



Will you be giving
generously to the Taxman?



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Having worked hard all your life to build your financial portfolio and assets, it's upsetting to know that 40% of everything over £325,000 if you are single or divorced, or £650,000 if you are married, in a civil partnership or widowed could be given back to the Government in Inheritance Tax (IHT).

Your beneficiaries may have to pay the Taxman before they receive a single penny from your estate at a time when they are least able to cope.

Your estate could have risen substantially and increasing wealth could well mean that your loved ones may already be liable to pay IHT before they can inherit what is rightfully theirs. With the right planning through Skipton Financial Services Limited (SFS), you can reduce or even eliminate this tax altogether – potentially saving your loved ones thousands of pounds.

What is Inheritance Tax?

Inheritance Tax (IHT) is a tax that many people don't consider or presume that it is something that only the rich and the elderly should be concerned about. However, this is certainly not the case.

There were some significant changes made to IHT in the Pre-Budget Report in October 2007. Today, depending on your individual circumstances, it affects people in different ways. The starting point at which you begin to pay IHT is £325,000 if you are single or divorced, or £650,000 if you are married, in a civil partnership or widowed. These amounts are referred to as the nil rate band. Everything in your estate over and above your nil rate band, including the value of your house, savings, investments and assets is subject to 40% tax when you die. That's 40p out of every pound you own – or £400 out of every £1000!

This may sound a lot, but by simply adding up the value of your house, savings, investments and any other assets, you may be surprised how much your estate is actually worth. With house prices having risen in past years, the value of your estate could have increased substantially, although you may not have considered the IHT liability.

Did you know your estate can be made up of:

- Your home and furniture
- Jewellery and artwork
- Insurances
- A holiday home (in the UK or overseas)
- Savings and Investments
- Land
- Car

At SFS, we believe that the use of simple and cost-effective methods of controlling your estate should always be the starting point. There are a number of IHT planning opportunities available and it is important that you seek specialist advice from someone you can trust to find the right solution for you.

The following sections will give you a brief insight into the selection of IHT planning opportunities available.

Remember, if you require any further information or an explanation on anything mentioned here you can call our specialist Client Helpline on **0800 137 832**.

How liable are you?

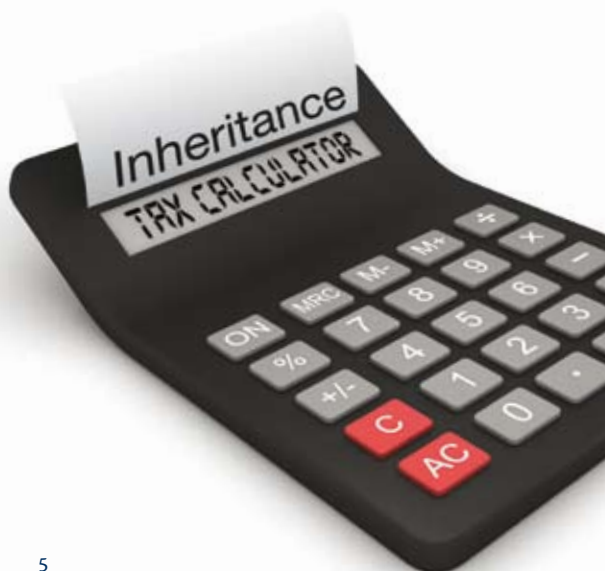
This section is broken down into three parts and illustrates how you may be affected by IHT depending on your individual circumstances – whether you are:

- **Single or divorced**
- **Married or in a Civil Partnership**
- **Widowed**

Please refer to the relevant section to see how liable you may be.

Did you know that each spouse/civil partner has a nil rate band allowance? Make sure you use yours wisely!

The first step to see if your estate will be affected by IHT is to calculate how much it is actually worth – you may be quite surprised! Use our calculators overleaf to find out – but don't forget that this is not a static figure and that your property and investments could increase in value over the next few years which, in turn, could increase your IHT liability.



Single or divorced

For the 2010/11 tax year, your nil rate band is £325,000 and any part of your estate over this amount could be taxed at **40%**.

To use our calculator to work out how much your estate is worth, simply list all of your assets as mentioned below.

Inheritance Tax Calculator	
House Value (including 2nd property)	£
Household Contents and Personal Effects	£
Bank and Building Society Accounts	£
Stocks and Shares	£
Savings and Investments (including offshore, ISAs, Endowments, etc.)	£
Other Assets (car, boat, Life Assurance not under trust etc.)	£
Assets Sub Total	£
Subtract Debts (mortgages, other loans etc.)	£
Subtract Nil Rate Band	£325,000
Approx Net Estate Size	£
x 40%	Total £

The table below illustrates how much IHT you could pay as a single or divorced person with no plans in place.

