

PROTECTING YOUR LEGACY



A Guide to Estate Planning



BLACKTOWER
FINANCIAL MANAGEMENT GROUP

What Is Estate Planning?

Estate planning is about much more than writing a Will. It's the process of ensuring your wealth is protected, managed and passed on in line with your wishes — in the most efficient way possible.

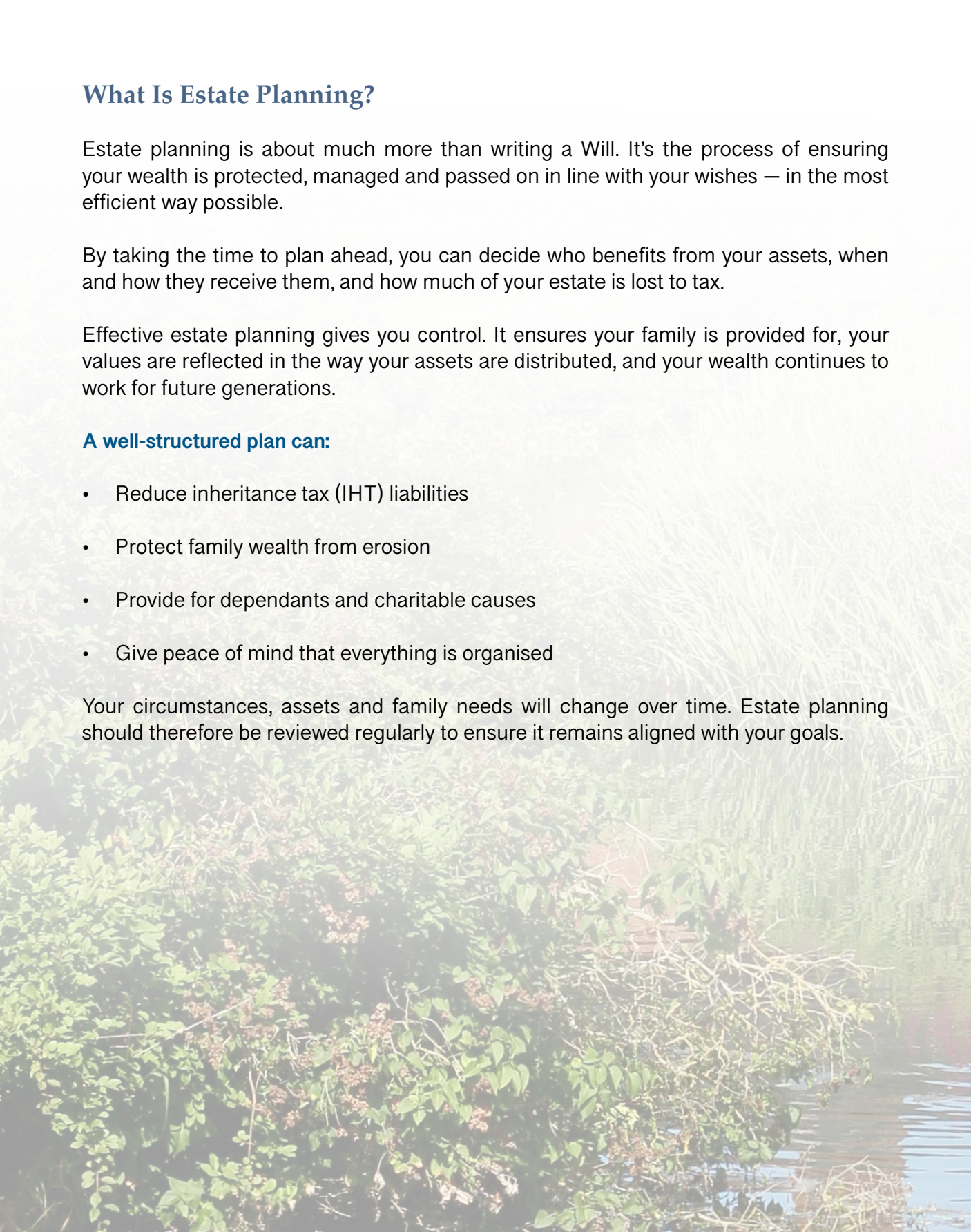
By taking the time to plan ahead, you can decide who benefits from your assets, when and how they receive them, and how much of your estate is lost to tax.

Effective estate planning gives you control. It ensures your family is provided for, your values are reflected in the way your assets are distributed, and your wealth continues to work for future generations.

