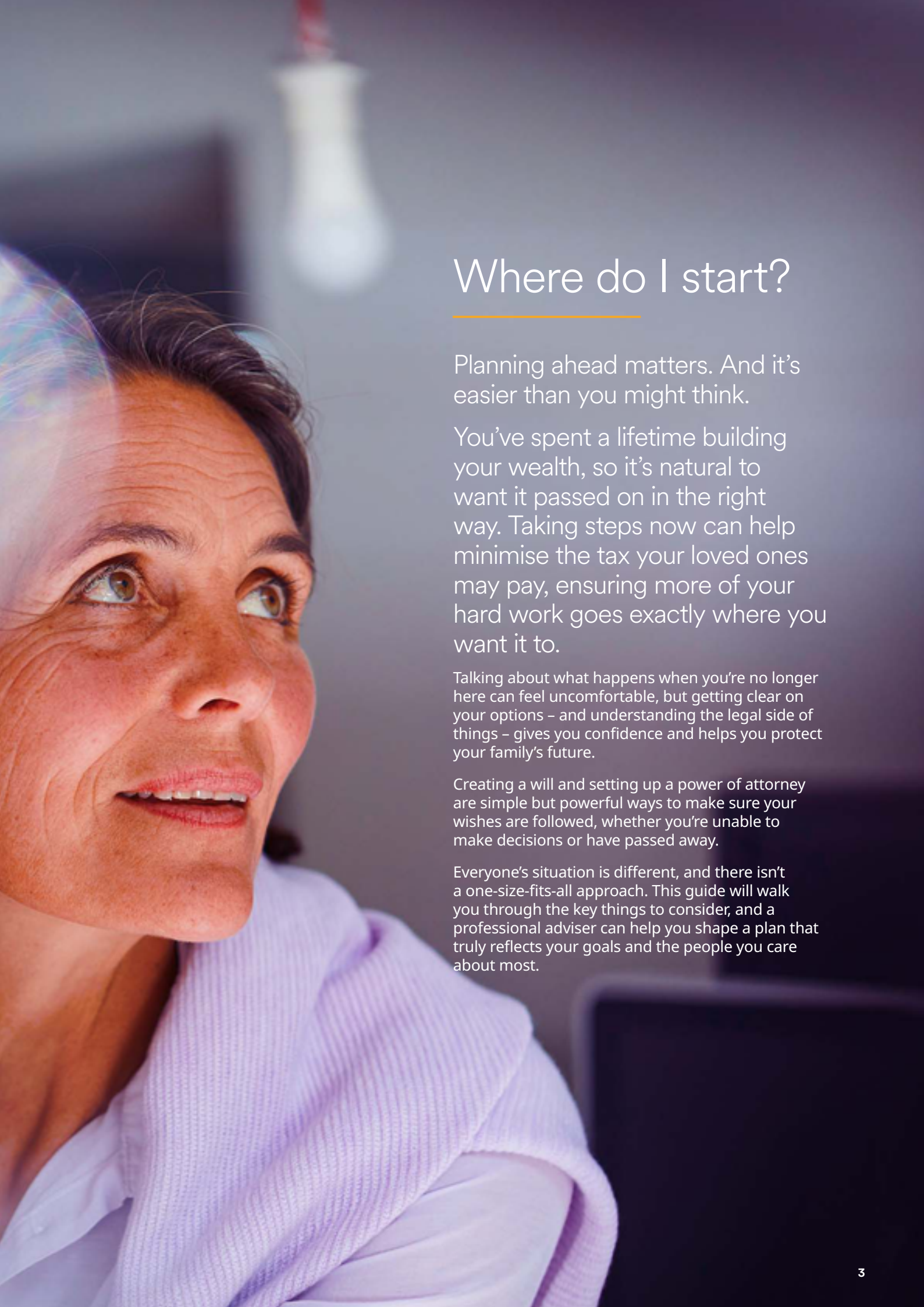


A guide to passing on wealth For you and your loved ones



PRISM
WEALTH MANAGEMENT





Where do I start?

