

Smart gifting

Tax-free ways to support your children and grandchildren

Passing wealth to the next generation is a primary concern for many families, yet the complexities of Inheritance Tax (IHT) often cause unnecessary anxiety. With the headline rate of IHT set at 40%, careful planning is essential to ensure your children benefit as much as possible from your estate. Fortunately, there are several tax-efficient strategies available that, when used properly, can help you make significant lifetime gifts completely free of tax.

Using allowances and exemptions wisely is one of the easiest ways to give to children or grandchildren. The annual exemption lets you gift up to £3,000 each tax year without incurring IHT. If you haven't used the previous year's allowance, you can carry it forward, potentially doubling the amount to £6,000, or even £12,000 for couples. These sums can add up to a substantial nest egg for children over the years.

Make the most of regular gifting

Another valuable, though often overlooked, option is to make regular gifts from surplus income. This route is ideal for people who have a consistent annual surplus after covering normal living expenses. There is no upper limit to this exemption, provided you can show that the gifts come from income, not capital, and that your standard of living isn't affected. Clear

documentation is key to satisfying HMRC's requirements if HMRC queries it in the future.

Additionally, you can give small gifts of up to £250 per person per tax year, provided the recipient has not already benefited from your main £3,000 allowance. These small amounts are perfect for birthday or Christmas presents and help use up your gifting allowances without incurring any additional tax.

Wedding gifts and the seven-year rule

Special occasions offer more opportunities for tax-free gifting. For weddings, you can gift your child up to £5,000 tax-free, or £2,500 if you are a grandparent. The exemption applies per parent, so a couple could give their child £10,000 towards their big day without incurring IHT.

For those wishing to make larger lump-sum gifts, understanding the 'seven-year rule' is essential. Any sum given outright will fall outside your estate for IHT purposes after seven years. If you pass away within this period, a sliding scale of 'taper relief' may reduce the tax due on gifts over £325,000.

Planning ahead for peace of mind

Sound estate planning often involves a combination of these exemptions and careful

record-keeping. The right mix depends on your individual financial situation and your goals for your children's future. Seeking advice early can make a significant difference to the amount your loved ones will ultimately receive. ■

LOOKING FOR A TAX-EFFICIENT STRATEGY FOR PASSING ON YOUR WEALTH?

Don't let Inheritance Tax complexities overshadow your legacy. With careful planning and the right strategies, you can maximise the benefits for your loved ones while minimising tax liabilities. Contact us today to discuss your estate planning needs and ensure your family's financial future is protected.

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Making long-term financial choices with confidence

How to plan for a secure financial future with cash flow modelling

Navigating the financial landscape often feels like trying to predict the weather months in advance. You might have a general idea of the seasons, but the daily fluctuations remain a mystery. This uncertainty often paralyses decision-making about significant decisions, such as retirement, investments or gifting assets to loved ones.

It is difficult to know whether you can afford to retire at 55 or whether buying that holiday home will affect your later years. Without a clear picture, these choices rely more on guesswork than on strategy. This is where modern financial planning tools step in to bridge the gap between uncertainty and clarity.

Visualising your financial future

Cash flow modelling is a financial planning approach that maps your current assets against your future needs. Taking into account your income, expenditure and existing wealth, it creates a visual timeline of your finances. This isn't just a spreadsheet; it is a dynamic approach that accounts for inflation, investment growth and tax implications over decades.

Seeing your financial life laid out in a graph can be a transformative moment. Suddenly, the impact of withdrawing 4% or 5% from your pension each year becomes clear. You can stress-test scenarios such as a market crash or a period of ill health to see whether your plans remain robust.

Answering the big questions

One of the primary benefits of this approach is the ability to answer specific 'what if' questions. Perhaps you want to help a child onto the property ladder but worry it will leave you short in your 80s. Cash flow modelling can show exactly how a lump-sum gift today affects your capital reserves in 20 years.

With our support, this level of insight will empower you to make decisions with genuine confidence. Instead of hoping for the best, you operate with a clear understanding of the risks and outcomes. It turns abstract financial goals into definitive, actionable plans. ■

ARE YOU READY TO STOP GUESSING AND START PLANNING?

If you want to visualise what your financial future could look like and make data-backed decisions, the first step is to get in touch with us. Contact us today to discover how cash flow modelling can clarify your wealth.

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To arrange a complimentary consultation or review, please contact our Independent Financial Advisers on 01803 224888.