A well-structured plan can:

- Reduce inheritance tax (IHT) liabilities
- Protect family wealth from erosion
- Provide for dependants and charitable causes
- Give peace of mind that everything is organised

Your circumstances, assets and family needs will change over time. Estate planning should therefore be reviewed regularly to ensure it remains aligned with your goals.



Inheritance Tax

Inheritance Tax (IHT) is the tax charged on your estate when you die, and in some cases, on certain gifts made during your lifetime.

For most people, IHT becomes payable when the value of their estate exceeds the nil-rate band — currently £325,000 per individual. Anything above this threshold may be taxed at 40%.

There are additional allowances available:

- **Residence nil-rate band (RNRB):** An extra £175,000 allowance if you leave your home to direct descendants.
- **Transferable allowances:** Married couples and civil partners can combine allowances, potentially passing on up to 1 million before IHT becomes due.

Certain assets, such as pensions, may fall outside your estate for IHT purposes, while others (like ISAs or second properties) remain fully chargeable.

Careful structuring — and early action — can make a significant difference to how much of your estate is ultimately passed to your beneficiaries.



Calculating Your Potential Inheritance Tax Liability

Understanding your potential IHT exposure is a key first step. Begin by identifying the total value of your estate:

1. **Assets:** Property, savings, investments, life assurance, business interests, personal belongings.
2. **Liabilities:** Mortgages, loans, and other debts are deducted.
3. **Exemptions and allowances:** Apply the nil-rate bands and any reliefs that may apply.

Example (simplified):

- Estate value: £1,000,000
- Less debts: £50,000
- Net estate: £950,000
- Less nil-rate band: £325,000
- Less residence nil-rate band: £175,000
- Taxable estate: £450,000
- IHT at 40% = £180,000

The result: £180,000 could go to HMRC rather than your loved ones. Planning early can reduce or even remove this liability through lifetime gifts, trusts or exemptions.

Keep in mind that thresholds have been frozen until 2028, meaning more estates will become liable as asset values rise.

Making Lifetime Gifts

Giving away assets during your lifetime can reduce the size of your taxable estate.

These are known as lifetime gifts.

Some gifts are immediately exempt:

- **Annual exemption:** You can give away £3,000 each tax year without it counting towards IHT.
- **Small gifts exemption:** Up to £250 per person per year.
- **Wedding or civil-partnership gifts:** £5,000 to a child, £2,500 to a grandchild, £1,000 to others.
- **Normal expenditure out of income:** Regular gifts that come from surplus income, not capital.

Other gifts are classed as Potentially Exempt Transfers (PETs). These become fully exempt if you survive seven years after making them. If you die within that period, the gift may still reduce your IHT bill through “taper relief”.

Making gifts early can help future generations and reduce your estate's exposure to tax — but only if it's done strategically and with the right advice.