Planning ahead matters. And it's easier than you might think.

You've spent a lifetime building your wealth, so it's natural to want it passed on in the right way. Taking steps now can help minimise the tax your loved ones may pay, ensuring more of your hard work goes exactly where you want it to.

Talking about what happens when you're no longer here can feel uncomfortable, but getting clear on your options – and understanding the legal side of things – gives you confidence and helps you protect your family's future.

Creating a will and setting up a power of attorney are simple but powerful ways to make sure your wishes are followed, whether you're unable to make decisions or have passed away.

Everyone's situation is different, and there isn't a one-size-fits-all approach. This guide will walk you through the key things to consider, and a professional adviser can help you shape a plan that truly reflects your goals and the people you care about most.

Do I need a will?

A will gives you clarity. And it gives your loved ones protection. It's one of the simplest ways to make sure your wealth is passed on exactly as you intend. It also makes things far easier for the people you care about, easing the pressure during what can be an emotionally difficult time.

A will sets out who should inherit your money, property and possessions (your beneficiaries), and who you'd like to take responsibility for managing your estate and carrying out your wishes (your executors).

It's especially important if you're in a long-term relationship that isn't legally recognised. Without a will, unmarried partners don't have the same rights as spouses or civil partners – which means your partner could unintentionally be left with nothing.

A well-structured will can also help reduce the inheritance tax your loved ones might need to pay, ensuring more of your estate reaches the people you choose.

Can I write my own will?

You can write your own will, but it's surprisingly easy to make mistakes. Even small errors can cause delays, confusion, or even invalidate the whole document. That's why many people choose to work with a solicitor, who can ensure everything is correctly drafted and legally watertight.

Where should I keep my will?

Once your will is in place, make sure your executors know exactly where to find it. Storing it somewhere like a locked safe or safety deposit box can cause avoidable delays if they can't access it. Many people choose to keep their will with a solicitor, another

professional adviser, or the Probate Service – all secure and accessible options.

Reviewing your will

Once a will has been written and is signed it should be reviewed regularly, even if you don't wish to change it. Reviewing your will is particularly important after big life changes, such as:

- Separation or divorce
- Having children or new family responsibilities
- Buying or selling a significant asset, like your house
- Getting married or entering a civil partnership

It's likely that any will you had previously would be invalidated on marriage, unless it specifically states that it was made 'in contemplation of marriage'.

Where can you find a solicitor to help?

