INHERITANCE PLANNING COMPANY

5 Threats to Your Children's Inheritance

Introduction

Inheritance planning is crucial to ensuring that your children receive the assets and wealth you intend to pass down. However, there are several risks that can threaten your children's inheritance. This guide outlines five common threats and how you can safeguard against them.

Threat 1: Inheritance Tax

Inheritance Tax (IHT) is a significant risk to the value of your estate. If the total value of your estate exceeds the IHT threshold, which is currently £325,000, anything over this amount could be taxed at a rate of 40%.

How to Mitigate:
Use tax-efficient structures such as **trusts** and **lifetime gifts** to reduce the value of your taxable estate. Additionally, consider utilising the **Residence Nil Rate Band** (RNRB) if passing on your home to direct descendants.

Threat 2: Divorce or Family Breakups

If your children go through a divorce or separation, their inherited assets could be at risk of being divided as part of the divorce settlement.

How to Mitigate:
Establish a **trust** to manage the inheritance. This will protect the assets from being included in any potential divorce proceedings, ensuring that they remain within your family.

Threat 3: Creditor Claims

If your children are facing debts or financial difficulties, creditors may have the right to claim against their inheritance to settle outstanding debts.

How to Mitigate:
A **discretionary trust** can be set up to ensure that creditors cannot claim the assets directly, offering additional protection to your children.

Threat 4: Poor Financial Management

Without proper guidance, your children may not manage their inheritance wisely, potentially leading to financial mismanagement or loss of wealth.

How to Mitigate:
Consider appointing a **professional trustee** or setting conditions on how the funds are to be managed or distributed over time, providing them with structure and oversight for their financial future.

Threat 5: Remarriage of a Surviving Spouse

If your surviving spouse remarries, there's a risk that your children's inheritance could be diverted to their new spouse or stepchildren.

How to Mitigate:
A **Life Interest Trust** can ensure that your spouse benefits from the income of the estate during their lifetime while preserving the capital for your children, protecting it from any future marriage complications.

FAQs

1. What is the current inheritance tax threshold?

The inheritance tax threshold is £325,000 per person. Any amount over this threshold is taxed at 40%.

2. Can I protect my children's inheritance from divorce?

Yes, setting up a **trust** can safeguard the assets, ensuring they aren't considered part of a divorce settlement.

3. What happens if my spouse remarries?

A **Life Interest Trust** can ensure that your spouse benefits from your estate during their lifetime while preserving the capital for your children after your spouse's death.

How We Can Help

At **Inheritance Planning Company,** we specialise in creating personalised estate plans that protect your children's inheritance from these common threats. Our experts can help you draft wills, set up trusts, and develop strategies to minimise inheritance tax and ensure your assets are passed on safely.

Disclaimer:

This information is correct as of September 2024. Legal updates or changes may have occurred since then. For the most current advice, please contact **Inheritance Planning Company Ltd** at:

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