Estate Value	Taxable	IHT Payable at 40%
£325,000 or less	£0	£0
£425,000	£100,000	£40,000
£525,000	£200,000	£80,000
£625,000	£300,000	£120,000
£725,000	£400,000	£160,000
£825,000	£500,000	£200,000
£925,000	£600,000	£240,000
£1,025,000	£700,000	£280,000

Married/Civil Partners

For the 2010/11 tax year, as a couple your nil rate band is £650,000 (£325,000 each) and any part of your estate over this amount could be taxed at 40% upon the death of the 2nd spouse.

To use our calculator to work out how much your estate is worth, simply list all of your assets as mentioned below.

Inheritance Tax Calculator	
House Value (including 2nd property)	£
Household Contents and Personal Effects	£
Bank and Building Society Accounts	£
Stocks and Shares	£
Savings and Investments (including offshore, ISAs, Endowments, etc.)	£
Other Assets (car, boat, Life Assurance not under trust etc.)	£
Assets Sub Total	£
Subtract Debts (mortgages, other loans etc.)	£
Subtract Nil Rate Band	£650,000
Approx Net Estate Size	£
x 40%	Total £

Upon Death of 2nd partner

The table below illustrates how much IHT you could pay if married or in a civil partnership with no plans in place.

Estate Value	Taxable	IHT Payable at 40%
£650,000	£0	£0
£750,000	£100,000	£40,000
£850,000	£200,000	£80,000
£950,000	£300,000	£120,000
£1,050,000	£400,000	£160,000

Widowed

For the 2010/11 tax year, as a widow/widower your nil rate band could be £650,000 (comprising of £325,000 personal allowance and £325,000 from your deceased partner) and any part of your estate over this amount could be taxed at 40%. This figure assumes that no previous gifts were made by the deceased spouse, as this can have an effect on the nil rate band passed to the surviving spouse.

To use our calculator to work out how much your estate is worth, simply list all of your assets as mentioned below.

Inheritance Tax Calculator	
House Value (including 2nd property)	£
Household Contents and Personal Effects	£
Bank and Building Society Accounts	£
Stocks and Shares	£
Savings and Investments (including offshore, ISAs, Endowments, etc.)	£
Other Assets (car, boat, Life Assurance not under trust etc.)	£
Assets Sub Total	£
Subtract Debts (mortgages, other loans etc.)	£
Subtract Nil Rate Band	£650,000
Approx Net Estate Size	£
x 40%	Total £

Assuming full nil rate band available from death of first partner

The table below illustrates how much IHT you could pay as a widow/widower.

Estate Value	Taxable	IHT Payable at 40%
£650,000	£0	£0
£750,000	£100,000	£40,000
£850,000	£200,000	£80,000
£950,000	£300,000	£120,000
£1,050,000	£400,000	£160,000

What happens if you don't do anything about your liability?

In the most simple terms, if your estate is worth more than £325,000 if you are single or divorced or £650,000 if you are married, in a civil partnership or widowed then anything over and above this amount could be subject to 40% tax.

Upon your death, if you are liable for tax, your loved ones are usually required to pay the bill within six months of your death – and only when the tax has been paid will your estate be granted probate where your assets can be distributed in accordance with your wishes (providing you made a Will – see Legal Services). There may be some exceptions to this, but all with certain terms and conditions, and one of our Advisers will be able to discuss this in more detail with you.

Let Skipton Financial Services help

We believe that the use of simple and cost-effective methods of controlling your estate should always be the starting point but it is important to remember that when planning such IHT solutions you should always seek professional advice – and that is where we come in!

Over the next few pages, we'll provide you with a brief insight on just a few of the possible solutions that are available to help reduce or possibly eliminate your IHT liability through:

- **Legal Services – including Will Writing.**
- **Specialised Legal Advice.**
- **Gifts and Trust Planning.**
- **Life Assurance.**



Legal Services

Make sure your wishes come true...

Using a Will is one of the most effective and convenient ways to reduce the amount of IHT payable by making the best possible use of the IHT allowances available to both spouses.

