

News Release:

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Reduce your exposure to Inheritance Tax and Nursing Home Fees

With many middle income families being hammered by the taxman it is astonishing how many leave themselves open to paying more Inheritance Tax (IHT) than necessary by failing to draw up a Will that takes appropriate account of the value of all their assets, with the family home being a major element that should be considered. Matters become worse when the cost of nursing home fees is factored into the equation.

Even in the currently difficult market, the average house price in March in Edinburgh, for example, was £207,497. With the IHT threshold at £325,000 (£650,000 for a married couple/civil partnership) it means many families will be facing IHT, yet it could be reduced by the straightforward step of drawing up a Will that creates a flexible liferent trust.

Leaving aside IHT, many families also fail to factor in the costs of nursing home fees which are payable in full where an individual has assets in excess of £22,750.

'Horror story of £16,000 tax bill'

A couple had a Will drawn up as each wanted to leave their half of their house and their share of their investment portfolio to their children. Unfortunately, they did not think to calculate the accurate market value of the house. At over £500,000 when added to an investment portfolio of £230,000, it meant that the amount the children would have received (£365,000) exceeded the current Nil Rate Band threshold of £325,000 for IHT.

Thus, they were not just leaving their children valuable assets; they also left them a potential £16,000 IHT bill and, potentially, a Capital Gains tax bill when the house is eventually sold.

However, by leaving a Will creating a flexible liferent trust for the surviving spouse no IHT is payable at that point as transfers between spouses are IHT free. The liferent trust, while giving the surviving spouse access to the use and income from the assets, also protects the assets from paying nursing home fees as they do not actually belong to the surviving spouse.

By structuring Wills correctly the maximum IHT and CGT benefits can be obtained and assets protected from the ravages of paying nursing home fees.

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