

A modern living room with a light-colored sofa, a black coffee table, and a floor lamp. The room is decorated with a framed abstract painting and a bowl of fruit on the coffee table.

MOMENTS  
THAT MATTER

# A guide to estate planning

hcr

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Having worked hard to build up assets over the years for your loved ones, it is natural to want to ensure that your estate is protected and managed effectively, both during your lifetime and after death. Are you confident that your estate is structured correctly for these purposes?

## What is estate planning and what does it include?

Estate planning involves looking at the management and passing on of assets to your intended beneficiaries, both during your lifetime and after your death, for the benefit of you (often tax advantages) and your future beneficiaries. As everyone's circumstances are very different, estate planning is an individual process based on your own assets, needs and future plans.

Broadly speaking, estate planning falls into two areas, the management of assets and tax planning. It covers a wide range of services depending on your individual circumstances, including:

### Wills

If you don't already have one, it is very important to draft your will confirming how your estate should be divided on death. For more information, see our guide to wills.



### LPAs

At the same time as drafting a will, it is advisable to put Lasting Powers of Attorney (LPAs) in place which can be implemented should you lose capacity, either temporarily or permanently, in the future. More information can be found in our guide to LPAs.

### Care fee planning

The deliberate disposal of assets with a view to avoiding the costs of residential care will amount to a deliberate deprivation of assets. You may be treated as if you still own the assets given away for the purposes of assessing your liability to fund your own costs of care.

However, with careful planning it is possible to use various mechanisms, including gifts in your will, to minimise the impact of these costs on your estate. For this to be an option, the earlier the planning occurs the better.

**Estate planning falls into two areas, managing assets and tax planning, and is a very individual process based on your own assets and future plans.**

## Trusts

A trust is a legal arrangement which allows assets to be managed by your chosen trustees for the benefit of one or more beneficiaries. Trusts can be set up during your lifetime as well as on your death and are often used to manage assets for those who may not be able to manage them themselves, such as minors or vulnerable individuals.

Common uses of trusts also include protecting property for one or more beneficiaries, whilst allowing someone to remain in the property for a specified period, making gifts so that the value of the assets falls outside of your estate for inheritance tax (IHT) purposes but still giving you control as a trustee and making provision for school and university fees.

For those with existing family trusts (both UK and offshore), these should also be regularly reviewed in the context of your estate planning. Advice to the trustees on the structuring, administration and taxation of the trust(s) is key. In addition, if you are the beneficiary of a trust, it is important to understand the impact of the trust on your own tax position and your rights as a beneficiary.

## Family Investment Companies

Family Investment Companies are increasingly being used as an alternative to trusts. They are a useful vehicle to pass assets down to the next generation tax efficiently, whilst retaining day-to-day decision making responsibility. They can be particularly attractive and helpful for families who are used to running their own businesses and as tools to introduce younger members of a family to the role of director and shareholder.

## International jurisdictions

If you have assets overseas, such as businesses, investments or property, it is important to seek advice to ensure that you are registered for tax purposes in the correct way and that your assets are treated correctly in terms of your tax status in each country.

Likewise, if you are a non-UK resident or non-UK domiciled individual with UK assets and exposure to UK taxes, advice should be sought on structuring your estate to suit your aims.

**We can advise on complex circumstances including supporting business owners and those with agricultural assets or assets overseas.**

## Tax planning

It is very important to review your current tax position and to check if your assets should be structured or managed in a different way to provide a tax benefit. There are various tax allowances and reliefs which may apply to your estate. The residence nil rate band is one such allowance. The residence nil rate band allows your estate to benefit from additional IHT allowances where property is left to a direct descendent on your death. Care should be taken to ensure that this relief is not lost; this could occur if your estate is valued at more than £2million due to the tapering of the relief.

Making gifts to trusts, beneficiaries or charities is another way of minimising your tax liabilities. The earlier these gifts are made the better because, if they are made more than seven years before your death, they should then fall outside your estate for IHT purposes.

Gifts to charity on your death can reduce the rate of IHT payable in your estate.

If you are a business owner, you may be able to claim Business Relief to reduce your IHT liability, as well as business asset disposal relief to reduce your capital gains tax liability. Owners of agricultural property may also be entitled to agricultural property relief. In each case, discussing your personal situation with one of our specialist advisors will help establish what the most tax efficient route is for your specific circumstances.

**Tax planning allows you to pass on your assets in the most efficient way possible and can include the use of trusts and family investment companies as well as tax allowances and reliefs.**



To discuss your own circumstances and to get help with planning and managing your estate, contact a member of the HCR Private Client team.



[Click here  
to contact  
the team](#)

## Glossary

### Estate planning

Managing and passing on assets, now and after your death, for the benefit of you and your future beneficiaries

### Will

A legal document which details how your estate is to be distributed and who is to benefit from the assets that you have accumulated over your lifetime

### Lasting Power of Attorney (LPA)

A legal document which allows someone else to make decisions on your behalf if you become unable to do so in the future

### Trust

A legal arrangement which allows assets to be protected and managed

### Family Investment Company

An increasingly popular alternative to trusts, a FIC is often set up as a private limited company which manages investments as opposed to trading

### Residence nil rate band

An additional tax relief applicable to your estate if your property passes to a direct descendant

### Business Asset Disposal Relief

A form of tax relief which can be used to reduce your capital gains tax liability

### Agricultural Property Relief

A form of tax relief only applicable when passing on agricultural property as part of your estate

### Inheritance Tax (IHT)

Tax which is liable on estates over a certain value and in certain circumstances

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