Many married people or registered civil partners still believe that on their death their whole estate will automatically pass to their spouse without the need for a Will – but in fact, depending on the size of your estate, a spouse may only inherit the first £250,000 and the rest may pass to your children. An unmarried or unregistered civil partner has no automatic right to your estate at all.

Further, a Will not only provides legal ways of helping to reduce or avoid Inheritance Tax, but helps to ensure that as much of your wealth as possible is retained by your family and that your 'wishes' are carried out. Statistics show that many of us still haven't made a Will and this is startling considering how important they are to leave what you want to who you want.



Things you can't do if you don't leave a Will:

- Pass your estate to an unmarried partner.
- Decide how much money each of your family members are bequeathed.
- Specify who will become the guardians of your children.
- Leave something to charity.
- Give a memento – e.g. a piece of jewellery to a treasured friend or family member.
- Potentially minimise Inheritance Tax.

Simple Will Planning

If you don't make a Will, you are deemed to have died 'intestate' which means that the law – rather than you – dictates who will inherit your estate. So you can't be confident that items of special value or meaning will be distributed how you wanted them to be and if family or friends need to contest provisions made by the Crown, it may cost them considerable amounts of money in solicitors' fees to obtain the possessions you would have wanted them to inherit.

Dying 'intestate' – without a Will – means that the law decides on who inherits your estate and therefore you cannot be confident that items of special value or meaning will be distributed as you would want.

There are different types of Wills to allow for different circumstances – from a Single Will for a single person leaving their estate to a family member to more intricate Wills that seek to mitigate IHT liability and provide full estate planning solutions. Each option allows for personal circumstances and whatever your need, SFS can find the right one for you through our Will Writing Service.

SFS has already helped thousands of clients with their estate planning through our very simple and straightforward Will Writing Service. As most Wills can be drawn up without the need for a face-to-face consultation with a solicitor, we provide you with the facility to have a simple Will drawn up at your own convenience, in your own home and whenever you are ready to do so.

We've teamed up with Skipton Trustees Limited, who will be responsible for drawing up your Will from the information that you provide them. The legal expertise is provided in conjunction with a reputable top 10 legal firm, Irwin Mitchell. You'll have access to a direct Helpline to the Solicitors who can help you complete your Instruction Form and guide you through the process.

To find out more about Will planning and how this can help reduce your IHT liability, please call our specialised Will Writing Team on **0800 137 832**.

Specialised Legal Advice

For those who have assets such as business interests, property abroad or agricultural holdings, some methods of reducing IHT liability could involve the use of these assets. You will, however, need individually tailored advice and in such circumstances, we have selected a panel of highly specialised Advisers to help ensure your Will is appropriate for your own IHT situation.

Simply call **0800 137 832** and we'll put you in touch with the most appropriate specialist.

Gifts and Trust Planning

It's important to be aware that there is no Inheritance Tax on transfers, whatever the value, between married couples or registered civil partners. Each person has their own allowances – and a choice of what to do with them. This means that you could reduce the value of your estate on which IHT can be levied.

These transfers are referred to as gifts, and there are many exemptions available as explained below.

Annual exemption

Everyone can give away £3,000, exempt from IHT, in any one tax year. It doesn't have to go to one specified person, but the total must not exceed this figure. Also, if not previously used, you could potentially backdate this one tax year so in effect you could gift £6,000 to begin with.

Marriage gifts exemption

Each parent can give a wedding gift of up to £5,000 to each child when they get married at any time before the wedding day. If it is your grandchild, you can gift them up to £2,500 each and for other family members or friends you can give up to £1,000.

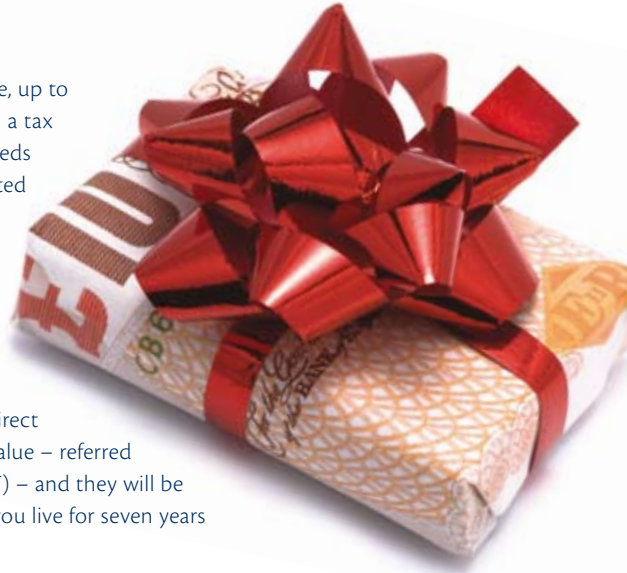
In addition, you can also make gifts utilising your annual exemption to the same person so potentially, as a parent, you could give your child up to £8,000 in the year they are married (£5,000 marriage gift and £3,000 annual exemption).