Making a Will

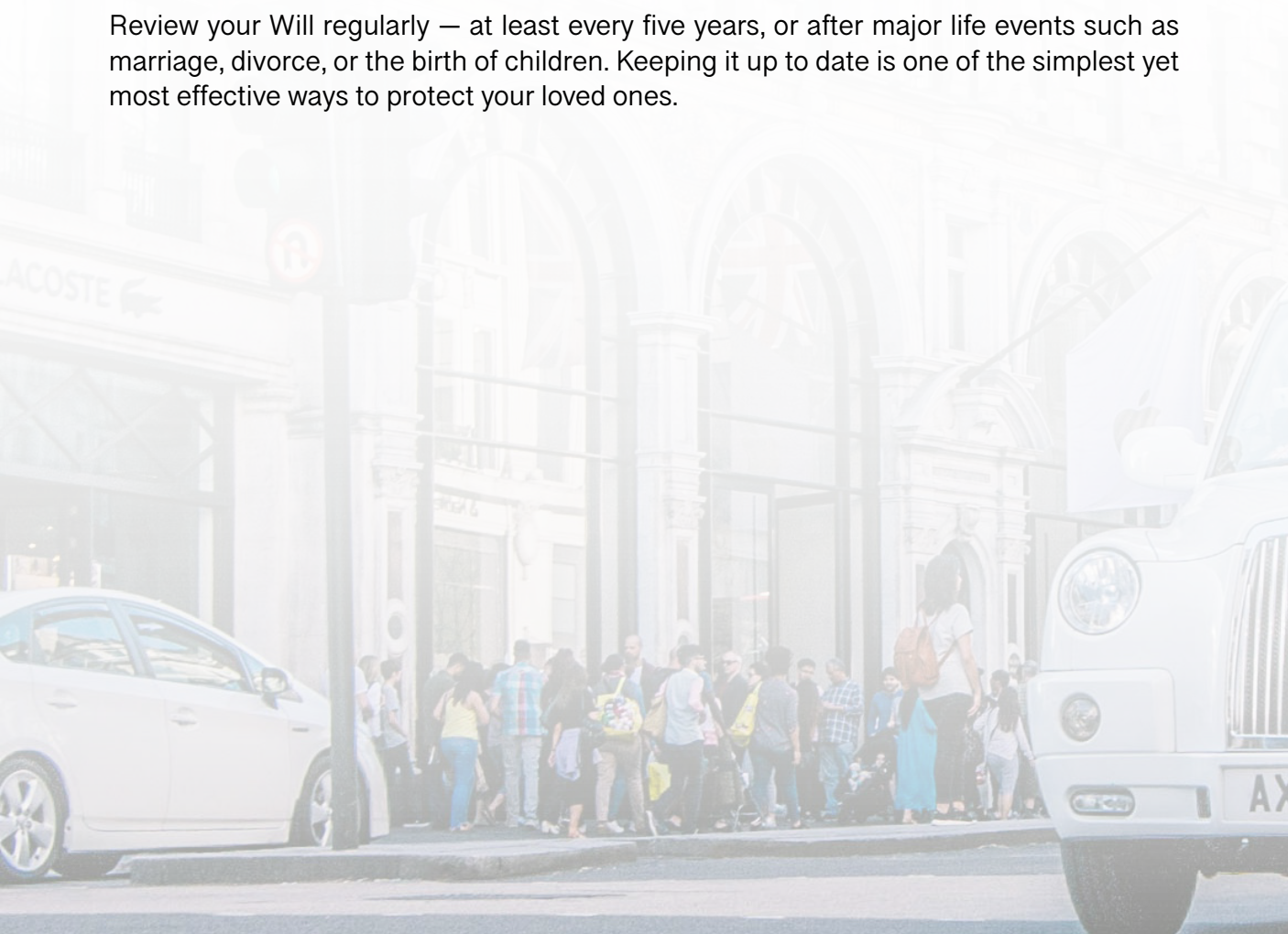
A Will is the cornerstone of any estate plan. It allows you to specify exactly who inherits your estate, appoint guardians for minor children and ensure your wishes are carried out.

Without a valid Will, your estate will be distributed according to the laws of intestacy, which may not reflect your intentions. Unmarried partners, stepchildren or friends may receive nothing.

A professionally drafted Will should:

- Appoint executors to manage your estate
- Reflect your current family and financial situation
- Complement other planning tools, such as trusts and life policies

Review your Will regularly — at least every five years, or after major life events such as marriage, divorce, or the birth of children. Keeping it up to date is one of the simplest yet most effective ways to protect your loved ones.



Power of Attorney

Estate planning isn't only about what happens after your death — it's also about protecting yourself during your lifetime.

A Lasting Power of Attorney (LPA) allows you to appoint trusted individuals to make decisions on your behalf if you lose mental capacity or are unable to act.

There are two types:

1. **Property and Financial Affairs LPA** — covers your finances, property and bills.
2. **Health and Welfare LPA** — covers medical treatment and care decisions.

Without an LPA, your family would need to apply to the Court of Protection, which can be costly and time-consuming. Having an LPA in place gives you control and reassurance that decisions will be made by people you trust.



Dealing With Your Pension

Pensions are often one of the most valuable — and most overlooked — parts of an estate plan.

