure, can be given away and will be free of inheritance tax. These payments must be made regularly from income, not capital, and must leave the individual with sufficient income to maintain their usual standard of living.

### Discounted gift trusts

Some of you may already be aware of discounted gift trusts. This type of arrangement is an investment made into

an investment bond, which can be held onshore or offshore, and is coupled with a trust - generally a discretionary trust - from which you must receive an income - usually up to 5% per annum of the gift. Providing you survive the gift for seven years the value of the bond, together with any growth, will be outside your estate for inheritance tax purposes. In addition, you will benefit from an immediate discount for inheritance tax purposes on part of the original investment amount into the trust, but dependent upon medical underwriting.

With this type of arrangement it is important to seek the advice of an independent financial adviser and, possibly, a solicitor, which, at Birkett Long, we can arrange under one roof.



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# Residence nil rate band



The residence nil rate band (RNRB) is seen by some as the answer to David Cameron's promise of a £1m nil rate band.

Every individual currently enjoys an allowance of £325,000 to offset against the inheritance tax due on their estate. The RNRB is being introduced in April 2017 at a starting threshold of £100,000 per individual. This will increase annually by £25,000 until 2020/21 when it will reach £175,000, giving an individual a potential allowance of £500,000 and a couple, £1m. After 2020/21, the RNRB will increase in line with inflation.

The RNRB will be available in full provided an estate is worth less than £2m. For

estates in excess of this value the allowance will be tapered.

To claim the allowance, you must own an interest in a property, which you have lived in, which must be left to your lineal descendants. This includes not only your children or grandchildren, but their spouses or civil partners. Step-children also fall into this category. The Revenue has also made provision for occasions where a property may have been sold shortly before death or if downsizing has occurred.

It is advisable to have a solicitor look over your existing will, to ensure it does not inadvertently prevent your estate benefiting from the RNRB. We have seen

many wills, even with very basic provisions, fall foul of these new, over-complicated rules.

Whilst we will have to see in practice how effective the RNRB will be, some are already saying that it does not go far enough, that it is unnecessarily complicated and that an overall increase in the general nil rate band would have been better received. Only time will tell!



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**save the date**

**FREE SEMINAR**  
Inheritance tax investment opportunities  
Guest speaker: Cathy Russell, Tax & Estate Planning Consultant, Canada Life  
7 March, 10am to 12 noon, Colchester, or  
9 March, 10am to 12 noon, Billericay  
To register your interest email  
seminars@birkettlong.co.uk

# get in touch

We offer a free 15 minute phone call with no obligation to take any further action.

Call the team on 01206 217309

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