Small gifts exemption

Any number of gifts to different people, up to the value of £250 each, can be made in a tax year. However, if an individual gift exceeds this £250 then this gift must be deducted from your £3,000 annual exemption allowance instead.

Are there any other gifts you can make?

Over and above the allowances just mentioned, you can make unlimited direct gifts of cash, shares or other items of value – referred to as Potentially Exempt Transfers (PET) – and they will be deducted from your estate providing you live for seven years from the date made.



If you die within the seven-year period your estate may still have to pay tax, however this can reduce after the first three years. This is known as ‘Taper Relief’.

It only applies to the part of the gift that is in excess of the nil rate band (currently £325,000) and, after three years, it will start to reduce the amount of tax you have to pay on the gift. After seven years, it becomes exempt from IHT completely.

The table below shows you how this works

Period of Years Before Death	% Reduction (Tapering Relief)	% of Tax Payable
0-3 years	Nil	40%
3-4 years	20%	32%
4-5 years	40%	24%
5-6 years	60%	16%
6-7 years	80%	8%
More than 7 years	No tax	0%

How do you make gifts?

There are four main ways of giving gifts and here we will briefly explain the options available:

Direct Gift

This is a convenient and rewarding method of giving items or sums of money to beneficiaries for their immediate benefit.

Gifts to Trust

This method allows the placement of monies in a suitable investment, which is then wrapped in a Trust. You can choose who you want to be trustees and all, or amounts of it, can be distributed at your discretion. The two main types of Trust are Flexible Trust and Discretionary Trust.

Gifts into a Flexible/Discretionary Trust



Loan Trust

This type of plan could be suitable for those people who wish to take steps to mitigate IHT but still wish to retain access to their original capital. Any growth on the investment belongs to the trust and is therefore free of IHT whilst the original investment belongs to the investor and remains within the estate.

The table below illustrates how much IHT you could pay as a widow.

Assuming a growth rate of 6% p.a. after charges
£100,000 would have grown to £133,823 after 5 years
£100,000 would have grown to £179,085 after 10 years

In the above example, after 10 years' growth at 6%, the Bond would be worth £179,085. The growth of £79,085 would be paid free of inheritance tax – saving your loved ones £31,634 in tax.

It is also an ideal method to boost income as any amount may be taken regularly from the loan until the original capital invested is exhausted.

Although Loan Trusts are not as efficient from an Inheritance Tax point of view as some other methods, they are an excellent way of keeping control and access to your capital whilst allowing any profit to build up for others.

Loan Trust

- Keep control and receive income (up to original loan value)
- All growth on your investment is now outside of your estate
- An income can be taken either monthly or by lump sum. Income is the return of capital therefore the income stops when the capital is exhausted
- Our Adviser will invest your money for you and assist you to complete the Loan Trust paperwork to reflect your wishes

Discounted Gift Schemes

This is another method of giving money away (and is outside of the estate after seven years) but the person making the gift can also have access to a regular, predetermined income. In addition to this – based on a number of factors including age and level of income selected – there is usually an immediate ‘discount’ to IHT. This means that an investment into this scheme usually results in a saving in IHT from the moment the monies are placed in the plan.

Discounted Gift Scheme

- Gift away capital but still receive an income
- Potentially reduce Inheritance Tax from day one, the amount of reduction is dependent upon age and health
- The remainder is outside of your estate after 7 years
- Our Adviser will invest your money for you and assist you to complete the Discounted Gift Scheme paperwork to reflect your wishes

For more information about gifts, simply call one of our specialists on **0800 137 832** or arrange to meet an Adviser today.

Life Insurance

Sometimes, despite all other methods of trying to eliminate or reduce IHT, there is no option but to simply insure the liability by taking out life insurance to cover the cost of the tax bill that your heirs will have to pay when you die. There are two options of life policy – Whole of Life and Level Term Insurance.

A Whole of Life policy has a sum assured which is paid to the beneficiaries on death. It is written under trust and it will not be added to your estate as the money in the trust doesn't belong to you – it belongs to the trustees whom you choose. It can be paid before the rest of the estate is released which means that your beneficiaries don't have to wait until probate for it.

