CASE
STUDY

Inheritance Tax & Retirement Planning: Meeting Lifetime Needs While Protecting Legacy for Edward and Gemma Browne

Background

Edward and Gemma, a married retired couple in their mid-70s, approached Will for advice having built up significant wealth over many years. Their assets had been accumulated in different ways and were held across a wide range of accounts, including personal pensions, each with different tax treatments for income, capital growth and inheritance tax.

With grown-up children and grandchildren still at school, Edward and Gemma wanted to ensure they could comfortably continue to meet their own lifetime needs while also supporting the next generation in a tax-efficient way. Although they felt financially secure, they were unsure whether they were drawing on their various accounts in the most effective way, both to provide their own income and to leave an efficient legacy to their children and grandchildren.

The Issue

Edward and Gemma were particularly concerned about how much income they could take while still retaining a prudent level of capital for the future. They were uncertain about how their assets should be structured across different types of accounts and wanted to better understand the changing treatment of pensions, including the possibility of pension assets forming part of their estate for inheritance tax purposes.

They also wanted clarity around how and when to pass wealth to their children and grandchildren in a way that was meaningful and tax-efficient. While inheritance tax was a concern, they were clear that estate planning decisions should not come at the expense of their own lifestyle, flexibility or peace of mind. Balancing their own long-term security with planning for the next generation was central to their concerns.

What Was Considered

Will began by helping Edward and Gemma clearly identify their essential and flexible lifetime spending needs, alongside an appropriate level of capital to retain for themselves. This provided a clear foundation for subsequent planning decisions and ensured that any estate planning was considered only once their own needs had been fully addressed.

Using detailed cashflow forecasting, Will illustrated how their wealth could support their lifestyle over the remainder of their lives under a range of different scenarios. This allowed Edward and Gemma to see, in practical terms, how much capital was likely to be surplus to their needs and could therefore be considered for gifting or longer-term estate planning without compromising their financial security.

Their existing accounts were reviewed in detail and restructured within available allowances to ensure that as much of their wealth as possible could continue to grow in a tax-efficient way. This included making effective use of tax-free and tax-advantaged allowances for both income and growth, and using spousal exemptions to transfer assets between Edward and Gemma where appropriate. This allowed income to be drawn more efficiently based on their individual circumstances.

Consideration was also given to ensuring that assets required for income were held in the most suitable accounts, while assets not needed in the short to medium term were better aligned for passing on to the next generation if and when appropriate. Will also helped Edward and Gemma develop a plan for making lifetime gifts to children and grandchildren, aiming to make the most of available inheritance tax exemptions.

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Alongside this, Will spent time discussing the implications of pensions potentially forming part of the estate for inheritance tax purposes. He explained the options available and how planning could be adapted as legislation evolves. Encouraging Edward and Gemma to involve their children in discussions, where appropriate, helped them explore how much could be given, to whom, and when. This enabled lifetime gifts to be planned with clarity, including opportunities for gifts that are immediately exempt for inheritance tax, while still retaining flexibility.

What Was Recommended

Based on this analysis, Will recommended a structured approach that prioritised Edward and Gemma's lifetime needs while also allowing for meaningful and tax-efficient support for their family. This included retaining an appropriate level of capital to support their own spending needs, while identifying surplus assets that could be used for lifetime gifting or longer-term estate planning.

Assets were structured to ensure income, growth and legacy planning were aligned with the most appropriate types of accounts, taking into account tax efficiency and accessibility.

The recommendations also allowed for flexibility, recognising that tax rules, pension legislation and family circumstances may change over time and that their plan would need to adapt accordingly.

Outcome

As a result of the planning process, Edward and Gemma gained a clear understanding of their overall financial position and how their wealth could support both their own lifetimes and their family. They now benefit from a quantified plan showing how their income and capital can support them for life in a sustainable and efficient way.

They have greater confidence in making lifetime gifts, with a clear understanding of the potential tax implications, and their assets are structured efficiently for income, growth and legacy planning. Ongoing financial planning support ensures their strategy can be adapted as rules, tax legislation and family circumstances change.

Most importantly, Edward and Gemma were able to put inheritance tax into context, replacing uncertainty and worry with clarity and control over their financial decisions.

As our clients typically demand the utmost confidentiality, some of the information in this case study has been changed.

To find out more about how we could help you please contact us

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