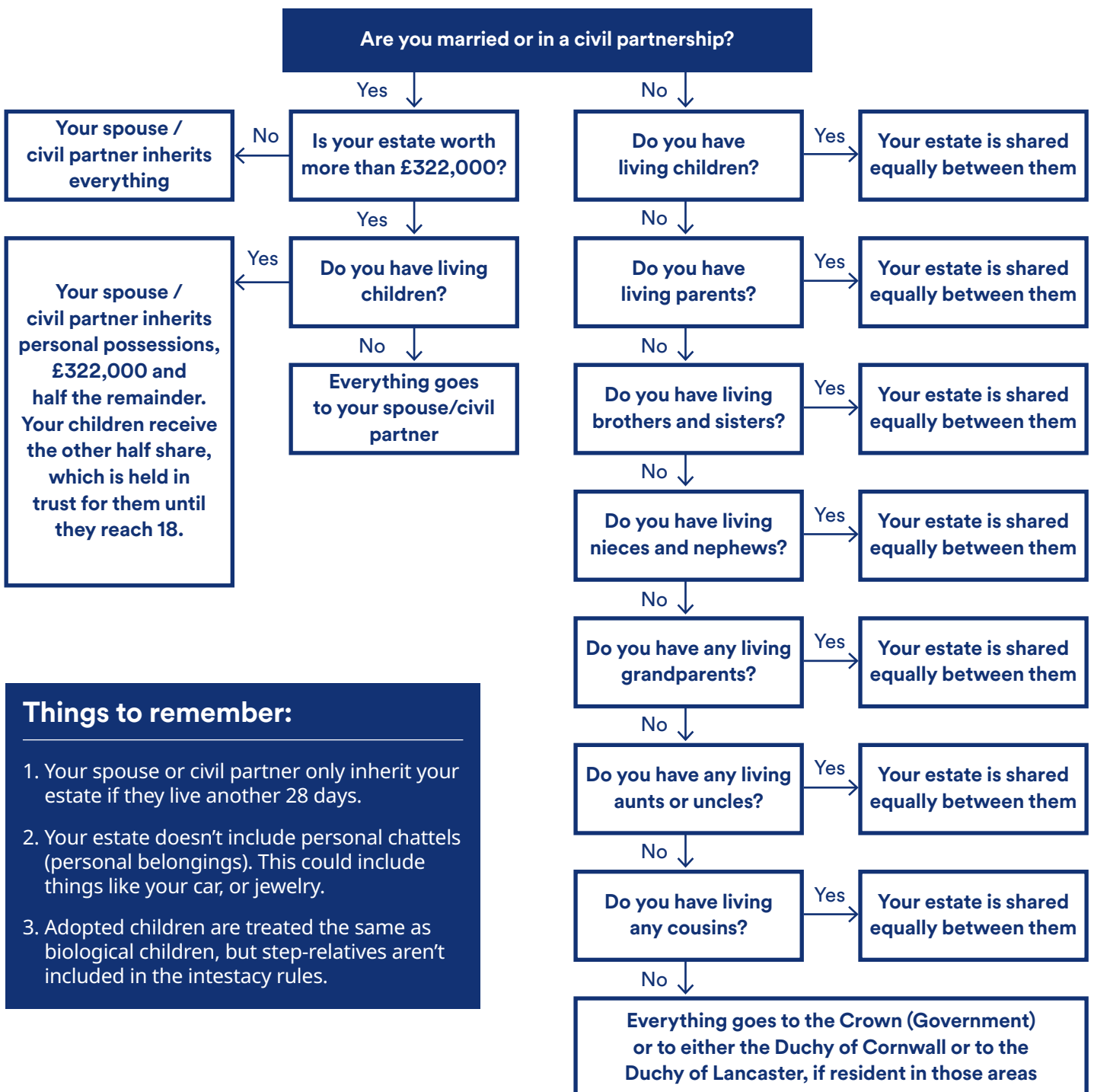
The Law Society can help you to find a solicitor to assist with your will. Solicitors with the Law Society should be regulated and insured, to give you added peace of mind. Alternatively, your friends or family may be able to recommend one.

Visit [lawsociety.org.uk](https://www.lawsociety.org.uk) to find out more about the Law Society.

Links to third-party websites or helpline numbers are to help you find information that may be relevant to you quickly and easily. Benchmark does not endorse or guarantee the external organisations included in these links nor do we control or guarantee the information provided in them. They are provided solely for information and convenience and are not intended to represent an exhaustive listing.

What are the next steps?

If you pass away without leaving a will, your estate will be automatically distributed according to the rules of intestacy. The flow chart below shows how your estate would be passed on under these rules in England and Wales. Different rules apply to Northern Ireland and Scotland.



Things to remember:

1. Your spouse or civil partner only inherit your estate if they live another 28 days.
2. Your estate doesn't include personal chattels (personal belongings). This could include things like your car, or jewelry.
3. Adopted children are treated the same as biological children, but step-relatives aren't included in the intestacy rules.

What is a power of attorney?

A Lasting Power of Attorney (LPA) is a legal document allowing people you trust to help you make decisions, or to make decisions on your behalf.

It's something many people put off until later in life, but it's actually best to think about it while you're fit, well, and able to make clear choices about your future.