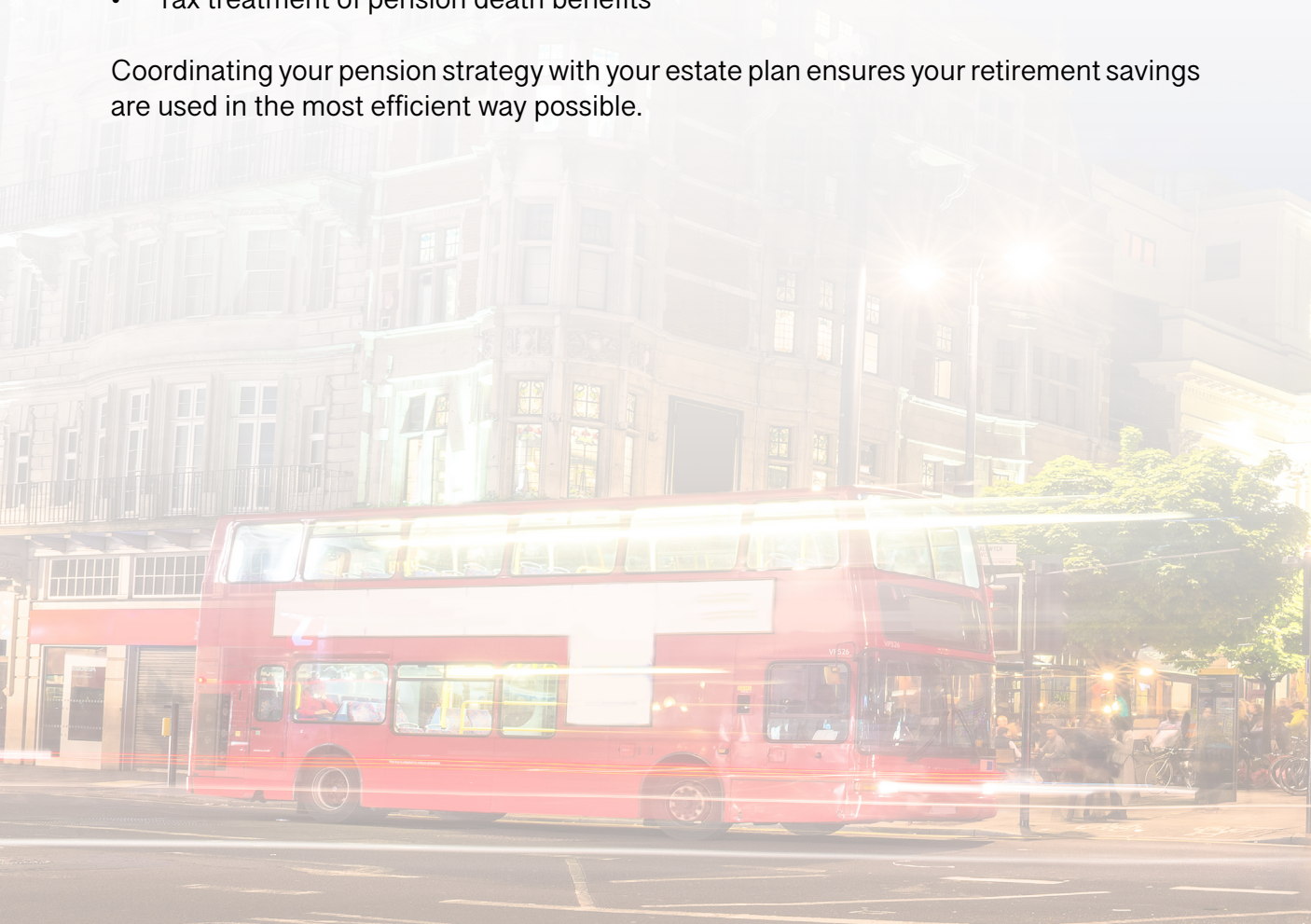
In many cases, pension funds do not form part of your estate for IHT purposes. Instead, they are governed by your scheme rules and the expression of wish form you've completed.

Ensure your nominations are current and reflect your wishes. Pension providers can exercise discretion over who receives benefits, so regular reviews are essential.

You may also consider how your pension interacts with your wider estate:

- Passing unused funds to beneficiaries
- The role of drawdown vs annuity in succession planning
- Tax treatment of pension death benefits

Coordinating your pension strategy with your estate plan ensures your retirement savings are used in the most efficient way possible.



Planning Using Trusts

Trusts can play an important role in estate planning, offering control, protection and potential tax advantages.