Level Term Life Insurance is designed to provide a lump sum in the event of death during the term of the policy. You can choose the amount of cover that you want and the term so you can ensure your family could potentially settle or continue payments on a mortgage, or other debts, and also maintain their standard of living. If you die during the policy term, your insurer will pay the amount you are covered for and if the policy reaches the end of its term, and you have never needed to make a claim, the cover ceases and the policy has no value.

For more information about Life Insurance simply call one of our dedicated team on **0800 137 832**.



Don't hand it to the Taxman on a plate!



What to do next

With so many options available to you for IHT planning, it goes without saying that you should seek specialist advice regarding your own personal situation. The rules and regulations surrounding the various ways of mitigating IHT are constantly changing and far from straightforward – although receiving advice from SFS is.

If you feel that you need to seek help with your IHT planning, your first step is to contact us.

How to get in touch



Simply call our Inheritance Tax Team at our Head Office on

0800 137 832

and they will arrange an appointment for you to meet with one of our Advisers.



Alternatively, complete the form at the back of this guide with all the requested details and return to the following address, as we will contact you:

**Skipton Financial Services Limited,
FREEPOST NEA4129,
Skipton,
North Yorkshire BD23 2BF**
(no stamp required)



40%

INHERITANCE

TAX

THANK YOU
FOR YOUR KIND DONATION

Inheritance Tax Service

Please complete all your details below and overleaf, place in an envelope (no stamp required) and return to: **Skipton Financial Services Limited, FREEPOST NEA4129, Skipton, North Yorkshire BD23 2BF**

Please fill in the information below:

Name: _____

Address: _____

_____ Postcode: _____

Telephone Number: _____

Email Address: * _____

Mobile: * _____

*Only provide your email address or your mobile number if you would like to be contacted by either of these media.

Marital Status: Single Married Widowed Registered Civil Partnership

Date of Birth:

Total Number of Children/Grandchildren: _____

Have you or your partner taken any previous steps to help with your Inheritance Tax planning?

Self: Yes No Partner: Yes No

Have you or your partner made a Will?

Self: Yes No Partner: Yes No

How do you rate your need to take definite action to help reduce your eventual Inheritance Tax bill, payable by your beneficiaries? (Please tick one below):

Wish to take definite action urgently May consider action in the future

Wish to discuss further

**Please complete the details of your current estate value below:
(including your partner's assets if applicable)**

House Value		£	<input type="text"/>
Personal Possessions and Valuables i.e. home contents	+	£	<input type="text"/>
Savings & Investments i.e. Banks, Building Societies, National Savings, ISAs, Bonds, Shares etc.	+	£	<input type="text"/>
Other Assets i.e. Holiday Home(s)/Investment Property(ies) in the UK/abroad, cars, boats etc.	+	£	<input type="text"/>
Business Assets e.g. Part Share in Company/Business Estimate Value of Holding	+	£	<input type="text"/>
Life Assurance	+	£	<input type="text"/>
Subtract Amount of these Death Benefits written Under Trust	-	£	<input type="text"/>
Total Gross Assets	=	£	<input type="text"/>
Have you included all joint assets with your partner?	Yes	<input type="checkbox"/>	No <input type="checkbox"/>
Subtract Debts i.e. Mortgages, credit cards etc.	-	£	<input type="text"/>
Total Net Assets	=	£	<input type="text"/>

Medical Insurance Agency (MIA) is a trading name and division of Skipton Financial Services Limited.

Skipton Financial Services Limited may use the information on this form to provide you with details of our own selected products and services by post or by telephone. If you do not want to receive these, please tick here .

Skipton Financial Services Limited would like to pass your details on to other carefully selected organisations in order that we can offer you information, goods and services that may be of interest to you. If you would prefer that your details are not passed to such organisations please tick this box .

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SKIPTON FINANCIAL SERVICES

Skipton Financial Services Limited,
The Bailey, PO Box 101, Skipton, North Yorkshire BD23 1XT
Tel: 0845 6036146 Fax: 0845 6024577 Web: skiptonfs.co.uk



Skipton Financial Services Head Office in Skipton.

TRUSTED

We are experienced and trusted financial advisers so we only recommend the solutions that are right for you

CLEAR

Everything is clearly explained in plain English and we are always open and honest in our approach

INFORMED

Our advice teams are experts and carry out continuous research to give you the most informed financial choices

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