Putting an LPA in place means you stay in control. You decide in advance how your health, wellbeing and financial affairs should be managed if there comes a time when you can't make those decisions yourself, and you choose exactly who you want to act for you.

What happens if you don't have a power of attorney?

If you lose capacity without an LPA, your family – even your spouse – won't automatically be able to access your accounts or manage your finances. Unless an account is jointly held, banks may freeze everything until a formal authority is granted. This process can be lengthy, stressful and costly at a time when your loved ones are already dealing with a lot.

The two types of LPA

There are two kinds of LPA, each covering a different area of your life between you (the donor) and someone you trust (the attorney).

1. Property and Financial Affairs LPA

This allows your chosen attorney to manage your financial matters – anything from paying household bills to handling investments or even selling your home if needed. You can choose for this type of LPA to be used while you still have capacity, which can be helpful if you simply need support.

2. Health and Welfare LPA

This comes into effect only if you can no longer make decisions yourself. Your attorney can then make choices about your daily care, where you live, and your medical treatment, based on what they know you would want.





What is inheritance tax and who has to pay it?

Inheritance Tax is a tax on the property, money and possessions (this is called an estate) someone leaves behind when they die. Without the right planning, it can create a significant cost for your loved ones.

Careful financial planning can significantly reduce, or even avoid, inheritance tax so that your family reaps the full benefit of your hard work when you're no longer there.

Your loved ones shouldn't have to pay inheritance tax if your estate is below the nil-rate band, or if you leave everything to your spouse, civil partner, a charity or an amateur community sports club.

Who pays inheritance tax?

Funds from your estate are used to pay inheritance tax to HM Revenue and Customs (HMRC). This is undertaken by the person dealing with the estate (called the 'executor', if there's a will).

Your beneficiaries (the people who inherit your estate) do not normally pay tax on their inheritance. They may, however, have related taxes to pay, for example if they receive rental income from a house left to them in a will.

The nil-rate band

The nil-rate band is the value of an estate that does not attract inheritance tax. It's currently £325,000 and the government has said this won't change before 6 April 2031. Estates above this threshold are taxed at 40%.

If at least 10% of the net value of the estate has been left to a registered charity, a reduced rate of inheritance tax will apply.

This reduced rate provides a 10% discount off the standard 40% rate of inheritance tax, so a reduced rate of 36% rather than 40%.

The residence nil-rate band

There is also another allowance, the residence nil-rate band. This additional allowance applies when a main residence is passed to a direct descendant. It adds a further £175,000 per person to the tax-free allowance and is also frozen until 6 April 2031.

Putting it all together

You only ever pay inheritance tax on the amount that exceeds your available allowances. For example:

- If your estate is worth £500,000 and your only allowance is the £325,000 nil-rate band, then £175,000 would be taxable.
- But if you also qualify for the £175,000 residence nil-rate band, the full £500,000 would fall within your combined allowances, meaning no inheritance tax is due.

Together, a married couple or civil partners can potentially pass on up to £1 million tax-free if both nil-rate bands and both residence nil-rate bands apply.

Remember, the residence nil-rate band tapers away for larger estates. Once an estate exceeds £2 million, this allowance is gradually reduced – and for every £2 over the £2 million mark, the residence nil-rate band reduced by £1.

For further details please refer to: <https://www.gov.uk>.

Working out the value of your estate

To understand the value of your estate, your adviser will need a clear picture of everything you own. This helps them work out what your estate would be worth when you pass away.

Assets include items such as money in a bank, property or land, jewellery, cars, shares or a pay-out from an insurance policy. Some of your assets may be jointly owned by someone else, such as your spouse.

If you're not sure if something is an asset, seek your adviser's guidance.

Gifts are also part of the calculation. Most gifts only need to be included if they were made within the seven years before your death. Gifts made earlier than that are usually ignored unless you continued to benefit from them – known as “gifts with reservation of benefit.” For example, giving your home to your children but continuing to live in it would still count as part of your estate.