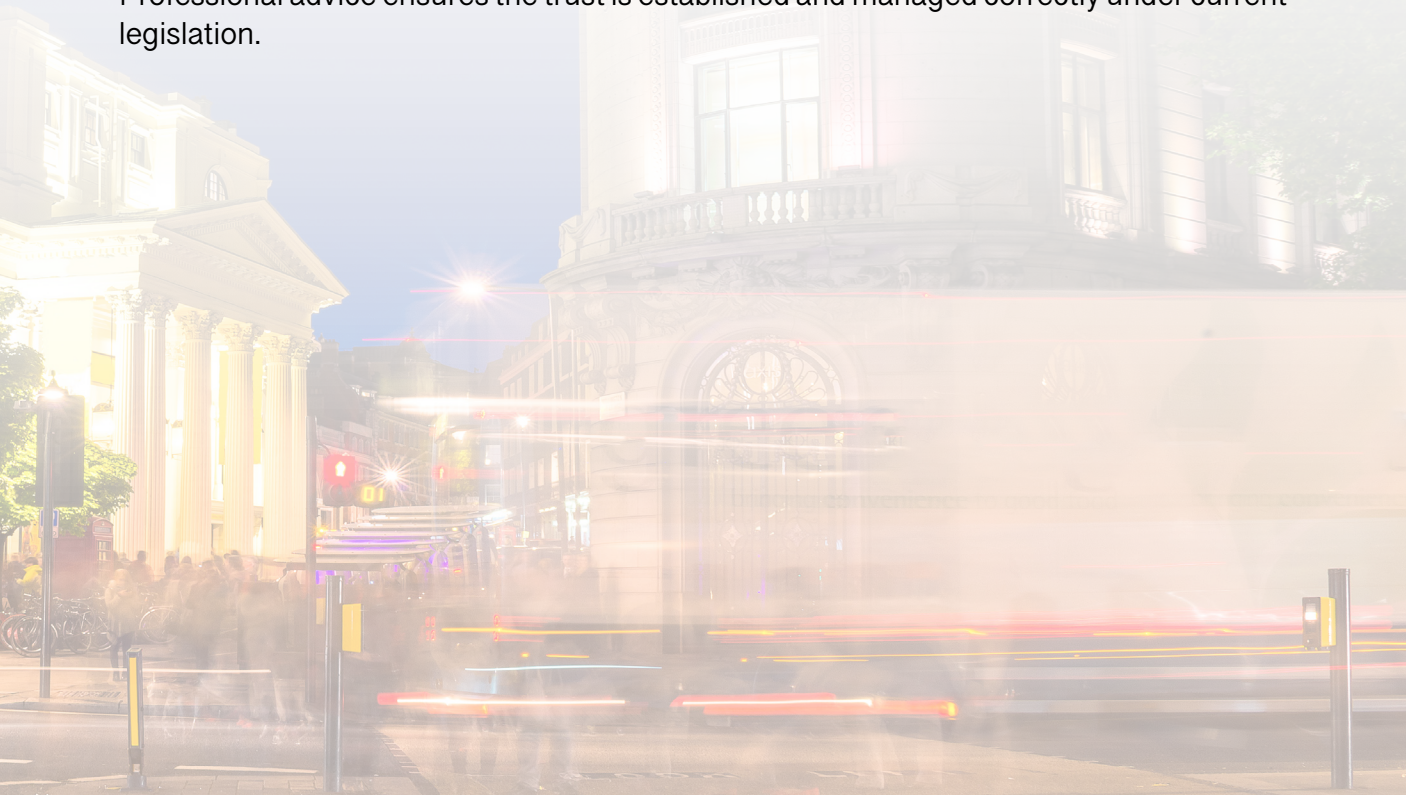
A trust allows you (the settlor) to transfer assets to trustees, who manage them for the benefit of others (the beneficiaries).

Common uses of trusts include:

- Providing for children or vulnerable beneficiaries
- Reducing IHT exposure
- Protecting assets from divorce or bankruptcy
- Controlling when and how beneficiaries receive funds

There are several types of trusts, each with different implications — bare trusts, discretionary trusts, and interest-in-possession trusts among them. The right structure depends on your personal objectives, family circumstances and time horizon.

Professional advice ensures the trust is established and managed correctly under current legislation.



Which Solution Is Right for You?

Estate planning is not one-size-fits-all. Your priorities — access to capital, income needs, family protection or philanthropy — will guide the right combination of strategies.

Approach	Best For	Benefits	Considerations
Lifetime Gifts	Reducing Taxable Estate Quickly	Simple, Direct	Loose Access To Capital
Trusts	Protecting family wealth	Control & flexibility	Ongoing admin
Loan Plan	Retaining access to capital	Growth outside estate	Complex setup
Discounted Gift Plan	IHT saving & income	Immediate discount	Long-term commitment
Gift Plan	Transferring wealth	Straightforward	7-year survival rule

A qualified adviser can model different approaches and help balance control, access and tax efficiency.

