

## ***MAKING A WILL & OTHER RELATED MATTERS***

Making a will is one of the most fundamental aspects of estate planning, yet many people do not appreciate its importance.

It is an essential means of ensuring that your assets are distributed in accordance with your wishes. You will thus be assured that you have made proper provision for all those you feel should benefit. And *you* choose the executors and trustees who will carry out your wishes.

It is also an opportunity to plan the distribution in a tax-efficient manner, particularly with regard to inheritance tax (IHT).

A will can also appoint guardians of infant children, besides making appropriate financial provision for them.

### The intestacy rules

In the absence of a will, for a family with children, the intestacy rules provide for the surviving spouse:

- A statutory legacy of £200,000
- The personal chattels
- A life interest in one half of the residue of the estate

Any children are entitled to the other half of the residue once they reach eighteen.

Other circumstances lead to different allocations. If there are no surviving relatives, the estate passes to the Crown.

### Using the IHT exemption

Although a gift to your spouse will be exempt on your death, it will be added to his or her estate, and is likely to increase the IHT payable when they die.

It can often make good sense, therefore, to make provision for gifts to others, usually your children, to the extent that these gifts will fall within the nil rate band for IHT.

### Generation-skipping

If your children are sufficiently well provided for, you may consider providing for grandchildren, present and future.

This will ensure that property reaching the grandchildren will avoid at least one charge to inheritance tax that would otherwise have arisen on the death of their parent(s).

### Discretionary will trust

To preserve flexibility, you may consider leaving the decisions to trustees nominated by you. They can take into account the circumstances following your death, and allocate property in a fair and tax-efficient way.

The trustees will usually be guided by a (non-binding) letter of wishes.

### Safe-keeping and review

Your signed will should be lodged safely so that it can be readily retrieved after your death. All those who need to know should be told where it is.

It will also assist your executors greatly if you produce a data sheet, a simple summary of your financial affairs (see below).

You should review the contents of your will regularly, particularly following significant tax changes or changes in your personal or family circumstances. You should also update your financial data sheet, preferably once a year.

### Insurance policies

It is important that the proceeds of life policies should be written in trust for the benefit of named relatives rather than form part of your own estate.

### Contents of financial data sheet – the so called “dying tidily” log

- Location of will and other personal documents
- Funeral and other wishes
- Details of executors, solicitor, accountant, bankers, etc.
- Tax district and reference
- Details of main assets
- Details of mortgages and lenders
- Details of other liabilities
- Pension/insurance arrangements
- IHT history - gifts in the last seven years

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