Check out pages 10-11 for more on gifts and inheritance tax.

If you have any debts or liabilities when you pass away, these will be deducted from the value of the estate. This includes things like mortgages, household bills, credit card debts

and possibly funeral expenses. However, costs incurred after you have passed away, such as solicitor and probate fees, won't be deducted.

Once everything has been added up and the necessary deductions made, whatever remains is what your loved ones can inherit. Careful planning now can help make sure they keep as much of this as possible, rather than losing more than necessary to tax.

Example inheritance tax calculation:

| | |
|------------------------------|-------------------|
| House | £600,000 |
| Possessions | £100,000 |
| Savings and investments* | £300,000 |
| Total estate value | £1,000,000 |
| Less nil-rate band | -£325,000 |
| Less residence nil-rate band | -£175,000 |
| Net estate subject to tax | £500,000 |
| Tax payable (40%) | £200,000 |

* Some pensions will also be subject to inheritance tax from 6th April 2027.

Are gifts exempt from inheritance tax?

The short answer is not always, but the reality is a little more complicated. Gifts of up to £3,000 can be given away each tax year without being added to the value of an estate. You can also give away up to £325,000 over your lifetime before inheritance tax becomes an issue, depending on your other allowances. You should tell your adviser about any gifts you give, so they can keep a record.

Transfers between spouses

Any assets you transfer to your spouse or civil partner are exempt from inheritance tax, as long as you are both resident in the UK. This applies both during your lifetime and when you have passed away.

If your spouse lives outside of the UK, up to the value of the nil-rate band (currently £325,000) is exempt from inheritance tax.

What is the seven year rule?

The most generous exemption from inheritance tax is the seven year rule.

Currently, you can make a gift of any size and pay no inheritance tax, as long as you survive seven years.

After seven years have passed, gifts will not be counted towards the value of your estate.

Gifts to certain types of trust do not qualify for this exemption – your adviser will be able to tell you more about this.

If you give a gift within the seven years prior to your death, it may be subject to a tapered rate of inheritance tax, depending on the value and time frame between the gifting and your passing.

| Gift given | Tax rate ¹ |
|---------------------|-----------------------|
| Up to 3 years prior | 40% |
| 3-4 years prior | 32% |
| 4-5 years prior | 24% |
| 5-6 years prior | 16% |
| 6-7 years prior | 8% |
| Over 7 years prior | 0% |

Seven year rule example²

Sally died on 1 July 2022. She was not married or in a civil partnership when she died.

She gave 3 gifts in the 9 years before her death:

- £50,000 to her brother 9 years before her death
- £325,000 to her sister 4 years and 2 months before her death
- £100,000 to her friend 3 years before her death

There's no Inheritance Tax to pay on the £50,000 gift to her brother as it was given more than 7 years before she died.

There's also no Inheritance Tax to pay on the £325,000 she gave her sister, as this is within the Inheritance Tax threshold.

But her friend must pay Inheritance Tax on her £100,000 gift at a rate of 32%, as it's above the tax-free threshold and was given 3 years before Sally died. The Inheritance Tax due is £32,000.

Sally's remaining estate was valued at £400,000, so the estate would pay Inheritance Tax of 40% on £400,000 (£160,000).

¹Tapered rate applicable only after the £325,000 nil-rate band is used.

²Example from www.gov.uk/inheritance-tax/gifts



There are a few other scenarios where you can give gifts without it counting towards the value of your estate, even if they're given in the seven years before you pass away.

Gifts on marriage

You're allowed to make tax-free wedding gifts up to specific limits:

- £5,000 from each parent
- £2,500 from each grandparent
- £1,000 from other relatives or friends
- Brides and grooms can each give up to £2,500 as an exempt gift

Small annual gifts

You can give any number of small gifts of up to £250 per person each tax year, as long as you haven't already used another exemption for that individual.