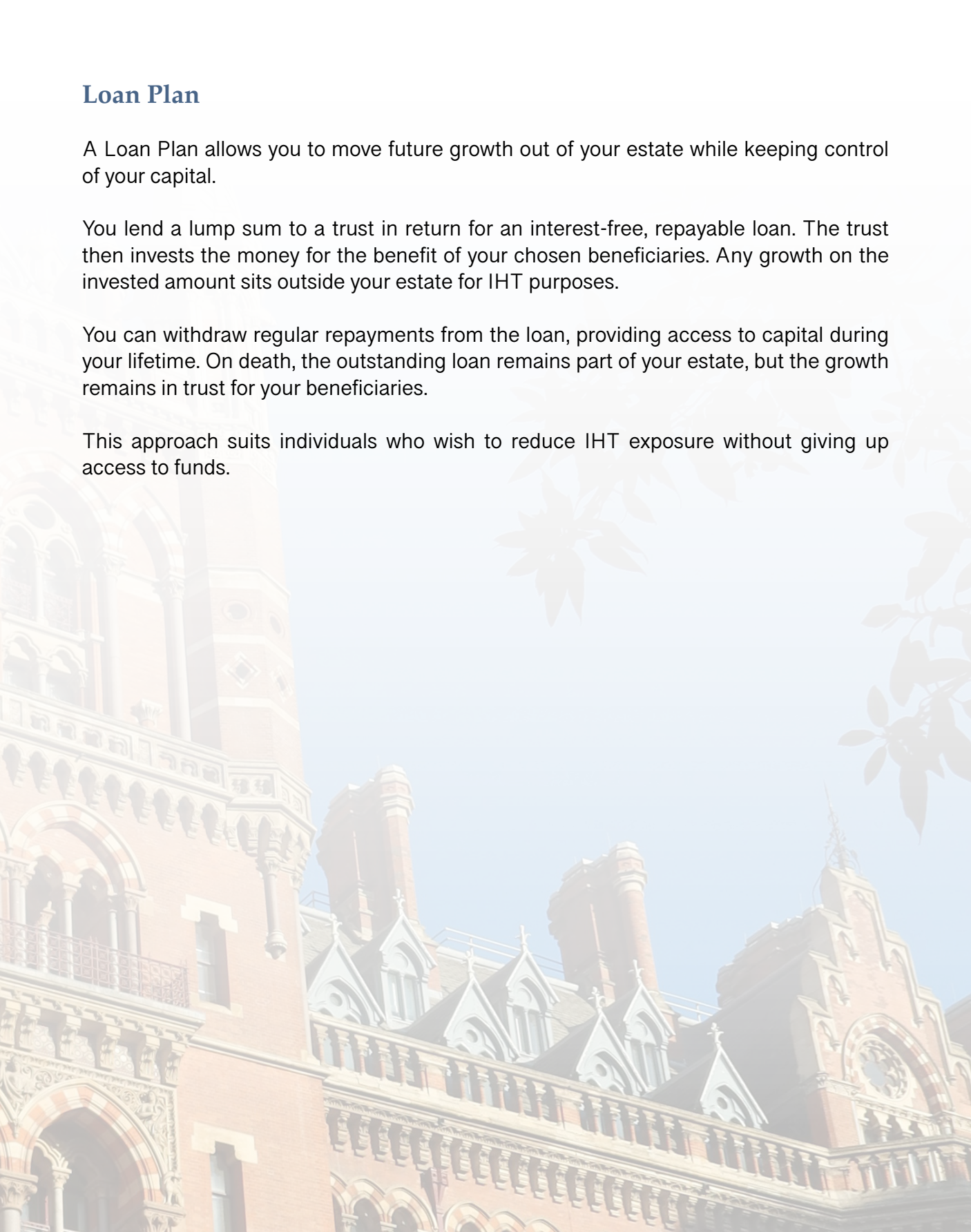
Loan Plan

A Loan Plan allows you to move future growth out of your estate while keeping control of your capital.

You lend a lump sum to a trust in return for an interest-free, repayable loan. The trust then invests the money for the benefit of your chosen beneficiaries. Any growth on the invested amount sits outside your estate for IHT purposes.

You can withdraw regular repayments from the loan, providing access to capital during your lifetime. On death, the outstanding loan remains part of your estate, but the growth remains in trust for your beneficiaries.

This approach suits individuals who wish to reduce IHT exposure without giving up access to funds.