For example, if you gave your daughter a wedding gift that used a different exemption, you wouldn't be able to give her a further £250 tax-free in the same year. But you could give £250 to your son, provided he hasn't received any other exempt gifts from you that year.

Regular gifts out of surplus income

You can make regular gifts out of your surplus income – of any amount – without them forming part of your estate for inheritance tax purposes.

The key points are:

- The gifts must be part of a regular pattern (for example, monthly savings for a grandchild)

- They must come from income, not capital
- They must not affect your normal standard of living

Because HMRC checks these carefully, it's important to keep clear records of your income, spending and the gifts themselves.

Gifts to charities

Any gift you make to a UK-registered charity is completely exempt from inheritance tax, no matter the size – and it won't count towards the value of your estate.

You can benefit from leaving some of your estate to charity in your will; if the gift is 10% or more of the net estate, the rate of inheritance tax payable on the whole estate is reduced from 40% to 36%.

This doesn't mean 10% of your total estate should pass to charity, just 10% of the excess over the threshold.

For example, if your estate is worth £500,000 and your tax-free allowance is £325,000, the taxable amount is £175,000. Leaving 10% of that – £17,500 – to charity would qualify your estate for the reduced 36% inheritance tax rate.

Take control with trusts

Trusts can be a powerful way to shape your legacy. Not only can they help reduce inheritance tax and protect your wealth for future generations, but they also give you more say in how and when that wealth is used once you're no longer around.

There are many reasons you might want this extra layer of control. For example, a trust can safeguard your estate if your surviving spouse later remarries, helping ensure your assets ultimately pass to your children or grandchildren. Trusts can also protect family wealth during difficult life events, such as divorce or financial disputes, giving your loved ones an added layer of security.

A trust can also be helpful if you want to delay an inheritance until someone is old enough – or responsible enough – to manage it well. You might decide that a child or grandchild shouldn't receive a large sum all at once, and instead want the money held until they reach a certain age or milestone.

You may also use a trust simply to keep part of your wealth outside your estate, helping to reduce the inheritance tax that might otherwise be due.

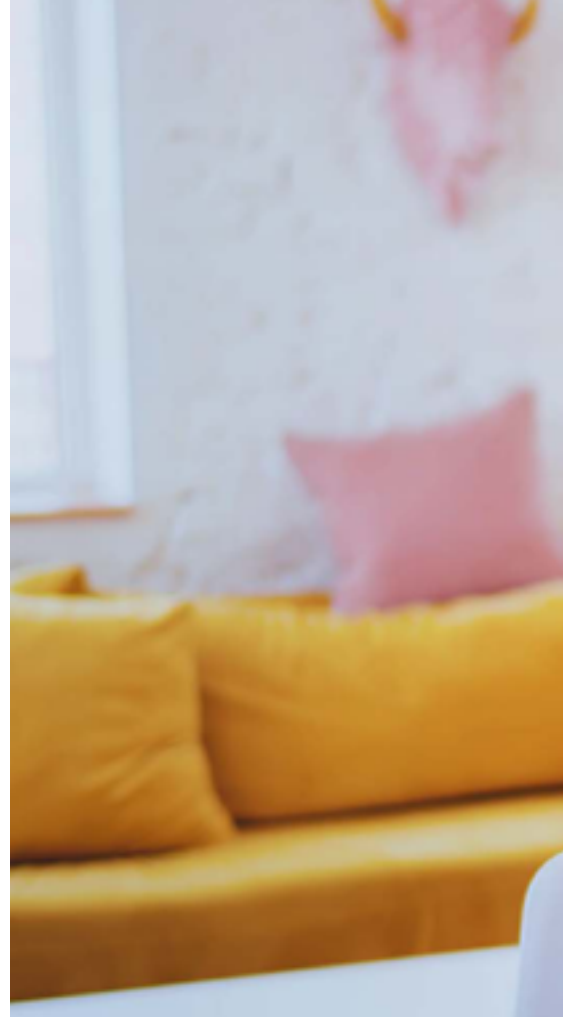
Don't forget life assurance

Life assurance can also play a valuable role in estate planning. A policy can help cover or reduce an inheritance tax bill, or provide a financial boost to someone you care about after you're gone.