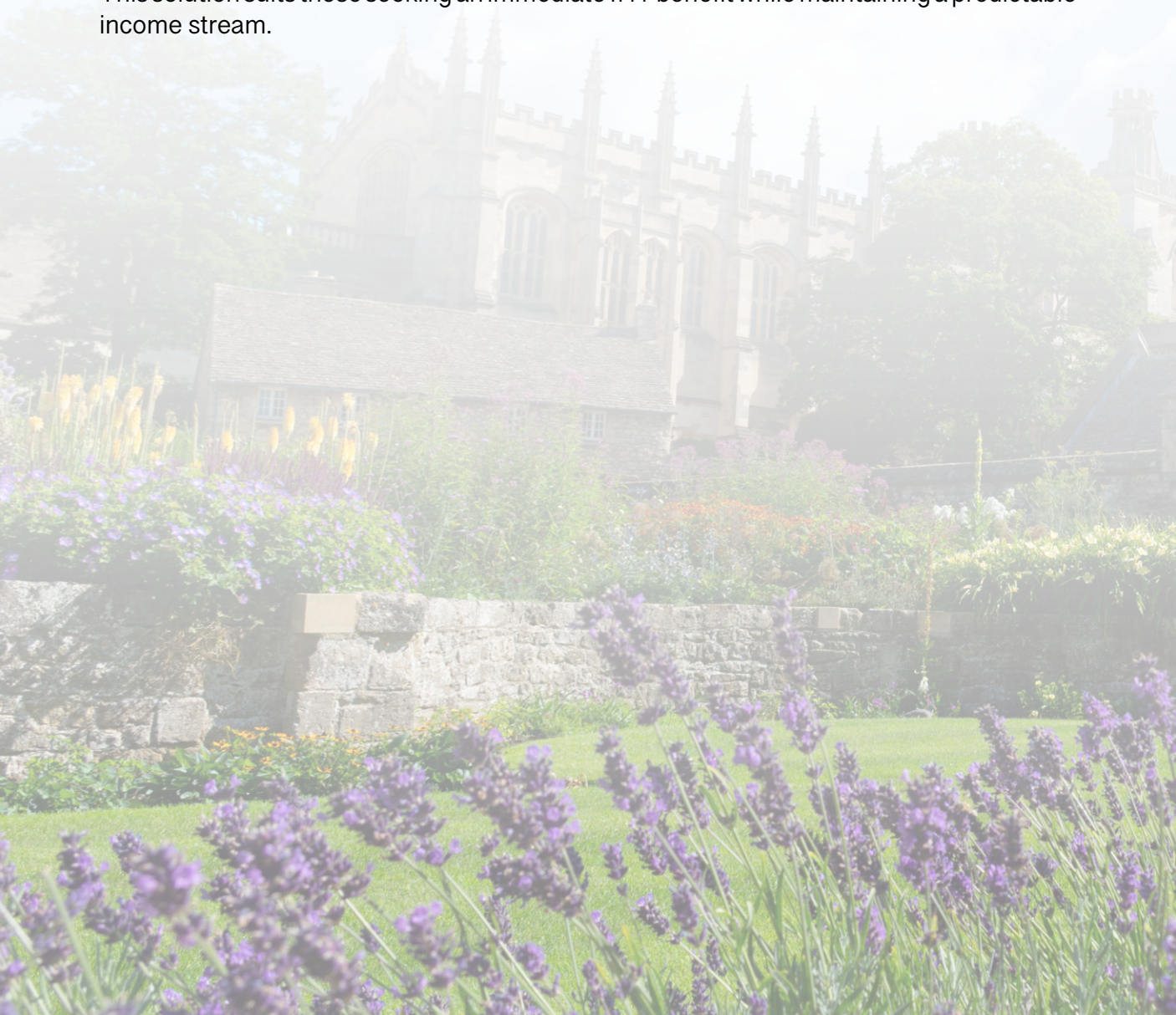
Discounted Gift Plan

A Discounted Gift Plan combines gifting with the retention of a lifetime income. You place a lump sum into a trust, but retain the right to regular withdrawals.

When the plan is created, the value of your retained income is “discounted” from the gift for IHT purposes — immediately reducing the taxable value of your estate.

If you survive seven years, the remainder of the gift falls outside your estate entirely. The trust can then distribute capital to your chosen beneficiaries according to its terms.

This solution suits those seeking an immediate IHT benefit while maintaining a predictable income stream.



Gift Plan

A Gift Plan is the simplest way to remove assets from your estate. You make a one-off gift to a trust or directly to beneficiaries, with no retained rights.

Provided you live for seven years after making the gift, its full value falls outside your estate for IHT purposes. If you die within that period, taper relief may still reduce the tax due.

The main advantage is simplicity — but you must be comfortable that the gifted assets are no longer available for your own use.