A whole-of-life policy, for example, pays out whenever you die – and if you place the policy into a trust, the payout sits outside your estate. When the time comes, the money goes directly into the trust and can be used to help pay any inheritance tax due, easing the burden on your loved ones.

Trusts can be incredibly effective, but they can also be complex. It's important to understand how they work – and the rules that apply – especially as transfers into a trust may still attract inheritance tax if you pass away within seven years.

To find out more about trusts and whether they are right for you, speak to your adviser.





Plan with pensions

Pensions can play an important role in how you pass on your wealth, and for now they remain one of the most tax-efficient ways to do this. Inheritance Tax won't apply to pensions until 6 April 2027, which means there is still a window where pension savings can be passed to your beneficiaries without forming part of your taxable estate.

Until the rules change, the current system still applies. If you pass away before age 75, any remaining benefits in a defined contribution pension can usually be paid to your beneficiaries as a lump sum or as drawdown income without any inheritance tax. If you die after age 75, any withdrawals your beneficiaries make will simply be taxed at their normal income tax rate.

Because of this favourable treatment, it can make sense to use other savings or investments to support your spending in retirement and leave your pension untouched

for as long as possible. Money that stays inside the pension continues to grow tax-efficiently, and beneficiaries won't face inheritance tax on it before April 2027.

From 6 April 2027, the position changes, and pensions will start being included in the value of your estate for inheritance tax calculations. With that in mind, it's worth discussing your options with your financial planner to make sure your retirement plans – and your plans for passing wealth on – still work in the most efficient way.

Business Relief

Some investments qualify for Business Relief (BR), which may mean your shares will be exempt from inheritance tax after just two years.

Business Relief is designed to support investment in smaller, privately owned companies, which means the relief only applies when you invest in qualifying businesses. In most cases, these will be companies that aren't listed on a recognised stock exchange. Qualifying investments can also be held within an ISA, providing the same tax advantages on income, gains and stamp duty.

Shares in companies held on the Alternative Investment Market (AIM) qualify for 50% Business Relief, provided they meet the standard rules and have been held for at least two years. AIM shares no longer qualify for the full 100% relief, but they can still offer meaningful inheritance tax advantages within a diversified estate.

Investing in companies that qualify for Business Relief can still be an effective strategy, especially if you want to maintain control over your assets. You're not locked in, and you haven't given the assets away – so if your circumstances change, you can sell the investment. However, these types of investments typically involve smaller, higher-risk companies, which means values can rise or fall quickly.

It's important to understand that the value of your investment can go down as well as up, and you may not get back the amount you originally invested.

If you're considering using Business Relief as part of your inheritance tax planning, it's worth speaking to your adviser. They can help you explore how these rules apply to your situation and whether this type of investment fits comfortably within your overall financial plan.

How we can help you

As financial advisers, we act as partners on your journey through life. Planning to pass on your wealth means first planning for later life, so you can balance your lifestyle and your legacy. To do this, we take the time to understand your family and circumstances, so we can create a plan that's right for you.

If you have a large or complicated estate, the sooner you start planning the better. For many people though, an opportune time to establish an inheritance plan is just after you retire.

An efficient plan involves gifting assets during your lifetime, but you don't want to give away money that you might need later. The benefit of planning once you retire is that you are likely to have a better idea of your future financial needs once you have given up work.

Once you have a clear plan for your future, you can start looking at how you pass the remainder of your wealth onto your loved ones.

If you would like to discuss any of the issues raised in this guide please contact your adviser.

Approved by Best Practice IFA Group on 17 March 2026.

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