A Gift Plan is often used alongside other strategies, forming part of a broader estate-planning framework that balances generosity with financial security.



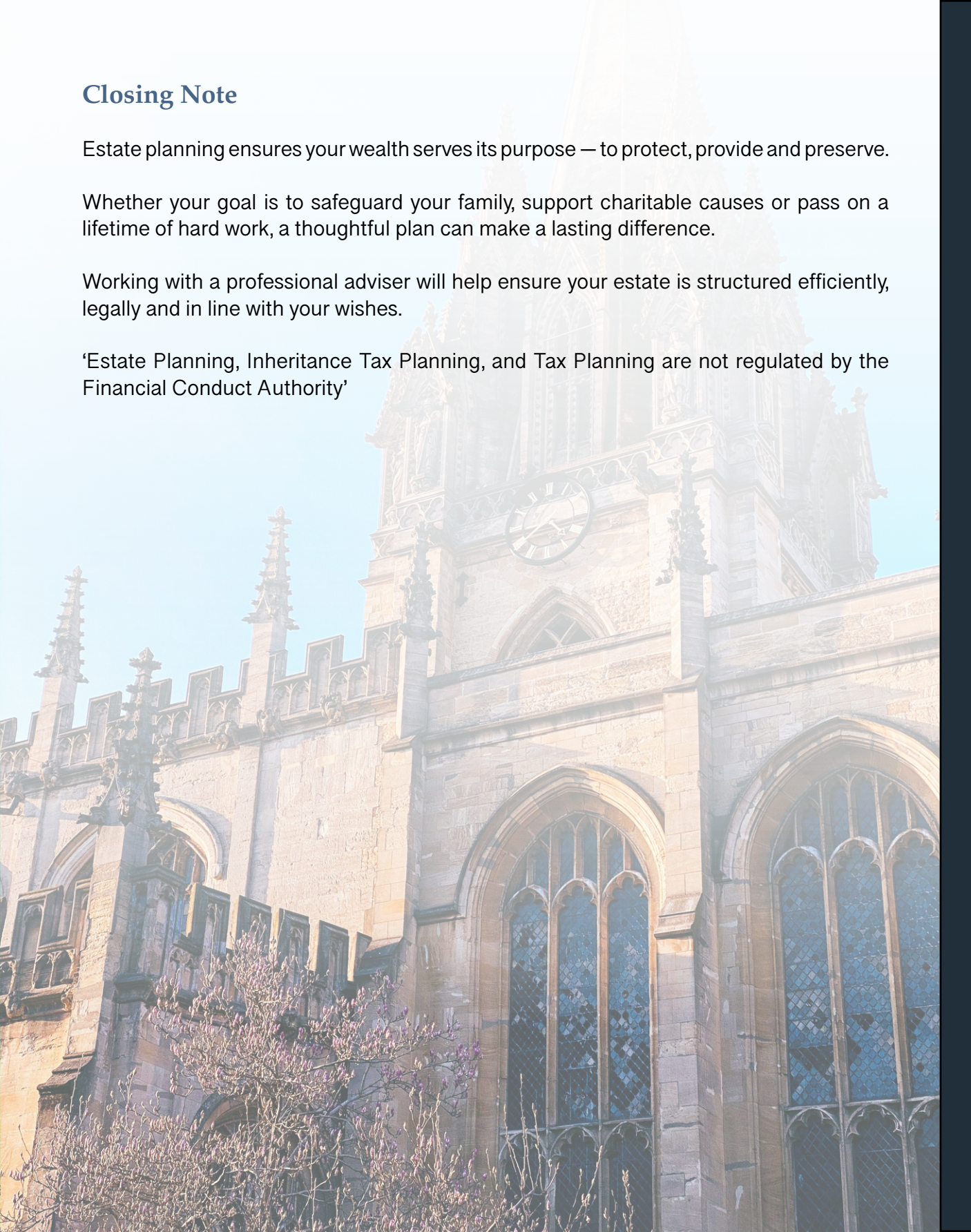
Closing Note

Estate planning ensures your wealth serves its purpose — to protect, provide and preserve.

Whether your goal is to safeguard your family, support charitable causes or pass on a lifetime of hard work, a thoughtful plan can make a lasting difference.

Working with a professional adviser will help ensure your estate is structured efficiently, legally and in line with your wishes.

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BLACKTOWER
FINANCIAL MANAGEMENT GROUP

www.blacktowerfm.com
info@blacktowerfm.com

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